Social Security Amendments of 1967 Volume 1

TABLE OF CONTENTS

Social Security Amendments of 1967 Volume 2

TABLE OF CONTENTS

Social Security Amendments of 1967 Volume 3

TABLE OF CONTENTS

Social Security Amendments of 1967 Volume 4

TABLE OF CONTENTS

Social Security Amendments of 1967 Volume 5

TABLE OF CONTENTS

B. Exclusion of Services by Nonresident Aliens

Act of October 22, 1968, to amend the Internal Revenue Code of 1954 with respect to the definition of compensation for purposes of tax under the Railroad Retirement Tax Act, ahd for other purposes (Public Law 90—624, 90th Congress, H.R. 7567)

III. Veterans Pension Amendments

Act of March 28, 1968, to amend title 38 of the United States Code to liberalize the provision relating to payment of pension, and for other purposes (Public Law 90—275, 90th Congress, H.R. 12555)

Union Calendar No. 207

90th Congress, 1st Session - - - - - - House Report No. 544

SOCIAL SECURITY AMENDMENTS OF 1967

REPORT

OF THE

COMMITTEE ON WAYS AND MEANS

ON

H.R. 12080

TO AMEND THE SOCIAL SECURITY ACT TO PROVIDE AN INCREASE IN BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, TO PROVIDE BENEFITS FOR ADDITIONAL CATEGORIES OF INDIVIDUALS, TO IMPROVE THE PUBLIC ASSISTANCE PROGRAM AND PROGRAMS RELATING TO THE WELFARE AND HEALTH OF CHILDREN, AND FOR OTHER PURPOSES

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

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CONTENTS

III. GENERAL DISCUSSION OF THE BILL—Continued

Union Calendar No. 207

90TH CONGRESS, 1st Session } HOUSE OF REPRESENTATIVES { REPORT No. 544

SOCIAL SECURITY AMENDMENTS OF 1967

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

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

REPORT

[To accompany H.R. 12080]

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

I. PRINCIPAL PURPOSES OF THE BILL

The proposals embodied in H.R. 12080 [1] as reported by your committee would make major improvements and reforms in the provisions of the Social Security Act relating to the old-age, survivors, and disability insurance program, the hospital and medical insurance programs, the medical assistance program, the aid to families with dependent children and child welfare programs, and the child health programs.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

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

(1) An across-the-board benefit increase of 12½ percent for persons on the rolls, with a minimum monthly primary insurance amount of $50;

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

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

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

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

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

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

(8) A new definition of dependency for children of women workers;

(9) Additional wage credits for military service; and

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

HEALTH INSURANCE

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

[1] Introduced by Chairman Mills at the direction of the Committee and co-sponsored by Mr. Byrnes.

extend the protection of health insurance, and would simplify administration, by providing—

(1) Coverage of additional days of hospital care;

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

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

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

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

(6) Other miscellaneous improvements.

FINANCING THE SOCIAL INSURANCE PROGRAM

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

AID TO FAMILIES WITH DEPENDENT CHILDREN

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

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

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

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

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

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

In order to enable the States to implement these requirements, the Federal Government would supply more favorable Federal matching for the services (including child welfare and day care) and training

which the States would be required to furnish under the aid to families with dependent children program. Similar matching would be provided for training, supervision, materials, and other items and services which were previously not matched by the Federal Government under the community work and training program.

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

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

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

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

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

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

CHILD WELFARE AND PUBLIC ASSISTANCE

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

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

(*b*) Extend and expand the public assistance demonstration grant program;

(*c*) Initiate a program of grants to educational institutions to expand undergraduate and graduate social work training; and

(*d*) Provide Federal matching for essential home repairs of a limited nature for public assistance recipients.

MEDICAL ASSISTANCE (MEDICAID)

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

(*a*) Impose a limitation on Federal matching at an income level related to payments for families receiving aid to families with dependent children or to the per capita income of the State, if lower;

(*b*) Allow States a broader choice of required health services under the program;

(*c*) Exempt from the requirement of "comparability" for all recipients the benefits "bought-in" for the aged under the medicare supplementary medical insurance program;

(*d*) Allow recipients free choice of qualified providers of health services;

(*e*) Allow, at the option of the States, direct payments to medically needy recipients for physicians' services; and

(*f*) Establish an Advisory Council on Medical Assistance to advise on administration of the program.

CHILD HEALTH

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

(*a*) Consolidate separate earmarked authorizations, now in a confusing set of separate sections under the law, into three broad categories under one authorization: formula grants to States, project grants, and grants for research and training, with project authority to be assumed by the States in their formula grants and eliminated as a separate category in fiscal year 1973;

(*b*) Increase total authorizations by steps, with such increases directed particularly to expanded screening and treatment of children with disabling conditions, family planning, and dental health of children; and

(*c*) Amend the research and training authority to emphasize improved methods of delivering health care through the use of new types of personnel with varying levels of training in order to give added emphasis to the training of medical assistants and health aides and the strengthening of training at the undergraduate level.

II SUMMARY OF PRINCIPAL PROVISIONS OF THE BILL

A. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Increase in social security benefits

Your committee's bill would provide a general benefit increase of 12½ percent for people on the rolls. As a result, the average monthly

benefit paid to retired workers and their wives now on the rolls would increase from $145 to $164. The minimum benefit would be increased from $44 to $50 a month. Under the bill monthly benefits would range from $50 to $159.80 for retired workers now on the social security rolls who began to draw benefits at age 65 or later. Under existing law, the benefit range for those now receiving old-age benefits is $44 to $142 a month.

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

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

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

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

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

Benefits to disabled widows and widowers

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

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

Effective date: Monthly benefits for disabled widows would be payable for the second month after the month in which the bill is enacted.

An estimated 65,000 disabled widows and widowers would be eligible for benefits on enactment and an estimated $60 million in benefits would be paid in 1968.

Earnings limitation

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

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

The dependency of the child on his mother

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

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

Definition of "disability"

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

Insured status for workers disabled while young

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

Effective date: Benefits under this provision would be payable for the second month after the month in which the bill is enacted.

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

Additional wage credits for servicemen

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

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

Coverage of clergymen

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

Coverage of State and local employees

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

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

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

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

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

Definition of "widow," "widower," and "stepchild"

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

occurred. Under present law a marriage must have existed for 12 months.

Limitation on wife's benefit

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

Requirements for husband's and widower's insurance benefits

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

Disability benefits affected by the receipt of workmen's compensation

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

Retirement payment to retired partners

Under your committee's bill certain partnership income of retired partners would not be taxed or credited for social security purposes.

Effective date: Taxable years beginning after 1967.

Underpayments

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

A somewhat different procedure would be followed in the case of claims for benefits on behalf of deceased individuals under the supplementary medical insurance program. For these claims, the benefit would be payable, first, to the person who paid for the services; second, to the estate of the person; and third, to the widow and children of the individual.

Effective date: The provision would apply to both past and future payments.

Simplification of benefit computation

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

Extension of time for filing reports of earnings

The Secretary of Health, Education, and Welfare would be authorized to grant an extension of the time in which a person may file his report of earnings for earnings test purposes if there is a valid reason

for his not filing it on time. Permission to file a late report may be given in advance of the date on which the report is to be filed.

Penalties for failure to file timely reports of earnings

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

Limitation on payment of benefits to aliens outside the United States

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

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

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

Disclosure to courts of whereabouts of certain individuals

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

Report of Board of Trustees

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

Advisory Council on Social Security

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

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

General saving provision

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

B. HEALTH INSURANCE

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

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

Increase in number of covered hospital days

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

Effective date: January 1, 1968.

Payment to physicians under the supplementary medical insurance program

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

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

Transfer of outpatient hospital services to the supplementary medical insurance program

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

Effective date: January 1, 1968.

Requirement that a physician certify the need for hospital services

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

Experimentation with hospital reimbursement methods

The Department of Health, Education, and Welfare would be given authority to experiment with alternative methods of reimbursing hos-

pitals under medicare, medicaid, and the child health programs which would provide incentives to keep costs down while maintaining quality of care.

Payment for purchase of durable medical equipment

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

Effective date: January 1, 1968.

Blood deductibles

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

Effective date: January 1, 1968.

Enrollment under supplementary medical insurance program

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

Effective date: Enrollments after month of enactment.

Transitional provisions for uninsured individuals under the hospital insurance program

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

Reimbursement for civil service retirement annuitants for premium payments under the supplementary medical insurance program

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

Effective: Upon enactment.

Appropriation to supplementary medical insurance trust fund

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

Health Insurance Benefits Advisory Council

The Health Insurance Benefits Advisory Council established under present law would assume the duties of the National Medical Re-

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

Podiatry services

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

Effective date: January 1, 1968.

Payment for certain radiological or pathological services

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

Effective date: January 1, 1968.

Payment for physical therapy

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

Effective date: January 1, 1968.

Payment for portable X-ray services

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

Effective date: January 1, 1968.

Study of coverage of services of health practitioners

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

Limitation on special reduction in allowable days of inpatient hospital services

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

Simplified billing for outpatient hospital services

Under the bill, hospitals would be permitted, as an alternative to the present procedure, to collect small charges (of not more than $50) for outpatient hospital services from the beneficiary without submitting a bill to medicare. The payments due the hospitals would be com-

puted at intervals to assure that the hospital received its final reimbursement on a cost basis.

Effective date: January 1, 1968.

C. FINANCING OF SOCIAL INSURANCE PROGRAMS

The present and proposed tax schedules are—

[In percent]

Period	OASDI		HI		Total	
	Present law	Proposal	Present law	Proposal	Present law	Proposal
Combined employer-employee contribution rates:						
1967	7.8	7.8	1.0	1.0	8.8	8.8
1968	7.8	7.8	1.0	1.0	8.8	8.8
1969–70	8.8	8.4	1.0	1.2	9.8	9.6
1971–72	8.8	9.2	1.0	1.2	9.8	10.4
1973–75 [1]	9.7	10.0	1.1	1.3	10.8	11.3
1987 and after	9.7	10.0	1.6	1.8	11.3	11.8
Self-employed contribution rates:						
1967	5.9	5.9	.5	.5	6.4	6.4
1968	5.9	5.9	.5	.5	6.4	6.4
1969–70	6.6	6.3	.5	.6	7.1	6.9
1971–72	6.6	6.9	.5	.6	7.1	7.5
1973–75 [1]	7.0	7.0	.55	.65	7.55	7.65
1987 and after	7.0	7.0	.8	.9	7.8	7.9

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

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

MAXIMUM TAX CONTRIBUTIONS UNDER PRESENT LAW AND UNDER COMMITTEE BILL

Period	OASDI		HI		Total	
	Present law	Proposal	Present law	Proposal	Present law	Proposal
By employee:						
1967	$257.40	$257.40	$33.00	$33.00	$290.40	$290.40
1968	257.40	296.40	33.00	38.00	290.40	334.40
1969–70	290.40	319.20	33.00	45.60	323.40	364.80
1971–72	290.40	349.60	33.00	45.60	323.40	395.20
1973–75	320.10	380.00	36.30	49.40	356.40	429.40
1987 and after	320.10	380.00	52.80	68.40	372.90	448.40
By self-employed:						
1967	389.40	389.40	33.00	33.00	422.40	422.40
1968	389.40	448.40	33.00	38.00	422.40	486.40
1969–70	435.60	478.80	33.00	45.60	468.60	524.40
1971–72	435.60	524.40	33.00	45.60	468.60	570.00
1973–75	462.00	532.00	36.30	49.40	498.30	581.40
1987 and after	462.00	532.00	52.80	68.40	514.80	600.40

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

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

The supplementary medical insurance trust fund is now provided with a contingency fund for 1966 and 1967. This fund is provided as a safety measure in the early years before the trust fund has had time to build up a surplus, and it would be continued for an additional 2 years.

Number of people and benefit payments

ESTIMATED ADDITIONAL OASDI BENEFIT PAYMENTS IN CALENDAR YEARS 1968 AND 1972 UNDER H.R. 12080

[In millions]

Item	1968	1972
12½ percent benefit increase	$2,812	$3,324
Benefit increase for transitional insured	7	5
Benefit increase for transitional noninsured	52	25
Liberalized benefits with respect to women workers	85	100
Special disability insured status under age 31	70	77
Disabled widow's benefits at age 50	60	72
Earnings test liberalization	140	244
Total	3,226	3,847

The estimated numbers of persons who will either receive additional benefits or receive benefits for the first time and estimated benefits are shown below:

I. Beneficiaries in current-payment status on Dec. 31, 1967, whose benefits for December (assumed to be the effective month) will be increased		23,750,000
II. Estimated number of persons who can receive a benefit for December 1967 (assumed to be the effective month) under the OASDI program as modified by the bill but who cannot receive a benefit for December 1967 under present law		415,000
Dependents of women workers fully but not currently insured at time of death, disability, or retirement, total		180,000
Children	175,000	
Husbands and widowers	5,000	
Workers disabled before attaining age 31, and their dependents		100,000
Disabled widows and widowers who have reached age 50		65,000
Noninsured persons aged 72 and over:		
Persons, now public assistance recipients, who can receive a full payment		20,000
Persons, receiving a governmental pension, who can receive a reduced payment not exceeding $5 per month		50,000
III. Estimated number of persons affected in 1968 by the modification of the earnings test		760,000
Persons who can receive no benefits for 1968 under the earnings test in present law but who will receive some benefits for 1968 under the test as modified by the bill		50,000
Persons who can receive some benefits for 1968 under the earnings test in present law but who will receive more benefits under the test as modified by the bill		710,000

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

	Present law	Proposed
Family groups:		
Retired worker	$82	$92
Male retired worker	93	105
Retired worker and aged wife	145	164
Aged widow only	75	84
Widowed mother and 2 children	223	251
Disabled worker, wife, and 1 or more children	212	239
Beneficiary group: All retired workers	85	96

D. CHANGES IN PROGRAMS OF AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) AND CHILD WELFARE

Family employment and other services

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

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

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

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

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

Community work and training programs

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

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

Work incentives

Under the bill, each State would be required effective July 1, 1969 (optional until then), to have an earnings exemption under its program. Under this provision, the first $30 of earned family income plus one-third of earnings above that amount would be retained by the family. A family would have to fall below the usual assistance levels

to qualify initially for assistance and for the earnings exemption. Persons voluntarily quitting a job or reducing their earnings in order to qualify would not receive the exemption. The earnings of children under age 16 and those 16 to 21 attending school full time would be completely exempt.

Needy children of unemployed fathers

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

Federal payments for foster home care of dependent children.

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

Emergency assistance for needy children

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

variety of services for the children and the family to help the family cope with various types of emergencies that may arise.

Child welfare services

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

Limitation on aid tc families with dependent children

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

E. TITLE XIX AMENDMENTS

Limitation on Federal participation in medical assistance

Under the bill, States would be limited in setting income levels for eligibility to medicaid for which Federal matching funds would be available. The family income level for medicaid could not be higher than either (1) 133⅓ percent of the highest amount ordinarily paid to a family of the same size under the AFDC program, or (2) 133⅓ percent of the State per capita income for a family with four members (and comparable amounts for families of different size). The 133⅓ percent proportions would go into effect on July 1, 1968, except that for States which now have title XIX plans, for the period from July 1, 1968, to January 1, 1969, the proportion would be 150 percent rather than 133⅓ percent and for the period from January 1, 1969, to January 1, 1970, the proportion would be 140 percent.

Maintenance of State effort

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

Coordination of title XIX and the supplementary medical insurance program

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

Modification of comparability provisions

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

Required services under State medicaid programs

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

Extent of Federal financial participation in State administrative expenses

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

Advisory Council on Medical Assistance

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

Free choice for persons eligible for medicaid

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

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

Under the bill, States could receive 75-percent Federal matching for the services which State health agencies perform in helping health facilities to qualify for participation in the various health programs under the Social Security Act (including medicare, medicaid, and the child health programs) and to improve their fiscal records for payment

purposes. Similar provisions in the medicare program (which finances such services on a 100-percent basis from the Federal hospital insurance trust fund) would be repealed effective July 1, 1969, when this provision would go into effect.

Payments for services and care by a third party

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

Effective date: January 1, 1968.

Payments to patients under medicaid

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

Effective date: Upon enactment.

F. OTHER PUBLIC ASSISTANCE AMENDMENTS

Federal payments for repairs to homes of assistance recipients

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

Effective date: October 1, 1967.

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

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

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

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

Social work manpower and training

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

Permanent authority to support demonstration projects

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

G. CHILD HEALTH AMENDMENTS

Consolidation of earmarked authorizations

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

Additional requirements on the States under the formula grant program

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

Project grants

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

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

Research and training

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

III. GENERAL DISCUSSION OF THE BILL

A. GENERAL DISCUSSION OF OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE PROVISIONS

1. Increase in OASDI benefits

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

Your committee is recommending a 12½-percent across-the-board benefit increase for those now on the rolls.

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

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

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

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

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

Monthly benefits for retired workers now on the social security rolls who began to draw benefits at age 65, or later, now range from $44 to $142, and the benefits for disabled workers now range from $44 to $152; under the bill, these benefits would range from $50 to $159.80 for retired workers, and from $50 to $171 for disabled workers. The benefit amount payable to workers with average monthly earnings of $550 ($6,600 earnings base), the highest possible under present law, would be increased from $168 to $189. For a survivor family consisting of a widow and two or more children getting benefits on the basis of $550 of average monthly earnings (maximum wages under a $6,600 earnings base) total monthly benefits of $391.20 would be payable rather than $368 now payable.

In the future, the higher creditable earnings resulting from the increase in the earnings base (to $7,600) would make possible benefits

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

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

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

Average monthly earnings	Worker [1]		Man and wife [1 2]		Widow, widower, or parent, age 62		Widow and 2 children	
	Present law	Bill	Present law	Bill	Present law	Bill	Present law	Bill [3]
$67	$44.00	$50.00	$66.00	$75.00	$44.00	$50.00	$66.00	$75.00
150	78.20	88.00	117.30	132.00	64.60	72.60	120.00	132.00
250	101.70	114.50	152.60	171.80	84.00	94.50	202.40	202.40
300	112.40	126.50	168.60	189.80	92.80	104.40	240.00	240.00
350	124.20	139.80	186.30	209.70	102.50	115.40	279.60	280.80
400	135.90	152.90	203.90	229.40	112.20	126.20	306.00	322.40
550	168.00	189.00	252.00	283.50	138.60	156.00	368.00	391.20
633	[4]	212.00	[4]	317.00	[4]	174.90	[4]	423.60

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

[2] Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as the benefits for a man and wife, except that the total benefits would always equal 150 percent of the worker's primary insurance amount; it would not be limited to $317.

[3] For families already on the benefit rolls who are affected by the maximum benefit provisions, the amounts payable under the bill would in some cases be somewhat higher than those shown here.

[4] Not applicable, since the highest possible average earnings amount is $550.

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

Unfortunately, your committee could discover no definitive guide for determining what the level of the minimum benefits should be. At

this time, a $50 minimum appears appropriate to the continuation of a wage-related system.

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

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

Average monthly earnings	Couple's benefit		Percent of average monthly earnings	
	Present law	Proposal	Present law	Proposal
[1] $67	$66.00	$75.00	98.5	111.9
150	117.30	132.00	78.2	88.0
250	152.60	171.80	61.0	68.7
300	168.60	189.80	56.2	63.3
350	186.30	209.70	53.2	59.9
400	203.90	229.40	51.0	57.4
[2] 550	252.00	283.50	45.8	51.5
[3] 633	----------	317.00	----------	50.1

[1] Highest AME on which minimum benefit is payable.
[2] Maximum AME under present law.
[3] Maximum AME under $7,600 earnings base.

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

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

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

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

Special monthly payments in the same amount were also provided, under an amendment to the law enacted in 1966, for certain people age 72 and older who have never worked or who have earned credit for only a small amount of work under the social security program, and who did not qualify for payments under the 1965 amendments. Payments made under the 1966 amendments are reduced by the amount of any pension, retirement benefit, or annuity that a person is receiving under any other governmental pension system. In addition, the special payment is suspended for any month for which the beneficiary gets payments under a federally aided public assistance program. The cost of the payments under this provision is met out of general revenues.

Under the bill, the payments under both of these special transitional provisions would be increased from $35 to $40 (from $52.50 to $60 for an eligible couple). As a result, about 70,000 people who do not now get the special payments under this provision would qualify for some payments and about 832,000 would qualify for higher payments under this provision. An estimated $59 million in additional payments would be paid out during calendar year 1968; about $52 million of this amount would be paid from general revenues.

3. The retirement test

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

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

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

These changes would be effective for taxable years ending after 1967. About $140 million would be paid out in additional benefits to 760,00 people in 1968.

4. Amendments to disability program

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

that there is a need to provide monthly benefits for the severely disabled widow in her fifties who cannot qualify for widow's or mother's benefits under present law. The widows and widowers for whom benefits would be provided are unable to support themselves by working.

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

The monthly benefit now payable to a widow or widower at age 62 is equal to 82½ percent of the deceased spouse's primary insurance amount. Under the bill, a disabled widow or widower entitled to benefits beginning at age 50 would receive a monthly benefit amounting to 50 percent of the deceased spouse's primary insurance amount. Where entitlement to disabled widow's or widower's benefits begins at a later age the monthly benefit amount would range from 50 percent to 82½ percent of the primary insurance amount, depending on the age at which the widow or widower became entitled. The reduction formula in the bill would result in paying a disabled widow 71½ percent of the primary insurance amount at age 60—the same proportion that is received under present law by the widow who takes actuarially reduced aged widow's benefits at that age. Unlike widow's benefits, widower's benefits are payable at age 62 rather than at age 60; therefore the formula for widower's benefits would be such that a disabled widower would be paid 82½ percent of his spouse's primary insurance amount at age 62—the same proportion that a widow or widower receives at that age.

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

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

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

Your committee's bill would extend social security disability protection to additional totally disabled young workers and their families by providing an alternative to the present requirements that such workers must meet in order to be insured for social security disability protection. To be insured for disability protection under present law, a disabled worker (other than certain blind people) must have a least 20 quarters of coverage (about 5 years of covered work) out of the 40

calendar quarters preceding disablement, in addition to meeting a requirement of previous covered work that is comparable to the insured-status requirement for old-age insurance benefits. The 20-out-of-40 requirement—a test of substantial recent covered employment—provides some assurance that social security disability protection will be related to loss of earnings on account of disability. The requirement thus serves an important purpose and is reasonable as a general test of substantial recent employment.

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

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

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

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

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

This increase would take into account not only the increased cost of the disability insurance provisions due to the benefit increases provided by the bill and to the additional young disabled workers and their dependents who would be eligible for benefits under the bill, but

also the larger than anticipated numbers of disabled people who have become entitled to benefits in the past four years.

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

(*d*) *The definition of disability*

The present law defines disability (except for certain cases of blindness) as the "inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months." Your committee has become concerned with the way this definition has been interpreted by the courts and the effects their interpretations have had and might have in the future on the administration of the disability program by the Social Security Administration. The allocation to the disability trust fund has increased from 0.50 percent of payroll in 1956 to 0.70 percent today, and will be increased to 0.95 percent by your committee's bill. In 1965 this committee recommended, and the Congress adopted, an increase in the social security taxes allocated to the disability insurance trust fund; a large part of which was needed to meet an actuarial deficiency of 0.13 percent in the system. Again this year the Administration has come to the committee asking for an increase in the taxes allocated to that fund to meet an even larger actuarial deficiency, which has reduced the 0.03 percent surplus, estimated after the 1965 amendments, to a 0.15 percent deficiency. The committee's studies indicate that over the past few years the rising cost of the disability insurance program is related, along with other factors, to the way in which the definition of disability has been interpreted. Your committee therefore includes in its bill more precise guidelines that are to be used in determining the degree of disability which must exist in order to qualify for disability insurance benefits.

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

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

(1) Greater knowledge of the protection available under the program to increased numbers of qualified people applying for benefits;

(2) Improved methods of developing evidence of disability; and

(3) More effective ways of assessing the total impact of an individual's impairment on his ability to work.

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

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

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

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

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

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

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

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

Your committee instructs the Social Security Administration to report immediately to the Congress on future trends of judicial inter-

pretation of this nature. As a remedy for the situation which has developed, your committee's bill would provide guidelines to reemphasize the predominant importance of medical factors in the disability determination.

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

The impairment which is the basis for the disability must result from anatomical, physiological, or psychological abnormalities which can be shown to exist through the use of medically acceptable clinical and laboratory diagnostic techniques. Statements of the applicant or conclusions by others with respect to the nature or extent of impairment or disability do not establish the existence of disability for purposes of social security benefits based on disability unless they are supported by clinical or laboratory findings or other medically acceptable evidence confirming such statements or conclusions. In most cases the decision that an individual is disabled can be made solely on the basis of an impairment, or impairments, which are of a level of sever-

ity determined (under administrative rules) to be sufficient so that, in the absence of an actual demonstration of ability to engage in substantial gainful activity, it may be presumed that the person is unable to so engage because of the impairment or impairments. The language which would be added by H.R. 12080 specifies the requirements which must be met in order to establish inability to engage in substantial gainful activity for those people with impairments to which the presumption mentioned above does not apply.

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

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

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

(e) Workmen's compensation offset provisions

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

covered work in excess of the maximum annual amount that is creditable for social security purposes.

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

5. Coverage changes

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

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

from coverage by filing an irrevocable statement to that effect. In effect coverage is still voluntary on the part of the individual, because he can elect not to be covered.

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

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

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

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

cedure or at any time subsequent to such action) to bring under social security, as a group, those workers who are in positions under the retirement system but are ineligible to join the system. This amendment would not be applicable to policemen or firemen.

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

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

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

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

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

(*c*) *Additional wage credits for those in the uniformed service.*—Your committee's bill would provide additional social security protection for those serving in the uniformed services of the United States. Under present law, servicemen are covered under social security on a contributory basis similar to that applicable to other covered employment. A serviceman's coverage, however, is limited to his basic pay, and does not include certain cash increments which many receive or the substantial value of pay in kind, such as food, shelter, and medical services, the cash value of which is generally counted as wages in

case of other jobs covered under social security. Thus the social security protection of a worker may be impaired during a period when he is in military service, because of the relatively low earnings covered under social security, on which benefit amounts are based. Your committee's bill would take account of this situation by providing that, when social security benefits for a serviceman or veteran, or his family, are computed, there would be included an additional wage credit of $100 for each $100, or fraction thereof, of active duty pay, up to $300 a quarter (i.e. up to $100 a month), for service performed in the uniformed services after December 31, 1967, subject to the general limitation on the maximum earnings creditable in a year for benefit and tax purposes. Your committee believes that it would be unfair to many servicemen, particularly those whose cash pay is relatively small, to require that they pay social security employee contributions on these additional wage credits. Accordingly, the bill provides for reimbursing the social security trust funds from general revenues on a current basis for the added cost of benefits which would result from the enactment of this provision. The committee expects that the Defense Department appropriation will carry these funds.

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

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

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

A particular hardship exists in many instances when an individual dies during his first 5 years of Government service, when he is not yet entitled to survivorship protection under his Federal staff retirement system but he has lost his coverage under OASDI. A similar situation occurs when an individual dies shortly after leaving Federal service and before he has worked under OASDI long enough to be covered for survivorship benefits.

Additionally, an inequity may possibly exist in the relationship of the medicare program to Federal employees. Approximately 50 percent of our retired Federal employees are entitled to hospital insurance benefits under medicare on the basis of coverage acquired while serving in the armed services or working in private employment. If the retiree elects to pay the premium for coverage under the voluntary supplementary medical plan open to all of our citizens, he will enjoy health insurance protection approaching that afforded by the high option plans offered by the Federal Employees Health Benefit Act. In that case, the Federal Government is relieved of any obligation to contribute to his health care as an employee distinct from a member of the general public.

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

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

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

The committee has directed the Social Security Administration to make a thorough study of all of the various problems which up to now have precluded the coverage of governmental employees under social security. The committee directs the Social Security Administration to conduct this study in close and constant cooperation with employee groups and with appropriate Federal agencies with a view to resolving the problems in a manner that is fair to both the governmental employees and the other members of the labor force that sup-

port the OASDI system. The report of the study, including positive recommendations for covering of Government employees on a basis that is fair to both Government employees and all other workers, is to be submitted to the Congress prior to January 1, 1969.

6. Health insurance provisions

(a) Extending health insurance protection to disabled beneficiaries

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

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

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

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

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

Under present law, payment under the hospital insurance program may be made for services furnished by a hospital only if a physician certifies that the services are medically necessary. In addition, when the patient has received inpatient hospital services for an extended period, the physician must recertify to the continuing need for the services.

Your committee's bill would eliminate the outpatient hospital services certification requirement and the requirement for a physician's initial certification of the medical necessity for inpatient services furnished by hospitals other than tuberculosis and mental institutions. Outpatient hospital services and admissions to general hospitals are almost always medically necessary and the requirement for a physician's certification of this fact results in largely unnecessary paperwork. Your committee is hopeful that deletion of the certification requirement in these cases will be accompanied by a greater emphasis by hospitals on utilization review and on the certifications that will continue to be required.

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

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

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

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

Your committee's bill makes provision for a new payment procedure under the supplementary medical insurance program to serve as an alternative to the assignment and receipted bill payment procedures. Under the new procedure, physicians or other persons providing covered medical and health services could request payment of medical insurance benefits to them on the basis of an itemized, unpaid bill without having to agree, as under the assignment procedure, to accept the program's reasonable charges as payment in full. If the bill is submitted in an acceptable form and within such time as may be specified in regulations and if the physician's charges for the services rendered do not exceed the reasonable charges, the program's benefits would be paid to the physician. Conversely, where these conditions are not met or where the physician directs that the benefits be paid to the patient, your committee's bill provides for the payment, based on an itemized bill which provides the necessary information, to be made to the beneficiary. Your committee believes that this new procedure will afford a meaningful alternative to the receipted bill and

assignment procedures for physicians who want to assist their patients by completing and submitting the claims for benefits under the supplementary program but who are unwilling to agree ahead of time that they will accept the carrier's determination of a "reasonable charge," as they must under the assignment procedure. If the physician prefers not to submit the bill at all, the patient would submit the unpaid bill with his claim and payment would be made to the patient.

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

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

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

(1) Radiological and pathological services furnished to hospital inpatients.—Physicians' charges for services to individual medicare patients are covered under the medical insurance program. On the other hand, the compensation that some physicians receive from or through a hospital for services which benefit patients generally (for example, administrative services, committee work, teaching, research, and general supervision) as well as the other costs the hospital incurs in providing covered services (for example, salaries of technicians employed by the hospital, overhead, and equipment) are reimbursable

under the hospital insurance program. A major difficulty has arisen for hospitals in preparing bills for reimbursement under medicare because it is very common for hospitals for other reimbursement purposes to give their patients bills for pathological and radiological procedures that cover both the specialist's services to the patient and the supporting hospital services. Therefore, it is necessary under present law, where such consolidated bills are presented, for the hospital and physician to establish a breakdown of the combined bill into two parts, one for each of these two categories of services, in order to determine the patient's liability under the medical insurance program for deductible and coinsurance amounts and to compute the respective liabilities of the two parts of the medicare program. The additional work for hospitals and physicians that results from this required division is an administrative burden for which medicare is entirely responsible. The required division of charges and split billing serve no purpose other than medicare reimbursement and the deductible and coinsurance payments, which are often very small, are a cause of confusion, annoyance and misunderstanding among beneficiaries.

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

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

There would generally be no patient liability for inpatient pathology or radiology services either with respect to the hospital insurance

component (since the inpatient hospital deductible will ordinarily have been met through charges for other services) or the medical insurance component. Therefore, your committee would expect that the proposed change would provide opportunities for the development of procedures which would eliminate paperwork and facilitate administration where the services in question are customarily billed through the hospital.

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

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

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

muneration of the hospital-based physicians and the nonphysician costs the hospital incurs in making outpatient services available. The status under medicare of the physician who bills patients directly would not be affected.

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

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

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

program, the program or the patient, whichever is billed, would receive a combined billing for these services where this would be consistent with the hospital's usual practice.

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

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

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

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

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

Since the success of the experiments will be measured by improvement in efficiency and increase in output of health services per dollar of expenditure, effective measures of efficiency and quality are essential elements to the experiments and in many cases such measures will have to be developed before experimentation can begin. Your committee

believes that the Secretary may find it helpful to contract with research organizations, under existing authority, for the conduct of research designed to establish better methods of measuring hospital efficiency and output.

Under the bill, the Secretary would be required to report annually to the Congress on the experience in carrying out the experimentation in incentive reimbursement.

(f) Additional days of hospital care

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

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

Under present law, persons who attain age 65 in 1967 or earlier are eligible for hospital insurance protection even though they have not earned any quarters of coverage under the social security or railroad retirement programs. However, persons who attain age 65 in 1968 must have earned at least six quarters of coverage or be eligible for social security or railroad retirement benefits. Your committee believes that this initial increase of six quarters of coverage is too sharp, and the bill provides that the minimum amount of quarters of coverage required for entitlement under this special provision of persons attaining age 65 in 1968 would be three quarters of coverage, with the required number of quarters of coverage increasing by three quarters for each subsequent year in which the individual attains age 65. The transitional provision will phase out so that by 1975 (1974 for women)

the same number of quarters of coverage will be required for entitlement to cash benefits and hospital insurance benefits. The cost of hospital insurance protection provided under this provision will continue to be financed from general revenues rather than from the Federal Hospital Insurance Trust Fund. The following table shows both the present and the new requirements for entitlement under the transitional insured status provision:

COVERAGE REQUIREMENTS UNDER THE INSURED STATUS PROVISION OF PRESENT LAW AND UNDER THE COMMITTEE BILL

Year attains age 65	Men			Women		
	Present law		Committee bill	Present law		Committee bill
	OASI	HI	HI	OASI	HI	HI
1967 or earlier	16	0	0	13	0	0
1968	17	6	3	14	6	3
1969	18	9	6	15	9	6
1970	19	12	9	16	12	9
1971	20	15	12	17	15	12
1972	21	18	15	18	18	15
1973	22	21	18	19	19	18
1974	23	23	21	20	20	20
1975	24	24	24	.....	.....	.....

(h) Inclusion of podiatrists' services under supplementary medical insurance program

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

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

and doctors of podiatry where the two types of doctors are equally qualified to provide the required care.

(i) Payment for the purchase of durable medical equipment

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

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

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

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

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

Your committee's bill would extend medical insurance coverage to physical therapy services which are not directly incident to a physician's service if furnished by a hospital, or by others under arrangements with the hospital, to outpatients in a place of residence used as the outpatient's home. The objective of the amendment is to make

scarce physical therapy services available on a reimbursable basis to medicare patients whose conditions make it medically necessary for them to receive physical therapy at home in cases where the hospital does not wish to serve as a home health agency but undertakes to supervise the provision of physical therapy services in the home.

(*k*) *Payments for certain portable X-ray services*

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

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

(*l*) *Exclusion of certain procedures performed during eye examinations*

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

provisions of law in connection with the coverage of eye care would be made equivalent for all persons providing such care.

(*m*) *Blood deductibles*

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

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

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

As under present law, in determining whether a beneficiary has replaced blood under this provision credits provided for a beneficiary under group blood-donor programs and accepted by the provider of

services furnishing the blood would be counted as replacement under the deductible provision. The bill would also establish a separate deductible under part B with respect to the first three pints of whole blood or packed red blood cells furnished a beneficiary in a calender year and covered by the program. The policies concerning replacement of blood furnished a beneficiary would be the same with respect to blood furnished under part B as with respect to blood furnished under part A. The part A and part B deductibles would be applied separately, without respect to whether one or the other had been met.

(*n*) *Appropriations to supplementary medical insurance trust fund*

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

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

In addition, present law authorized the appropriation from general revenues of a contingency reserve which will remain available to the medical insurance program until the end of calendar year 1967. This reserve was considered to be necessary at the beginning of the program, when there was no experience with benefit costs for the program and when contingency reserve funds would only gradually be accumulated. In view of the fact that sufficient operating data have not been available to permit an analysis upon which to base a judgment of whether the fund will be needed, your committee believes that it would be desirable to extend authorization for this contingency reserve to the end of calendar year 1969. It is hoped that during this period reasonably adequate information on benefit costs, derived from experience with the present program, will become available, and on the basis of this experience, accurate estimates of future costs made. Furthermore,

during this period it is expected that an adequate fund for contingencies will be accumulated from the excess of premiums over benefits. If no contingency reserve is made available to provide an additional safety factor the premium rate over the next several years would have to be set at a higher level than is expected to be needed for the cost of benefits and administration, in order to provide funds which might be needed should the estimates of cost prove to be substantially below experience. The contingency reserve would not, even if used, be a permanent charge to general revenues from which it was authorized to be appropriated since any advances from this reserve are to be repaid from future income to the medical insurance trust fund.

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

Under present law, a person is eligible to enroll in the supplementary medical insurance program when he attains age 65. However, the law includes several restrictions on his enrollment after age 65 because of concern that in the absence of these restrictions persons might delay enrolling until they foresee that they will have covered medical expenses. If a person does not enroll during his initial 7-month enrollment period, beginning with the third month before the month in which he attains age 65, he cannot enroll until the next general enrollment period (Oct. 1 through Dec. 31 of each odd-numbered year beginning with 1967). If he does enroll after his initial enrollment period, he may be required to pay a higher premium than if he had enrolled at age 65 and coverage cannot begin until the July 1st following a general enrollment period. Also, he cannot enroll in the program for the first time more than 3 years after his initial enrollment period. Present law makes no provision for excusing individuals who first seek to enroll some time after they reach age 65 because they are mistaken about their age. Thus, although a person who files for benefits some time after he is first eligible is able to get cash benefits and hospital insurance benefits retroactively for up to 12 months, he may have to wait for as long as 2½ years before his medical insurance coverage could begin.

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

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

Present law requires that when an individual is an inpatient of a phychiatric hospital or a tuberculosis hospital when he becomes eligible for hospital insurance benefits, the number of days on which he was an inpatient in such an institution in the 90 days (120 days under

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

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

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

Your committee's bill would require the Secretary of Health, Education, and Welfare to study the question of adding to the services now covered under the supplementary medical insurance program the services of additional types of licensed practitioners performing health services in independent practice. The Secretary would be required to report to the Congress, prior to January 1, 1969, his finding with respect to the need for covering under the medical insurance program

the various types of services performed by such practitioners and the costs of such coverage. The Secretary would also be required to make recommendations as to the priority of covering these services, the methods of the coverage, and the safeguards that should be included in the law if any such coverage is provided.

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

(a) Eligibility of adopted child for monthly benefits

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

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

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

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

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

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

Dependency on a stepmother would be established on the same basis as it is for stepfathers under present law—a child would be dependent on his stepmother if the child is living with the stepmother or if the

child is receiving at least one-half of his support from the stepmother. Where a child is eligible for benefits on the earnings records of two parents, he would be paid the higher of the two benefits, as under present law.

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

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

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

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

(d) Underpayments

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

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

Your committee recognizes that the present provision gives rise to unnecessary difficulties, particularly, where the amount of the unpaid benefits is small. State law governs the procedures for appointing a legal representative of a deceased person's estate, and very few States, even where small-estate statutes are in effect, provide a simple means by which a person can be appointed to act as the legal representative of an estate. The expense of appointing an administrator (for an estate whose only asset may be the unpaid check) may be larger than the amount of the check, and, even where an administrator is appointed and the underpayment is paid, the amount that the claimant finally gets may be severely reduced by the cost of setting up the estate. At the end of June 1967 there were about 141,000 cases in which

claims for underpayments had not been paid under the present provision for settling claims for benefits due a beneficiary who has died.

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

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

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

The bill would also authorize the Secretary to settle claims for unpaid medical insurance benefits in cases where the bill for covered services had not been paid by making payment to the physician (or other

supplier of services) who provided the services, but only if the physician (or other provider of health services) agrees to accept the reasonable charge for the services as his full charge.

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

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

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

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

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

period of disability which began before 1951 are excluded in computing the primary insurance amount (where, again, less than 9 years of pre-1951 earnings can be used.)

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

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

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

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

(f) Definitions of "widow", "widower", and "stepchild"

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

Your committee's bill would further modify the duration-of-relationship requirements for widows, widowers, and stepchildren of deceased workers to provide an exception to the 9-month requirement in the case of deaths among members of the uniformed services and accidental deaths. Thus, under the bill, the duration-of-marriage requirement would be reduced to 3 months where the insured person

was a member of a uniformed service on active duty, or where the worker's death was accidental, unless the Secretary determines that at the time of the marriage the individual could not reasonably have been expected to live for 9 months.

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

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

Under present law, husband's and widower's benefits can be paid only if the husband or widower was actually dependent on his wife at the time she retired, became disabled, or died. It is also required that she be currently insured (that is, if she had at least 1½ years of covered work within the 3-year period before her retirement, disability or death). A wife, on the other hand, is always able to qualify for benefits based on her husband's earnings.

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

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

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

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

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

This change would be effective upon enactment of the bill.

(i) Reduced penalties for failure to file timely reports

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

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

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

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

These changes would be effective upon enactment of the bill.

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

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

tinued if he returns to the United States for 1 day before the end of the 6-month period.

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

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

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

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

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

Present law also provides for the Secretary to appoint a nine-member National Medical Review Committee to study the utilization of hospital services and other health and medical services covered by the program with an eye toward recommending changes in the way in which health services are used and modifications in the ad-

ministration of the program or in the provisions of law relevant to the utilization of services. This Committee has not been established primarily because its effective operation requires the availability of experience under the new program to serve as a basis for study. The program has been in operation for 1 year and significant data on experience under it have not yet emerged.

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

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

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

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

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

Your committee's bill would permit plans approved under the Federal Employees Health Benefits Act of 1959 to reimburse civil service retirement annuitants for amounts equal to the premiums paid under the supplementary medical insurance program, provided such reimbursement is financed from funds other than the contributions made by the Federal Government and the Federal employees toward the health benefit plan. Under most private insurance plans that have been modified to take account of the medical insurance protection available under medicare, the beneficiary pays an adjusted premium rate that reflects the modified protection he receives. In contrast, annuitants who have enrolled in a Federal employee health benefits plan and who enroll also in the supplementary medical insurance program are not likely to receive additional protection which is equivalent to the additional premiums they must pay. Since the Government plans,

unlike private plans, are unable under the Federal Employees Health Benefits Act of 1959 to develop provisions for coordination of their coverage with that provided by the supplementary medical insurance program, annuitants, unlike almost all other aged persons, receive no advantage from the supplementary medical insurance program. By permitting reimbursement of amounts equivalent to the supplementary medical insurance premiums, the bill would remedy these problems and would have the effect of encouraging such annuitants to enroll in the supplementary medical insurance program.

(*n*) *Disclosure to courts of whereabouts of certain individuals*

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

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

(*o*) *Reports of the boards of trustees to Congress*

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

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

would require a separate actuarial analysis of all benefit expenditures made on account of disability payments.

(*p*) *General savings provision*

Under a saving clause provided in the bill, the benefit amounts payable to one or more members of a family who were on the benefit rolls in the month before the effective month of the benefit increase will not be reduced under the family maximum provisions of the law, if another family member (1) becomes entitled to benefits for the effective month of the benefit increase and (2) was made eligible for benefits by a provision of the bill. The newly entitled person will be entitled to a benefit equal to the benefit amount he would have gotten for the effective month of the benefit increase if there were no saving clause to protect the benefits of other members of the family—that is, he would get a benefit 12½ percent higher than he would have gotten if he had been on the rolls in the previous month. Thus the provision would allow families now getting benefits limited by the family maximum provision to get additional benefits, which would not otherwise be payable, in cases where an additional member of the family qualifies for benefits as a result of a change made by the bill.

8. Financing provisions

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

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

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

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

Under the schedule of old-age, survivors, and disability insurance contribution rates that your committee recommends (shown below), the employee-employer rate scheduled for 1969–70 would be decreased

by 0.2 percent, from 4.4 percent each to 4.2 percent each. The rate scheduled for 1969 under present law (4.4 percent each) would be increased by 0.2 percent, to 4.6 percent each. After 1972, the employee-employer contribution rate would be 5 percent each instead of 4.85 percent each as under present law.

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

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

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

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

[In percent]

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

9. Actuarial cost estimates for the hospital insurance system

(a) Summary of actuarial cost estimates

The hospital insurance system, as modified by your committee's bill, has an estimated cost for benefit payments and administrative expenses that is in long-range balance with contribution income. It is recognized that the preparation of cost estimates for hospitalization and related benefits is much more difficult and is much more subject to variation than cost estimates for the cash benefits of the old-age, survivors, and disability insurance system. This is so not only because

the hospital insurance program is newly established, with no past operating experience, but also because of the greater number of variable factors involved in a service-benefit program than in a cash-benefit one. However, your committee believes that the present cost estimates are made under conservative assumptions with respect to all foreseeable factors.

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

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

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

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

(*b*) *Financing policy*

(*1*) *Financing basis of committee bill*

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

[Figures in percent]

Calendar year	Combined employer-employee rate		Self-employed rate	
	Present law	Committee bill	Present law	Committee bill
1967–68	1.0	1.0	0.50	0.50
1969–72	1.0	1.2	.50	.60
1973–75	1.1	1.3	.55	.65
1976–79	1.2	1.4	.60	.70
1980–86	1.4	1.6	.70	.80
1987 and after	1.6	1.8	.80	.90

The combined employer-employee rate would be the same in 1968 under your committee's bill as under present law and 0.2 percent higher in 1969 and thereafter. These increases, along with the additional income from the higher earnings base, would finance the increased cost of the present program that results from the higher hospitalization-cost assumptions used in the current estimates, as compared with those used when the program was initiated in 1965.

The hospital insurance program is completely separate from the old-age, survivors, and disability insurance system in several ways, although the earnings base is the same under both programs. *First*, the schedules of tax rates for old-age, survivors, and disability insurance and for hospital insurance are in separate subsections of the Internal Revenue Code (unlike the situation for old-age and survivors insurance as compared with disability insurance, where there is a single tax rate for both programs, but an allocation thereof into two portions). *Second*, the hospital insurance program has a separate trust fund (as is also the case for old-age and survivors insurance and for disability insurance) and, in addition, has a separate Board of Trustees from that of the old-age, survivors, and disability insurance system. *Third*, income tax withholding statements (forms W–2) show the proportion of the total contribution for old-age, survivors, and disability insurance and for hospital insurance that is with respect to the latter. *Fourth*, the hospital insurance program covers railroad employees directly in the same manner as other covered workers, and their benefit payments are paid directly from this trust fund (rather than directly or indirectly through the railroad retirement system), whereas these employees are not covered by old-age, survivors, and disability insurance (except indirectly through the financial interchange provisions). *Fifth*, the financing basis for the hospital insurance system is determined under a different approach than that used for the old-age, survivors, and disability insurance system, reflecting the different natures of the two programs (by assuming rising earnings levels and rising hospitalization costs in future years instead of level-earnings assumptions and by making the estimates for a 25-year period rather than a 75-year one).

(*2*) *Self-supporting nature of system*

Just as has always been the case in connection with the old-age, survivors, and disability insurance system, your committee has very carefully considered the cost aspects of the present hospital insurance system and proposed changes therein. In the same manner, your committee believes that this program should be completely self-supporting from the contributions of covered individuals and employers (the transitional uninsured group covered by this program have their benefits, and the resulting administrative expenses, completely financed from general revenues). Accordingly, your committee very strongly believes that the tax schedule in the law should make the hospital insurance system self-supporting over the long range as nearly as can be foreseen, and thus actuarially sound.

(*3*) *Actuarial soundness of system*

The concept of actuarial soundness as it applies to the hospital insurance system is somewhat similar to that concept as it applies to the old-age, survivors, and disability insurance system (see discussion of this topic in another section), but there are important differences.

One major difference in this concept as it applies between the two different systems is that cost estimates for the hospital insurance program should desirably be made over a period of only 25 years in the future, rather than 75 years as in connection with the old-age, survivors, and disability insurance program. A shorter period for the hospital insurance program is necessary because of the greater difficulty in making forecast assumptions for a service benefit than for a cash benefit. Although there is reasonable likelihood that the number of beneficiaries aged 65 and over will tend to increase over the next 75 years when measured relative to covered population (so that a period of this length is both necessary and desirable for studying the cost of the cash benefits under the old-age, survivors, and disability insurance program), it is far more difficult to make reasonable assumptions as to the trends of medical care costs and practices for more than 25 years in the future.

In a new program such as hospital insurance, it seems desirable to your committee that the program should be completely in actuarial balance. In order to accomplish this result, your committee has revised the contribution schedule to meet this requirement, according to the underlying cost estimates.

(c) *Hospitalization data and assumptions*

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

Table A presents a summary comparison of the annual increases in hospital costs and the corresponding increases in wages that have occurred since 1954 and up through 1966.

TABLE A.—COMPARISON OF ANNUAL INCREASES IN HOSPITAL COSTS AND IN EARNINGS

[In percent]

Calendar year	Increase over previous year	
	Average wages in covered employment	Average daily hospitalization costs [1]
1955	3.8	6.3
1956	5.7	4.5
1957	5.5	7.7
1958	3.3	8.6
1959	3.3	6.8
1960	4.3	6.8
1961	3.1	8.5
1962	4.2	5.3
1963	2.4	5.6
Average for 1954–63 [2]	4.0	6.7
1964	3.1	6.9
1965	1.6	7.0
1966	4.4	11.0

[1] Data are for fiscal years ending in September of year shown.
[2] Rate of increase compounded annually that is equivalent to total relative increase from 1954 to 1963.

The annual increases in earnings are based on those in covered employment under the old-age, survivors, and disability insurance system as indicated by first quarter taxable wages, which by and large are not affected by the maximum taxable earnings base. The data on increases in hospital costs are based on a series of average daily expense per patient day (including not only room and board,

but also other inpatient charges and other expenditures of hospitals) prepared by the American Hospital Association.

The annual increases in earnings fluctuated somewhat over the 10-year period up through 1963, although there were not very large deviations from the average annual rate of 4.0 percent; no upward or downward trend over the period is discernible. The annual increases in hospital costs likewise fluctuated from year to year during this period, around the average annual rate of 6.7 percent.

During the period 1954–63, hospital costs increased at a faster rate than earnings. The differential between these two rates of increase fluctuated widely, being as high as somewhat more than 5 percent in some years and as low as a negative differential of about 1 percent in 1956 (with the next lowest differential being a positive one of about 1 percent in 1962). Over the entire 10-year period, the differential between the average annual rate of increase in hospital costs over the average annual rate of increase in earnings was 2.7 percent.

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

Your committee was advised by the Department of Health, Education, and Welfare that, in the future, earnings are estimated to increase at a rate of about 3 percent per year. It is much more difficult to predict what the corresponding increase in hospital costs will be.

(2) Effect on cost estimates of rising hospital costs

A major consideration in making cost estimates for hospital benefits, then, is how long and to what extent the tendency of hospital costs to rise more rapidly than the general earnings level will continue in the future, and whether or not it may, in the long run, be counterbalanced by a trend in the opposite direction. Some factors to consider are the relatively low wages of hospital employees (which have been rapidly "catching up" with the general level of wages and obviously may be expected to "catch up" completely at some future date, rather than to increase indefinitely at a more rapid rate than wages generally) and the development of new medical techniques and procedures, with resultant increased expense.

In connection with this factor, there are possible counterbalancing factors. The higher costs involved for more refined and extensive treatments may be offset by the development of out-of-hospital facilities, shorter durations of hospitalization, and less expense for subsequent curative treatments as a result of preventive measures. Also, it is possible that at some time in the future, the productivity of hospital personnel will increase significantly as the result of changes in the organization of hospital services or for other reasons, so that, as in other fields of economic activity, the general wage level might increase more rapidly than hospitalization prices in the long run.

Perhaps the major consideration in making actuarial cost estimates for hospital benefits is that—unlike the situation in regard to cost estimates for the monthly cash benefits, where the result is the oppo-

site—an unfavorable cost result is shown when total earnings levels rise, unless the provisions of the system are kept up to date (insofar as the maximum taxable earnings base is concerned). The reason for this result is that hospital costs rise at least at the same rate over the long run as the total earnings level, whereas the contribution income rises less rapidly than the total earnings level, unless the earnings base is kept up to date.

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

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

As indicated previously, your committee very strongly believes that the financing basis of the hospital insurance program should be developed on a conservative basis. For the reasons brought out, the cost estimates should not be developed on a level-earnings basis, but rather they should assume dynamic conditions as to both earnings levels and hospitalization costs. Accordingly, it seems appropriate to make cost projections for only 25 years in the future and to develop the financing necessary for only this period (but with a resulting trust fund balance at the end of the period equal to about 1 year's disbursements). Although the trend of beneficiaries aged 65 and over relative to the working population will undoubtedly move in an upward direction after 25 years from now, it seems impossible to predict what the trend of medical costs and what hospital-utilization and medical-practice trends will be in the distant future.

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

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

high-cost set corresponds to the highest American Hospital Association prediction. The intermediate-cost set is used to develop the financing provisions of your committee's bill.

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

[In percent]

Calendar year	Low-cost	Intermediate-cost	High-cost
1967	12.0	15.0	15.0
1968	10.0	15.0	15.0
1969	8.0	10.0	15.0
1970	6.0	6.0	15.0
1971	5.2	5.2	15.0
1972	4.6	4.6	10.0
1973	4.1	4.1	4.1
1974	3.6	3.6	3.6
1975 and after	3.0	3.0	3.0

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

The hospital utilization assumptions for the cost estimates in this report are founded on the hypothesis that current practices in this field will not change relatively more in the future than past experience has indicated. In other words, no account is taken of the possibility that there will be a drastic change in philosophy as to the best medical practices, so as, for example, to utilize in-hospital care to a much greater extent than is now the case.

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

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

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

(d) Results of cost estimates

(1) Summary of cost estimate for committee bill

Under the intermediate-cost assumptions as to the future trend of hospital costs, the level-cost of the benefits and administrative expenses under present law is estimated at 1.47 percent of taxable payroll. If the low-cost assumptions were used, the corresponding figure is 1.34 percent of taxable payroll, while under the high-cost estimate,

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

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

(2) Level-costs of hospital and related benefits

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

The estimated level-cost of the system is reduced by 0.01 percent of taxable payroll as a result of transferring the outpatient diagnostic benefits to the supplementary medical insurance system. The estimated level-cost of extending the maximum duration of the inpatient hospital benefits from 90 days to 120 days is less than 0.01 percent of taxable payroll. The other changes in the benefit provisions of this program would not have any significant effect on the long-range costs.

TABLE C.—CHANGES IN ACTUARIAL BALANCE OF HOSPITAL INSURANCE SYSTEM, EXPRESSED IN TERMS OF ESTIMATED LEVEL-COST AS PERCENTAGE OF TAXABLE PAYROLL, BY TYPE OF CHANGE, INTERMEDIATE-COST ESTIMATE, PRESENT LAW AND COMMITTEE BILL, BASED ON 3.75 PERCENT INTEREST

[In percent]

Item	Level-cost
Level-cost of benefit payments [1], present law:	
Original estimate	1.23
Revised estimate	1.47
Increase in earnings base	−.11
Transfer of outpatient diagnostic benefits to SMI	−.01
Increase in maximum duration of inpatient benefits	.00
Revised contribution schedule	−.18
Total effect of changes in bill	−.30
Actuarial balance under present law, original estimate	.00
Actuarial balance under present law, revised estimate	−.24
Actuarial balance under committee bill	+.06
Net level-cost of benefit payments [1] under committee bill	1.35
Net level-equivalent of contributions under committee bill	1.41

[1] Including administrative expenses.

As indicated previously, one of the most important assumptions in the cost estimates presented herein is that the earnings base is assumed to remain unchanged after it increases to $7,600 in 1968, even though for the remainder of the period considered (up to 1990) the general earnings level is assumed to rise at a rate of 3 percent annually. If the earnings base does rise in the future to keep up to date with the general earnings level, then the contribution rates required would be lower than those scheduled in your committee's bill. In fact, if this were to occur, the steps in the contribution schedule beyond the combined employer-employee rate of 1.2 percent would not be needed.

The cost for the persons who are blanketed in for the hospital and related benefits is met from the general fund of the Treasury (with the financial transactions involved passing through the hospital insurance trust fund). The costs so involved, along with the financial transactions, are not included in the preceding cost analysis or in the following discussions of the progress of the hospital insurance trust fund. A later portion of this section, however, discusses these costs for the blanketed-in group.

(3) Future operations of hospital insurance trust fund

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

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

TABLE D.—ESTIMATED PROGRESS OF HOSPITAL INSURANCE TRUST FUND INTERMEDIATE-COST ESTIMATE

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
	Actual data				
1966	$1,911	$783	[1] $57	$34	$1,105
	Estimated data, committee bill				
1967	$2,943	$2,437	$90	$52	$1,573
1968	3,332	2,912	102	69	1,960
1969	4,120	3,329	117	92	2,726
1970	4,348	3,657	128	121	3,410
1971	4,518	3,951	138	145	3,984
1972	4,680	4,244	149	162	4,433
1973	5,216	4,539	159	182	5,133
1974	5,442	4,830	169	204	5,780
1975	5,627	5,124	179	222	6,326
1980	7,982	6,632	232	368	10,818
1985	9,103	8,512	298	603	16,698
1990	11,441	10,843	380	818	22,491
	Estimated data, present law				
1967	$2,943	$2,437	$90	$52	$1,573
1968	3,150	2,929	103	64	1,755
1969	3,274	3,349	117	62	1,625
1970	3,394	3,678	129	48	1,260
1971	3,516	3,973	139	25	689
1972	3,637	4,269	149	[2]	[2]
1973	4,100	4,564	160	[2]	[2]
1974	4,270	4,858	170	[2]	[2]
1975	4,405	5,153	180	[2]	[2]
1980	6,379	6,670	233	[2]	[2]
1985	7,231	8,560	300	[2]	[2]
1990	9,172	10,905	382	[2]	[2]

[1] Including administrative expenses incurred in 1965.
[2] Fund exhausted in 1972.

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

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

Table E shows the estimated operation of the hospital insurance trust fund under your committee's bill under the low-cost and high-cost estimates. Under the low-cost estimate the balance in the trust fund grows steadily, reaching $10 billion in 1975 and $43.7 billion in 1990 (at which time it represents the disbursements for 4.3 years). In actual practice, if the low-cost assumptions materialize, it would not be necessary to increase the contribution rates as much after 1972 as is done in your committee's bill.

Under the high-cost estimate, which represents probably the most extreme situation from a high-cost standpoint in regard to hospital costs, the balance in the trust fund under your committee's bill reaches a maximum of $2.7 billion at the end of 1970 and then decreases until being exhausted in 1974. This estimate indicates that, despite very high assumptions as to the trend of hospital costs, the system would have sufficient funds to maintain operations for at least 5 years under these circumstances, without changing the financing provisions.

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

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
	Low-cost estimate				
1967	$2,943	$2,366	$90	$54	$1,646
1968	3,332	2,695	102	78	2,259
1969	4,120	3,019	117	115	3,358
1970	4,348	3,313	128	160	4,425
1971	4,518	3,579	138	200	5,426
1972	4,680	3,844	149	236	6,349
1973	5,216	4,111	159	275	7,570
1974	5,442	4,375	169	318	8,786
1975	5,627	4,641	179	357	9,950
	High-cost estimate				
1967	$2,943	$2,437	$90	$52	$1,573
1968	3,332	2,912	102	69	1,960
1969	4,120	3,494	117	87	2,556
1970	4,348	4,194	128	98	2,680
1971	4,518	4,986	138	84	2,158
1972	4,680	5,650	149	45	1,084
1973	5,216	6,042	159	----	99
1974	5,442	6,430	169	(1)	(1)
1975	5,627	6,821	179	(1)	(1)

[1] Fund exhausted in 1974.

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

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

Hospital and related benefits are provided not only for beneficiaries of the old-age, survivors, and disability insurance system and the railroad retirement system, but also for most persons aged 65 and over in 1966 (and for many of those attaining this age in the next few years) who are not insured under either of these two social insurance systems. Such benefit protection is provided to any person aged 65 before 1967 who is not eligible as an old-age, survivors, and disability insurance or railroad retirement beneficiary, except for certain active and retired Federal employees who are eligible (or had the opportunity of being eligible) for similar protection under the Federal Employees Health Benefits Act of 1959 and except for certain short-residence aliens.

Under present law, persons meeting such conditions who attain age 65 before 1968 also qualify for the hospital benefits, while those attaining age 65 after 1967 must have some old-age, survivors, and disability insurance or railroad retirement coverage to qualify—

namely, 3 quarters of coverage (which can be acquired at any time after 1936) for each year elapsing after 1965 and before the year of attainment of age 65 (e.g., 6 quarters of coverage for attainment of age 65 in 1968, 9 quarters for 1969, etc.). This transitional provision "washes out" under present law for men attaining age 65 in 1974 and for women attaining age 65 in 1972, since the fully-insured-status requirement for monthly benefits for such categories is then no greater than the special-insured status requirement.

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

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

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

	Present law	Committee bill
Calendar year:		
1966 (last 6 months, estimate based on actual experience)	$170	$170
1967	375	375
1968	401	402
1969	407	409
1970	396	398

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

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

(a) Summary of actuarial cost estimates

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

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

(b) Financing policy

(1) Self-supporting nature of system

Coverage under supplementary medical insurance can be voluntarily elected, on an individual basis, by virtually all persons aged 65 and over in the United States. This program is intended to be completely self-supporting from the premiums of enrolled individuals and from the equal-matching contributions from the general fund of the Treasury. For the initial period, July 1966 through December 1967, the premium rate is established at $3 per month, so that the total income of the system per participant per month is $6. Persons who do not elect to come into the system at as early a time as possible will generally have to pay a higher premium rate than $3. The standard monthly premium rate can be adjusted for future years after 1967 so as to reflect the expected experience, including an allowance for a margin for contingencies. All financial operations for this program are handled through a separate fund, the supplementary medical insurance trust fund.

Present law also provides for the establishment of an advance appropriation from the general fund of the Treasury that will serve as an initial contingency reserve in an amount equal to $18 (or 6 months' per capita contributions from the general fund of the Treasury) times the number of individuals who were estimated to be eligible for participation in July 1966. This amount, which is approximately $345 million (of which $100 million has actually been appropriated), has not actually been transferred to the trust fund and will not be transferred unless, and until, some of it would be needed. This contingency amount is available only during the first 18 months of operations (July 1966 through December 1967), and any amounts actually transferred to the trust fund would be subject to repayment to the general fund of the Treasury (without interest).

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

(2) Actuarial soundness of system

The concept of actuarial soundness for the old-age, survivors, and disability insurance system and for the hospital insurance system is somewhat different than that for the supplementary medical insurance program. In essence, the last system is on a "current cost" financing

basis, rather than on a "long-range cost" financing basis. The situations are essentially different because the financial support of the supplementary medical insurance system comes from a premium rate that is subject to change from time to time, in accordance with the experience actually developing and with the experience anticipated in the near future. The actuarial soundness of the supplementary medical insurance program, therefore, depends only upon the "short-term" premium rates being adequate to meet, on an accrual basis, the benefit payments and administrative expenses over the period for which they are established (including the accumulation and maintenance of a contingency fund).

(c) *Results of cost estimates*

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

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

(a) *Summary of actuarial cost estimates*

The old-age, survivors, and disability insurance system, as modified by your committee's bill, has an estimated cost for benefit payments and administrative expenses that is very closely in balance with contribution income. This also was the case for the 1950 and subsequent amendments at the time they were enacted.

The old-age and survivors insurance system as modified by your committee's bill shows a favorable actuarial balance of 0.04 percent of taxable payroll under the intermediate-cost estimate. This is, of course, very close to an exact balance, especially considering that a range of variation is necessarily present in the long-range actuarial cost estimates and, further, that rounded tax rates are used in actual practice. Accordingly, the old-age and survivors insurance program, as it would be changed by your committee's bill, is actuarially sound.

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

(b) *Financing policy*

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

The contribution schedule for old-age, survivors, and disability insurance contained in your committee's bill, as to the combined em-

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

[Percent]

Calendar year	Combined employer-employee rate		Self-employed rate	
	Present law	Committee bill	Present law	Committee bill
1967	7.8	7.8	5.9	5.9
1968	7.8	7.8	5.9	5.9
1969–70	8.8	8.4	6.6	6.3
1971–72	8.8	9.2	6.6	6.9
1973 and after	9.7	10.0	7.0	7.0

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

[Percent]

Calendar year	Old-age and survivors insurance		Disability insurance	
	Present law	Committee bill	Present law	Committee bill
1967	7.10	7.10	0.70	0.70
1968	7.10	6.85	.70	.95
1969–70	8.10	7.45	.70	.95
1971–72	8.10	8.25	.70	.95
1973 and after	9.00	9.05	.70	.95

(2) Self-supporting nature of system

The Congress has always carefully considered the cost aspects of the old-age, survivors, and disability insurance system when amendments to the program have been made. In connection with the 1950 amendments, the Congress stated the belief that the program should be completely self-supporting from the contributions of covered individuals and employers. Accordingly, in that legislation the provision permitting appropriations to the system from general revenues of the Treasury was repealed. This policy has been continued in subsequent amendments. The Congress has very strongly believed that the tax schedule in the law should made the system self-supporting as nearly as can be foreseen and thus actuarially sound.

(3) Actuarial soundness of system

The concept of actuarial soundness as it applies to the old-age, survivors, and disability insurance system differs considerably from this concept as it applies to private insurance and private pension plans, although there are certain points of similarity with the latter. In connection with individual insurance, the insurance company or other administering institution must have sufficient funds on hand so that if operations are terminated, it will be in a position to pay off

all the accrued liabilities. This, however, is not a necessary basis for a national compulsory social insurance system and, moreover, is frequently not the case for well-administered private pension plans, which may not, as of the present time, have funded all the liability for prior service benefits.

It can reasonably be presumed that, under Government auspices, such a social insurance system will continue indefinitely into the future. The test of financial soundness, then, is not a question of whether there are sufficient funds on hand to pay off all accrued liabilities. Rather, the test is whether the expected future income from tax contributions and from interest on invested assets will be sufficient to meet anticipated expenditures for benefits and administrative costs over the long-range period considered in the actuarial valuation. Thus, the concept of "unfunded accrued liability" does not by any means have the same significance for a social insurance system as it does for a plan established under private insurance principles, and it is quite proper to count both on receiving contributions from new entrants to the system in the future and on paying benefits to this group during the period considered in the valuation. These additional assets and liabilities must be considered in order to determine whether the system is in actuarial balance.

Accordingly, it may be said that the old-age, survivors, and disability insurance program is actuarially sound if it is in actuarial balance. This will be the case if the estimated future income from contributions and from interest earnings on the accumulated trust fund investments will, over the long-range period considered in the valuation, support the disbursements for benefits and administrative expenses. Obviously, future experience may be expected to vary from the actuarial cost estimates made now. Nonetheless, the intent that the system be self-supporting (and actuarially sound) can be expressed in law by utilizing a contribution schedule that, according to the intermediate-cost estimate, results in the system being in balance or substantially close thereto.

Your committee believes that it is a matter for concern if the old-age, survivors, and disability insurance system shows any significant actuarial insufficiency. Traditionally, the view has been held that for the old-age and survivors insurance portion of the program, if such actuarial insufficiency has been no greater than 0.25 percent of payroll, when measured over perpetuity, it is at the point where it is within the limits of permissible variation. The corresponding point for the disability insurance portion of the system is about 0.05 percent of payroll (lower because of the relatively smaller financial magnitude of this program). Based on the recommendation of the 1963–64 Advisory Council on Social Security Financing (see app. V of the 25th Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, H. Doc. No. 100, 89th Cong.), the cost estimates are now being made on a 75-year basis, rather than on a perpetuity basis. On this approach, the margin of variation from exact balance should be smaller—no more than 0.10 percent of taxable payroll for the combined old-age, survivors, and disability insurance program.

Furthermore, traditionally when there has been an actuarial insufficiency exceeding the limits indicated, any subsequent liberalizations in benefit provisions were fully financed by appropriate changes in the tax schedule or through raising the earnings base, and at the same time the actuarial status of the program was improved.

The changes provided in your committee's bill are in conformity with these financing principles.

(c) *Basic assumptions for cost estimates*

(1) *General basis for long-range cost estimates*

Benefit disbursements may be expected to increase continuously for at least the next 50 to 70 years because of such factors as the aging of the population of the country and the slow but steady growth of the benefit roll. Similar factors are inherent in any retirement program, public or private, that has been in operation for a relatively short period. Estimates of the future cost of the old-age, survivors and disability insurance program are affected by many elements that are difficult to determine. Accordingly, the assumptions used in the actuarial cost estimates may differ widely and yet be reasonable.

The long-range cost estimates (shown for 1975 and thereafter) are presented on a range basis so as to indicate the plausible variation in future costs depending upon the actual trends developing for the various cost factors. Both the low- and high-cost estimates are based on assumptions that are intended to represent close to full employment, with average annual earnings at about the level prevailing in 1966. The use of 1966 average earnings results in conservatism in the estimate since the trend is expected to be an increase in average earnings in future years (as will be discussed subsequently in item 5). In 1966 the aggregate amount of earnings taxable under the program was $314 billion. Of course, for future years the total taxable earnings are estimated to increase, because there will be larger numbers of covered workers. In addition to the presentation of the cost estimates on a range basis, intermediate estimates developed directly from the low- and high-cost estimates (by averaging their components) are shown so as to indicate the basis for the financing provisions.

The cost estimates are extended beyond the year 2000, since the aged population itself cannot mature by then. The reason for this is that the number of births in the 1930's was very low as compared with both prior and subsequent experience. As a result, there will be a dip in the relative proportion of the aged from 1995 to about 2015, which would tend to result in low benefit costs for the old-age, survivors, and disability insurance system during that period. For this reason the year 2000 is by no means a typical ultimate year insofar as costs are concerned.

(2) *Measurement of costs in relation to taxable payroll*

In general, the costs are shown as percentages of taxable payroll. This is the best measure of the financial cost of the program. Dollar figures taken alone are misleading. For example, a higher earnings level will increase not only the outgo of the system but also, and to a greater extent, its income. The result is that the cost relative to payroll will decrease. As an illustration of the foregoing points, consider an individual who has covered earnings at a rate of $300 per month. Under your committee's bill such an individual would have a primary insurance amount of $126.50. If his earnings rate should be 50 percent higher (i.e. $450), his primary insurance amount would be $164.30. Under these conditions, the contributions payable with respect to his earnings would increase by 50 percent, but his benefit rate would increase by only 30 percent. Or to put it another way, when his earnings rate was $300 per month, his primary insurance amount represented 42.2 percent of his earnings, whereas, when his

earnings increased to $450 per month, his primary insurance amount relative to his earnings decreased to 36.5 percent.

(3) General basis for short-range cost estimates

The short-range cost estimates (shown for the individual years 1967–72) are not presented on a range basis since—assuming a continuation of present economic conditions—it is believed that the demographic factors involved (such as mortality, fertility, retirement rates, etc.) can be reasonably closely forecast, so that only a single estimate is necessary. A gradual rise in the earnings level in the future (about 3 percent per year), somewhat below that which has occurred in the past few years, is assumed. As a result of this assumption, contribution income is somewhat higher than if level earnings were assumed, while benefit outgo is only slightly affected.

The cost estimates have been prepared on the basis of the same assumptions and methodology as those contained in the 1967 Annual Report of the Board of Trustees (H. Doc. No. 65, 90th Cong.).

(4) Level-cost concept

An important measure of long-range cost is the level-equivalent contribution rate required to support the system for the next 75 years (including not only meeting the benefit costs and administrative expenses, but also the maintenance of a reasonable contingency fund during the period, which at the end of the period amounts to 1 year's disbursements), based on discounting at interest. If such a level rate were adopted, relatively large accumulations in the old-age and survivors insurance trust fund would result, and in consequence there would be sizable eventual income from interest. Even though such a method of financing is not followed, this concept may be used as a convenient measure of long-range costs. This is a valuable cost concept, especially in comparing various possible alternative plans and provisions, since it takes into account the heavy deferred benefit costs.

(5) Future earnings assumptions

The long-range estimates for the old-age, survivors, and disability insurance program are based on level-earnings assumptions, under which earnings levels of covered workers by age and sex will continue over the next 75 years at the levels experienced in 1966. This, however, does not mean that covered payrolls are assumed to be the same each year; rather, they will rise steadily as the covered population at the working ages is estimated to increase. If in the future the earnings level should be considerably above that which now prevails, and if the benefits are adjusted upward so that the annual costs relative to payroll will remain the same as now estimated for the present system, then the increased dollar outgo resulting will offset the increased dollar income. This is an important reason for considering costs relative to payroll rather than in dollars.

The long-range cost estimates have not taken into account the possibility of a rise in earnings levels, although such a rise has characterized the past history of this country. If such an assumption were used in the cost estimates, along with the unlikely assumption that the benefits, nevertheless, would not be changed, the cost relative to payroll would, of course, be lower.

It is important to note that the possibility that a rise in earnings levels will produce lower costs of the old-age, survivors, and disability insurance program in relation to payroll is a very important safety factor in the financial operations of this system. The financing of

the system is based essentially on the intermediate-cost estimate, along with the assumption of level earnings; if experience follows the high-cost assumptions, additional financing will be necessary. However. if covered earnings increase in the future as in the past, the resulting reduction in the cost of the program (expressed as a percentage of taxable payroll) will more than offset the higher cost arising under experience following the high-cost estimate. If the latter condition prevails, the reduction in the relative cost of the program coming from rising earnings levels can be used to maintain the actuarial soundness of the system, and any remaining savings can be used to adjust benefits upward (to a lesser degree than the increase in the earnings level). However, the possibility of future increases in earnings levels should be considered only as a safety factor and not as a justification for adjusting benefits upward in anticipation of such increases.

If benefits are adjusted currently to keep pace fully with rising earnings as they occur, the year-by-year costs as a percentage of payroll would be unaffected. If benefits are increased in this manner, the level-cost of the program would be higher than now estimated, since under such circumstances, the relative importance of the interest receipts of the trust funds would gradually diminish with the passage of time. If earnings and benefit levels do consistently rise, thorough consideration will need to be given to the financing basis of the system because then the interest receipts of the trust funds will not meet as large a proportion of the benefit costs as would be anticipated if the earnings level had not risen.

(6) Interrelationship with railroad retirement system

An important element affecting old-age, survivors, and disability insurance costs arose through amendments made to the Railroad Retirement Act in 1951. These provide for a combination of railroad retirement compensation and old-age, survivors, and disability insurance covered earnings in determining benefits for those with less than 10 years of railroad service and also for all survivor cases.

Financial interchange provisions are established so that the old-age and survivors insurance trust fund and the disability insurance trust fund are to be placed in the same financial position in which they would have been if railroad employment had always been covered under the program. It is estimated that, over the long range, the net effect of these provisions will be a relatively small loss to the old-age, survivors, and disability insurance system since the reimbursements from the railroad retirement system will be somewhat smaller than the net additional benefits paid on the basis of railroad earnings.

(7) Reimbursement for costs of pre-1957 military service wage credits

Another important element affecting the financing of the program arose through legislation in 1956 that provided for reimbursement from general revenues for past and future expenditures in respect to the noncontributory credits that had been granted for persons in military service before 1957. These financing provisions were modified by the 1965 amendments. The cost estimates contained here reflect the effect of these reimbursements (which are included as contributions), based on the assumption that the required appropriations will be made in the future in accordance with the relevant provisions of the law. These reimbursements are intended to be made on the basis of a constant annual amount (as determined by the Secretary of Health, Education, and Welfare) for each trust fund payable

over the period up to the year 2015 (with such amount subject to adjustment every 5 years).

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

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

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

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

(d) Actuarial balance of program in past years

(1) Status after enactment of 1952 act

The actuarial balance under the 1952 act [1] was estimated, at the time of enactment, to be virtually the same as in the estimates made at the time the 1950 act was enacted, as shown in table I. This was the case, because the estimates for the 1952 act took into consideration the rise in earnings levels in the 3 years preceding the enactment of that act. This factor virtually offset the increased cost due to the benefit liberalizations made. New cost estimates made 2 years after the enactment of the 1952 act indicated that the level-cost (i.e., the average long-range cost, based on discounting at interest, relative to taxable payroll) of the benefit disbursements and administrative expenses was somewhat more than 0.5 percent of payroll higher than the level equivalent of the scheduled taxes (including allowance for interest on the existing trust fund).

[1] The term "1952 act" (and similar terms) is used to designate the system as it existed after the enactment of the amendments of that year.

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

[Percent]

Legislation	Date of estimate	Level-equivalent [1]		
		Benefit costs [2]	Contributions	Actuarial balance [3]
		Old-age, survivors, and disability insurance [4]		
1935 act	1935	5.36	5.36	0.00
1939 act	1939	5.22	5.30	+.08
1939 act (as amended in the 1940's) [5]	1950	4.45	3.98	−.47
1950 act	1950	6.20	6.10	−.10
1950 act	1952	5.49	5.90	+.41
1952 act	1952	6.00	5.90	−.10
1952 act	1954	6.62	6.05	−.57
1954 act	1954	7.50	7.12	−.38
1954 act	1956	7.45	7.29	−.16
1956 act	1956	7.85	7.72	−.13
1956 act	1958	8.25	7.83	−.42
1958 act	1958	8.76	8.52	−.24
1958 act	1960	8.73	8.68	−.05
1960 act	1960	8.98	8.68	−.30
1961 act	1961	9.35	9.05	−.30
1961 act	1963	9.33	9.02	−.31
1961 act (perpetuity basis)	1964	9.36	9.12	−.24
1961 act (75-year basis)	1964	9.09	9.10	+.01
1965 act	1965	9.49	9.42	−.07
1965 act	1966	8.76	9.50	+.74
1967 bill (House)	1967	9.70	9.74	+.04
		Old-age and survivors insurance [4]		
1956 act	1956	7.43	7.23	−0.20
1956 act	1958	7.90	7.33	−.57
1958 act	1958	8.27	8.02	−.25
1958 act	1960	8.38	8.18	−.20
1960 act	1960	8.42	8.18	−.24
1961 act	1961	8.79	8.55	+.24
1961 act	1963	8.69	8.52	−.17
1961 act (perpetuity basis)	1964	8.72	8.62	−.10
1961 act (75-year basis)	1964	8.46	8.60	+.14
1965 act	1965	8.82	8.72	−.10
1965 act	1966	7.91	8.80	+.89
1967 bill (House)	1967	8.75	8.79	+.04
		Disability insurance [4]		
1956 act	1956	0.42	0.49	+0.07
1956 act	1958	.35	.50	+.15
1958 act	1958	.49	.50	+.01
1958 act	1960	.35	.50	+.15
1960 act	1960	.56	.50	−.06
1961 act	1961	.56	.50	−.06
1961 act	1963	.64	.50	−.14
1961 act (perpetuity basis)	1964	.64	.50	−.14
1961 act (75-year basis)	1964	.63	.50	−.13
1965 act	1965	.67	.70	+.03
1965 act	1966	.85	.70	−.15
1967 bill (House)	1967	.95	.95	.00

[1] Expressed as a percentage of effective taxable payroll, including adjustment to reflect the lower contribution rate on self-employment income and on tips, as compared with the combined employer-employee rate. Estimates prepared before 1964 are on a perpetuity basis, while those prepared after 1964 are on a 75-year basis. The estimates prepared in 1964 are on both bases.

[2] Including adjustments (a) to reflect the lower contribution rate on self-employment income and on tips, as compared with the combined employer-employee rate, (b) for the interest earnings on the existing trust fund, (c) for administrative expense costs, and (d) for the net cost of the financial interchange with the railroad retirement system.

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

[4] The disability insurance program was inaugurated in the 1956 act so that all figures for previous legislation are for the old-age and survivors insurance program only.

[5] The major changes being in the revision of the contribution schedule; as of the beginning of 1950, the ultimate combined employer-employee rate scheduled was only 4 percent.

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

(2) Status after enactment of 1954 act

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

(3) Status after enactment of 1956 act

The estimates for the 1954 act were revised in 1956 to take into account the rise in the earnings level that had occurred since 1951–52, the period that had been used for the earnings assumptions for the estimates made in 1954. Taking this factor into account reduced the lack of actuarial balance under the 1954 act to the point where, for all practical purposes, it was nonexistent. The benefit changes made by the 1956 amendments were fully financed by the increased contribution income provided. Accordingly, the actuarial balance of the system was unaffected.

Following the enactment of the 1956 legislation, new cost estimates were made to take into account the developing experience; also, certain modified assumptions were made as to anticipated future trends. In 1956–57, there were very considerable numbers of retirements from among the groups newly covered by the 1954 and 1956 amendments, so that benefit expenditures ran considerably higher than had previously been estimated. Moreover, the analyzed experience for the recent years of operation indicated that retirement rates had risen or, in other words, that the average retirement age had dropped significantly. The cost estimates made in early 1958 indicated that the program was out of actuarial balance by somewhat more than 0.4 percent of payroll.

(4) Status after enactment of 1958 act

The 1958 amendments recognized this situation and provided additional financing for the program—both to reduce the lack of actuarial balance and also to finance certain benefit liberalizations made. In fact, one of the stated purposes of the legislation was "to improve the actuarial status of the trust funds." This was accomplished by introducing an immediate increase (in 1959) in the combined employer-employee contribution rate, amounting to 0.5 percent, and by advancing the subsequently scheduled increases so that they would occur at 3-year intervals (beginning in 1960) instead of at 5-year intervals.

The revised cost estimates made in 1958 for the disability insurance program contained certain modified assumptions that recognized the emerging experience under the new program. As a result, the moderate actuarial surplus originally estimated was increased somewhat, and most of this was used in the 1958 amendments to finance certain

benefit liberalizations, such as inclusion of supplemental benefits for certain dependents and modification of the insured status requirements.

(5) Status after enactment of 1960 act

At the beginning of 1960, the cost estimates for the old-age, survivors, and disability insurance system were reexamined and were modified in certain respects. The earnings assumption had previously been based on the 1956 level, and this was changed to reflect the 1959 level. Also, data first became available on the detailed operations of the disability provisions for 1956, which was the first full year of operation that did not involve picking up "backlog" cases. It was found that the number of persons who meet the insured status conditions to be eligible for these benefits had been significantly overestimated. It was also found that the disability incidence experience for eligible women was considerably lower than had been originally estimated, although the experience for men was very close to the intermediate estimate. Accordingly, revised assumptions were made in regard to the disability insurance portion of the program. As a result, the changes made by the 1960 amendments could, according to the revised estimates, be made without modifying the financing provisions.

(6) Status after enactment of 1961 act

The changes made by the 1961 amendments involved an increased cost that was fully met by the changes in the financing provisions (namely, an increase in the combined employer-employee contribution rate of 0.25 percent, a corresponding change in the rate for the self-employed, and an advance in the year when the ultimate rates would be effective—from 1969 to 1968). As a result, the actuarial balance of the program remained unchanged.

Subsequent to 1961, the cost estimates were further reexamined in the light of developing experience. The earnings assumption was changed to reflect the 1963 level, and the interest-rate assumption used was modified upward to reflect recent experience. At the same time, the retirement-rate assumptions were increased somewhat to reflect the experience in respect to this factor. The further developing disability experience indicated that costs for this portion of the program were significantly higher than previously estimated (because benefits were not being terminated by death or recovery as rapidly as had been originally assumed). Accordingly, the actuarial balance of the disability insurance program was shown to be in an unsatisfactory position, and this had been recognized by the Board of Trustees, who recommended that the allocation to this trust fund should be increased (while, at the same time, correspondingly decreasing the allocation to the old-age and survivors insurance trust fund, which under the law in effect at that time was estimated to be in satisfactory actuarial balance even after such a reallocation).

(7) Status after enactment of 1965 act

The changes made by the 1965 amendments involved an increased cost that was closely met by the changes in their financing provisions (namely, an increase in the contribution schedule, particularly in the later years, and an increase in the earnings base). The actuarial balance of the program remained virtually unchanged.

In 1966, the cost estimates for the old-age, survivors, and disability insurance system were completely revised, based on the availability of new data since the last complete revision was made in 1963. The new estimates showed significantly lower costs for the old-age and survivors insurance portion of the system, but higher costs for the disability insurance portion. The factors leading to lower costs were as follows: (1) 1966 earnings levels, instead of 1963 ones; (2) an interest rate of 3¾ percent for the intermediate-cost estimate, instead of 3½ percent; (3) an assumption of greater future participation of women in the labor force (resulting in reduction in cost of the program because of the "anti-duplication of benefits" provision as between women's primary benefits and wife's or widow's benefits); (4) an assumption of less improvement in future mortality than had previously been assumed; and (5) an assumption that, despite a significant decline in future fertility rates, such decline would not occur as rapidly as had been assumed previously.

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

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

(*e*) *Intermediate-cost estimates*

(*1*) *Purposes of intermediate-cost estimates*

The long-range intermediate-cost estimates are developed from the low- and high-cost estimates by averaging them (using the dollar estimates and developing therefrom the corresponding estimates relative to payroll). The intermediate-cost estimate does not represent the most probable estimate, since it is impossible to develop any such figures. Rather, it has been set down as a convenient and readily available single set of figures to use for comparative purposes.

The Congress, in enacting the 1950 act and subsequent legislation, was of the belief that the old-age, survivors, and disability insurance program should be on a completely self-supporting basis and actuarially sound. Therefore, a single estimate is necessary in the development of a tax schedule intended to make the system self-supporting. Any specific schedule will necessarily be somewhat different from what will actually be required to obtain exact balance between contributions and benefits. This procedure, however, does make the intention specific, even though in actual practice future changes in the tax schedule might be necessary. Likewise, exact balance cannot be obtained from a specific set of integral or rounded tax rates increasing in orderly intervals, but rather this principle of self-support should be aimed at as closely as possible.

(*2*) *Interest rate used in cost estimates*

The interest rate used for computing the level-costs for your committee's bill is 3¾ percent for the intermediate-cost estimate. This is somewhat above the average yield of the investments of the trust

funds at the end of 1966 (about 3.66 percent), but is below the rate currently being obtained for new investments (4¾ percent for June 1967).

(3) Actuarial balance of OASDI system

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

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

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

TABLE II.—CHANGES IN ACTUARIAL BALANCE OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, EXPRESSED IN TERMS OF ESTIMATED LEVEL-COST AS PERCENTAGE OF TAXABLE PAYROLL, BY TYPE OF CHANGE, INTERMEDIATE-COST ESTIMATE, PRESENT LAW AND COMMITTEE BILL, BASED ON 3.75 PERCENT INTEREST

[Percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present system	+0.89	−0.15	+0.74
Increase in earnings base	+.21	+.02	+.23
Earnings test liberalization	−.06	(1)	−.06
Disabled widow's benefits at age 50	−.03	(2)	−.03
Special disability insured status under age 31	(2)	−.02	−.02
Liberalized benefits with respect to women workers	−.07	(1)	−.07
Benefit increase of 12½ percent	−.89	−.10	−.99
Revised contribution schedule	−.01	+.25	+.24
Total effect of changes in bill	−.85	+.15	−.70
Actuarial balance under bill	+.04	.00	+.04

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

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

benefit of $105 per month and the additional limitations on payment of benefits to certain aliens outside the United States.

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

It should be emphasized that in 1950 and in subsequent amendments, the Congress did not recommend that the system be financed by a high level tax rate in the future, but rather recommended an increasing schedule, which, of necessity, ultimately rises higher than such a level rate. Nonetheless, this graded tax schedule will produce a considerable excess of income over outgo for many years so that a sizable trust fund will develop, although not as large as would arise under an equivalent level tax rate. This fund will be invested in Government securities (just as is also the case for the trust funds of the civil service retirement, railroad retirement, national service life insurance, and U.S. Government life insurance systems). The resulting interest income will help to bear part of the higher benefit costs of the future.

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

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

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

TABLE III.—ESTIMATED LEVEL-COST OF BENEFIT PAYMENTS, ADMINISTRATIVE EXPENSES, AND INTEREST EARNINGS ON EXISTING TRUST FUND UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, AFTER ENACTMENT OF COMMITTEE BILL, AS PERCENTAGE OF TAXABLE PAYROLL,[1] BY TYPE OF BENEFIT, INTERMEDIATE-COST ESTIMATE AT 3.75 PERCENT INTEREST

[Percent]

Item	Old-age and survivors insurance	Disability insurance
Primary benefits	6.01	0.75
Wife's and husband's benefits	.50	.05
Widow's and widower's benefits	1.27	[2]
Parent's benefits	.01	[2]
Child's benefits	.73	.14
Mother's benefits	.13	[2]
Lump-sum death payments	.09	[2]
Total benefits	8.74	.94
Administrative expenses	.12	.03
Railroad retirement financial interchange	.04	.00
Interest on existing trust fund [3]	−.15	−.02
Net total level-cost	8.75	.95

[1] Including adjustment to reflect the lower contribution rate on self-employment income and on tips, as compared with the combined employer-employee rate.
[2] This type of benefit is not payable under this program.
[3] This item includes reimbursement for additional cost of noncontributory credit for military service and is taken as an offset to the benefit and administrative expense costs.

The level contribution rate equivalent to the graded schedules in the law may be computed in the same manner as level costs of benefits. These are shown in table I, as are also figures for the net actuarial balances.

(5) OASI income and outgo in near future

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

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

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

Under the program as modified by your committee's bill, according to this estimate, the old-age and survivors insurance trust fund will increase by about $3.5 billion in 1967 (assuming enactment in October) and $1.1 billion in 1968, reaching $25.1 billion at the end of 1968. In the next 2 years, as a result of the scheduled increase in the contribution rates in 1969, the trust fund will increase by about $3¼ billion each year. Table IV presents these short-range estimates, as well as the corresponding ones for the present law.

TABLE IV.—PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND SHORT-RANGE ESTIMATE
[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [2]	Interest on fund [1]	Balance in fund at end of year [3]
	Actual data					
1951	$3,367	$1,885	$81		$417	$15,540
1952	3,819	2,194	88		365	17,442
1953	3,945	3,006	88		414	18,707
1954	5,163	3,670	92	−$21	447	20,576
1955	5,713	4,968	119	−7	454	21,663
1956	6,172	5,715	132	−5	526	22,519
1957	6,825	7,347	[4] 162	−2	556	22,393
1958	7,566	8,327	[4] 194	124	552	21,864
1959	8,052	9,842	184	282	532	20,141
1960	10,866	10,677	203	318	516	20,324
1961	11,285	11,862	239	332	548	19,725
1962	12,059	13,356	256	361	526	18,337
1963	14,541	14,217	281	423	521	18,480
1964	15,689	14,914	296	403	569	19,125
1965	16,017	16,737	328	436	593	18,235
1966	20,658	18,267	256	444	644	20,570
	Estimated data (short-range estimate), committee bill					
1967	$23,210	$19,635	$401	$508	$794	$24,030
1968	24,256	23,156	409	477	898	25,142
1969	27,308	24,154	405	552	978	28,317
1970	28,497	25,119	415	616	1,118	31,782
1971	32,089	26,122	427	605	1,353	38,070
1972	33,469	27,155	440	587	1,685	45,042
	Estimated data (short-range estimate), present law					
1967	$23,210	$19,635	$393	$508	$794	$24,038
1968	24,085	20,247	378	477	960	27,981
1969	28,004	21,053	393	492	1,192	35,239
1970	29.270	21,901	404	483	1,522	43,243
1971	30,070	22,778	416	460	1,902	51,561
1972	30,884	23,676	429	459	2,315	60,196

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

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

[3] Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to $377 for 1953, $284 for 1954, $163 for 1955, $60 for 1956, and nothing for 1957 and thereafter.

[4] These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service and for the special benefits payable to certain noninsured persons aged 72 or over. For the purposes of this table, it is assumed that the enactment date is in October 1967.

(6) *DI income and outgo in near future*

Under the disability insurance system, as it would be affected by your committee's bill in calendar year 1968, benefit disbursements will total about $2.4 billion, and there will be an excess of contribution income over benefit disbursements of about $0.9 billion. In 1969 and the years immediately following, contribution income will be well in excess of benefit outgo (as a result of the increased allocation to this trust fund, and the increased taxable earnings base, as provided by your committee's bill). If enactment occurs in October, there will be no additional benefit outgo in 1967, while such additional outgo will be about $20 million for enactment in September. As contrasted with present law, benefit outgo would be increased by about $320

million in 1968 under your committee's bill, while contribution income would be increased by about $860 million.

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

TABLE V.—PROGRESS OF DISABILITY INSURANCE TRUST FUND UNDER SYSTEM SHORT-RANGE COST ESTIMATE

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [2]	Interest on fund [1]	Balance in fund at end of year
	Actual date					
1957	$702	$57	[3] $3		$7	$649
1958	966	249	[3] 12		25	1,379
1959	891	457	50	−$22	40	1,825
1960	1,010	568	36	−5	53	2,289
1961	1,038	887	64	5	66	2,437
1962	1,046	1,105	66	11	68	2,368
1963	1,099	1,210	68	20	66	2,235
1964	1,154	1,309	79	19	64	2,047
1965	1,188	1,573	90	24	59	1,606
1966	2,022	1,784	137	25	58	1,739
	Estimated data (short-range estimate), committee bill					
1967	$2,313	$1,920	$111	$31	$73	$2,063
1968	3,215	2,357	128	21	98	2,870
1969	3,488	2,494	120	24	136	3,856
1970	3,607	2,609	122	23	181	4,890
1971	3,732	2,716	126	26	227	5,981
1972	3,849	2,820	132	30	275	7,123
	Estimated data (short-range estimate), present law					
1967	$2,313	$1,920	$107	$31	$73	$2,067
1968	2,359	2,039	114	21	86	2,338
1969	2,436	2,155	116	24	96	2,575
1970	2,512	2,260	119	26	106	2,788
1971	2,591	2,357	123	29	115	2,985
1972	2,665	2,449	129	32	122	3,162

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

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

[3] These figures are artificially low because of the method of reimbursements between the trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service. For the purposes of this table, it is assumed that the enactment date is in October 1967.

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

The total benefit disbursements of the old-age, survivors, and disability insurance system would be increased by about $3.2 billion in 1968 as a result of the changes that your committee's bill would make. Of this amount, about $2.9 billion results from the benefit increase, $70 million from the liberalization of the insured-status provisions for disability benefits for young workers, $60 million from the benefits

for disabled widows, $85 million from the liberalized benefit provisions with respect to women workers, and $140 million from the liberalization of the earnings test (the corresponding figure for this change for subsequent years will be somewhat larger). Table VI presents these figures and also corresponding ones for 1972.

TABLE VI.—ESTIMATED ADDITIONAL OASDI BENEFIT PAYMENTS IN CALENDAR YEARS 1968 AND 1972 UNDER COMMITTEE BILL

[In millions]

Item	1968	1972
12½-percent benefit increase	$2,812	$3,324
Benefit increase for transitional insured	7	5
Benefit increase for transitional noninsured	52	25
Liberalized benefits with respect to women workers	85	100
Special disability insured status under age 31	70	77
Disabled widow's benefits at age 50	60	72
Earnings test liberalization	140	244
Total	3,226	3,847

(8) Long-range operations of OASI trust fund

Table VII gives the estimated operation of the old-age and survivors insurance trust fund under the program as it would be changed by your committee's bill for the long-range future, based on the intermediate-cost estimate. It will, of course, be recognized that the figures for the next two or three decades are the most reliable (under the assumption of level-earnings trends in the future) since the populations concerned—both covered workers and beneficiaries—are already born. As the estimates proceed further into the future, there is, of course, much more uncertainty—if for no reason other than the relative difficulty in predicting future birth trends—but it is desirable and necessary nonetheless to consider these long-range possibilities under a social insurance program that is intended to operate in perpetuity.

In every year after 1967 for the next 20 years, contribution income under the system as it would be modified by your committee's bill is estimated to exceed old-age and survivors insurance benefit disbursements. Even after the benefit-outgo curve rises ahead of the contribution-income curve, the trust fund will nonetheless continue to increase because of the effect of interest earnings (which more than meet the administrative expense disbursements and any financial interchanges with the railroad retirement program). As a result, this trust fund is estimated to grow steadily under the intermediate long-range cost estimate (with a level-earnings assumption), reaching $47 billion in 1975, $74 billion in 1980, and about $160 billion at the end of this century. In the very far distant future, namely, in about the year 2020, the trust fund is estimated to reach a maximum of about $310 billion.

(9) Long-range operations of DI trust fund

The disability insurance trust fund, under the program as it would be changed by your committee's bill, grows slowly but steadily after 1967, according to the intermediate long-range cost estimate, as shown by table VIII. In 1975, it is shown as being $7 billion, while in 1990,

the corresponding figure is $15 billion. There is a small excess of contribution income over benefit disbursements for every year after 1967 for the remainder of this century.

(f) Cost estimates on range basis

(1) Long-range operations of trust funds

Table VII shows the estimated operation of the old-age and survivors insurance trust fund under the program as it would be changed by your committee's bill for not only the intermediate-cost estimates but also for the low- and high-cost estimates, while table VIII gives corresponding figures for the disability insurance trust fund.

Under the low-cost estimate, the old-age and survivors insurance trust fund builds up quite rapidly and in the year 2000 is shown as being about $257 billion and is then growing at a rate of about $15 billion a year. Likewise, the disability insurance trust fund grows steadily under the low-cost estimate, reaching about $12 billion in 1980 and $44 billion in the year 2000, at which time its annual rate of growth is about $2 billion. For both trust funds, under these estimates, benefit disbursements do not exceed contribution income in any year after 1967 for the next 50 years.

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

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [1]	Interest on fund [2]	Balance in fund at end of year
	Low-cost estimate					
1975	$33,592	$27,816	$417	$425	$1,878	$51,862
1980	36,566	31,919	457	260	3,348	87,303
1990	41,734	40,430	532	70	6,225	157,101
2000	49,273	45,135	587	−40	10,208	256,719
	High-cost estimate					
1975	$33,077	$28,628	$476	$475	$1,197	$41,526
1980	35,832	33,092	523	340	1,826	62,109
1990	40,305	42,205	620	170	2,353	77,615
2000	46,401	47,910	674	60	2,135	71,497
	Intermediate-cost estimate					
1975	$33,334	$28,222	$446	$450	$1,513	$46,620
1980	36,199	32,505	490	300	2,521	74,399
1990	41,019	41,318	576	120	4,045	115,539
2000	47,837	46,523	631	10	5,526	157,884
2025	62,053	75,297	930	−90	10,984	304,366

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

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

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service before 1957. No account is taken in this table of the outgo for the special benefits payable to certain noninsured persons aged 72 or over or for the additional benefits payable on the basis of noncontributory credit for military service after 1967—or of the corresponding reimbursement therefor, which is exactly counterbalancing from a long-range cost standpoint. For the purposes of this table, it is assumed that the enactment date is in October 1967.

TABLE VIII.—ESTIMATED PROGRESS OF DISABILITY INSURANCE TRUST FUND UNDER SYSTEM AS MODIFIED BY COMMITTEE BILL, LONG-RANGE COST ESTIMATES

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [1]	Interest on fund [2]	Balance in fund at end of year
	Low-cost estimate					
1975	$3,552	$2,971	$137	−$14	$305	$8,105
1980	3,866	3,322	118	−21	484	12,411
1990	4,410	3,773	115	−25	972	24,503
2000	5,206	4,582	129	−25	1,771	44,166
	High-cost estimate					
1975	$3,498	$3,289	$136	−$6	$163	$5,420
1980	3,789	3,779	147	−11	183	6,088
1990	4,260	4,374	161	−15	167	5,598
2000	4,903	5,401	195	−15	76	2,634
	Intermediate-cost estimate					
1975	$3,525	$3,130	$137	−$10	$228	$6,733
1980	3,827	3,551	133	−16	316	9,149
1990	4,335	4,074	138	−20	509	14,573
2000	5,054	4,991	162	−20	774	21,887
2025	6,542	7,260	233	−20	743	20,808

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

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

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

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

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

The foregoing results are consistent and reasonable, since the system on an intermediate-cost-estimate basis is intended to be approximately self-supporting, as indicated previously. Accordingly, a low-cost estimate should show that the system is more than self-supporting, whereas a high-cost estimate should show that a deficiency would arise later on. In actual practice, under the philosophy in the 1950 and subsequent acts, as set forth in the committee reports therefor, the tax schedule would be adjusted in future years so that none of the developments of the trust funds under the low-cost and high-cost estimates shown in tables VII and VIII would ever eventuate. Thus,

if experience followed the low-cost estimate, and if the benefit provisions were not changed, the contribution rates would probably be adjusted downward—or perhaps would not be increased in future years according to schedule. On the other hand, if the experience followed the high-cost estimate, the contribution rates would have to be raised above those scheduled. In any event, the high-cost estimate does indicate that, under the tax schedule adopted, there will be ample funds to meet benefit disbursements for several decades, even under relatively high-cost experience.

(2) Benefit costs in future years relative to taxable payroll

Table IX shows the estimated costs of the old-age and survivors insurance benefits and of the disability insurance benefits under the program as it would be changed by your committee's bill as a percentage of taxable payroll for various future years, through the year 2040, and also the level-costs of the two programs for the low-, high-, and intermediate-cost estimates (as was previously shown in tables I and III for the intermediate-cost estimate).

TABLE IX.—ESTIMATED COST OF BENEFIT PAYMENTS OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL,[1] UNDER SYSTEM AS MODIFIED BY COMMITTEE BILL

[In percent]

Calendar year	Low cost estimate	High-cost estimate	Intermediate-cost-estimate [2]
	Old-age and survivors insurance benefits		
1975	7.49	7.82	7.65
1980	7.89	8.34	8.11
1990	8.75	9.46	9.10
2000	8.27	9.32	8.78
2025	9.68	12.44	10.93
2040	9.47	13.03	11.01
Level-cost [3]	8.24	9.38	8.75
	Disability insurance benefits		
1975	0.80	0.90	0.85
1980	.82	.95	.89
1990	.82	.98	.90
2000	.84	1.05	.94
2025	.90	1.23	1.05
2040	.94	1.27	1.08
Level-cost [3]	.85	1.06	.95

[1] Taking into account the lower contribution rate for self-empoyment income and tips, as compared with the combined employer-employee rate.

[2] Based on the averages of the dollar payrolls and dollar costs under the low-cost and high-cost estimates.

[3] Level contribution rate, at an interest rate of 3.25 percent for high-cost, 3.75 percent for intermediate-cost, and 4.25 percent for low-cost, for benefits after 1966, taking into account interest on the trust fund on December 31, 1966, future administrative expenses, the railroad retirement financial interchange provisions, and the reimbursement of military-wage-credits cost.

B. PUBLIC WELFARE

1. Aid to families with dependent children

Your committee has become very concerned about the continued growth in the number of families receiving aid to families with dependent children (AFDC). In the last 10 years, the program has grown from 646,000 families that included 2.4 million recipients to 1.2 million families and nearly 5 million recipients. Moreover, according to estimates of the Department of Health, Education, and Welfare,

the amount of Federal funds allocated to this program will increase greatly (from $1.46 billion to $1.84 billion) over the next 5 years unless constructive and concerted action is taken now to deal with the basic causes of the anticipated growth. Although the growth which has occurred can be accounted for, in part, by the inclusion in the program of assistance to the children of the unemployed (added in 1961 on an optional basis to the States) and to increases in the child population, a very large share of the program growth is due to family breakup and illegitimacy.

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

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

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

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

(2) A requirement that all States have an earnings exemption to provide incentives for work by AFDC recipients.

(3) A requirement that all States establish community work and training programs throughout the State by July 1, 1969.

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

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

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

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

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

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

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

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

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

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

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

Your committee recognizes the serious social, vocational, and educational handicaps of many of the recipients and knows that much careful and patient work will be needed in order to accomplish the objectives of the bill. In some instances steps will be needed to upgrade the level of homemaking, child care, and the basic educational capacity of the mother in order to get her ready to profit by training. The commit-

tee expects that social services already authorized under the 1962 legislation will be effectively used to attain these goals. In addition to testing, basic education, job training, and special job development, the plan may provide for homemaker services, individual and group counseling, and medical services.

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

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

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

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

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

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

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

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

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

The matching ratio for these various services would be 85 percent up to July 1, 1969, for State plans complying with the new requirements before that date, in order to encourage earlier implementation of these provisions in those States where it is feasible.

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

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

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

Your committee is aware of the limitations on the provision described above for foster care through the AFDC program when children are removed from their home by court order. For the State to receive any Federal sharing, the children must be recipients of AFDC

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

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

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

(*d*) *Protective payments in AFDC.*—One of the measures included in the 1962 amendments provided the State and local agencies with an

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

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

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

The above requirements on the States having to do with establishment of paternity, location, and obtaining support from absent parents will absorb the attention of some full-time staff members of the State and local agencies in many areas. In order to make certain that these functions are executed with diligence and are fully coordinated, the committee bill provides that there shall be a unit established in the State agency and in each political subdivision responsible for these

functions. Although in some instances these functions can be carried out by persons also carrying other responsibilities, this requirement will, normally, require staff working in this area full time. A related provision, discussed earlier in this report, would allow courts to use social security earnings records in order to locate a parent who is not supporting his child.

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

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

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

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

these cases would be reviewed regularly to see if the situation had changed to the point where training or work is appropriate for the mother.

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

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

The committee bill provides for a liberalization of Federal sharing in the cost of the program in order to stimulate the most effective results. Under the current provisions of law, no Federal sharing is available in the cost of training, supervision, and materials. This has been a serious handicap to the development of these programs. Under the committee bill, Federal sharing at the 75 percent rate would be available for the costs of those items and such additional items as are determined by the Secretary in connection with this program. In order to stimulate immediate development of these programs before the date they will be required the proportion would be 85 percent until July 1969. In addition, the expenses which a State employment office incurs for testing, counseling, and certain other employment services furnished to a recipient can be included among the items subject to the 75 percent (or 85 percent) Federal matching. This provision will insure that any priorities under which State employment offices put

other groups ahead of assistance recipients will not interfere with the objectives of this program.

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

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

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

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

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

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

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

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

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

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

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

In some States, individuals who receive assistance are required to reimburse the agency in the event they should later acquire the re-

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

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

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

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

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

Your committee bill provides that States disregard the first $30 a month of earnings (applicable to the family if there is more than one earner) of an adult or a child over the age of 16 and under the age of 21 who is not attending school, and one-third of all other earnings. Sim-

ilar provisions will apply with respect to any other individuals whose needs are taken into account in determining the need of the child and its family. All earnings of children under 16 and of those 16–21 who are regularly attending school on a full-time basis would be exempt. Your committee believes that this provision will furnish incentives for AFDC recipients to take employment and, in many cases, increase their earnings to the point where they become self-supporting. The enactment of the committee's recommendations in this respect will make unnecessary provisions in other legislation and, thus, such legislation, as it would apply to AFDC recipients, would be superseded by the provisions in the committee bill.

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

The bill contains provisions which will prevent increasing the number of persons receiving assistance as a result of the earnings exemptions. The provisions discussed above are to become available only with respect to persons whose income was not in excess of their needs as determined by the State agency without the application of this provision for the disregarding of income. That is, only if a family's total income falls below the standard of need will the earnings exemption be available. One possible result of this provision is that one family, who started out below assistance levels, will have some grant payable at certain earnings levels because of the exemption of later earnings while another family which already had the same earnings will receive no grant. Your committee appreciates the objections to this type of situation which can be made; but the alternative would have increased the costs of the proposal by about $160 million a year by placing people on the AFDC rolls who now have earnings in excess of their need for public assistance as determined under their State plan. In short, the various provisions included in your committee's bill are designed to get people off AFDC rolls, not put them on. The provisions would apply only to payments with Federal participation and in no way limit the authority of a State to include other persons at State expense.

As an example of these provisions, take a family consisting of a mother and three children who have a grant of $200 a month. If the mother goes to work and earns $120 in a month, her family will get the $120 of earnings plus $140 of grant (two-thirds of the earnings above $30 would have been deducted) for a total of $260.

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

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

(*g*) *Assistance to children of the unemployed.*—The program of benefits for the dependent children of unemployed parents was established on a 1-year basis in 1961 and subsequently extended for 5 years

by the 1962 amendments to the Social Security Act. The program is optional with the States and currently 22 States have programs under the Federal legislation.

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

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

This program was originally conceived as one to provide aid for the children of unemployed fathers. However, some States make families in which the father is working but the mother is unemployed eligible. The bill would not allow such situations. Under the bill, the program could apply only to the children of unemployed fathers. Moreover, it is the intent of your committee to exclude from the program those fathers who have not been in the labor force, or whose attachment to the labor force has been casual. Under the bill, Federal sharing will be limited to cases where the father has had at least six quarters of work in any 13-quarter period ending during the year before application for assistance. A quarter of work is one in which the father had earnings of at least $50. A quarter of coverage under the social security program would also be a "quarter of work" so that welfare agencies could use the social security earnings record to verify eligibility under this provision. If a father had been eligible for unemployment compensation or would have been eligible if his employment had been covered within the year before applying for assistance the six quarters of work requirement would not have to be met. In addition, it is provided that the father must have been unemployed (as defined by the Secretary) for at least 30 days prior to receipt of assistance. Under the committee bill, States must exclude from the program anyone who is receiving unemployment compensation. The bill provides that persons who have fulfilled the requirements at any time after April 1961 (related to the date of enactment of the original unemployed parent legislation) will be considered to be eligible with respect to the quarters of work provision for up to 6 months after a State plan under these provisions becomes operative. Fathers who are now on the rolls, and who met the work requirements at any time after April 1961, would continue to be eligible if other requirements are met.

The State plan will need to assure that the services of the public employment offices in the State will be utilized to find work or other training opportunities for the unemployed fathers. Registration with the employment service and periodic reregistration are required as

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

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

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

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

Assistance might be in any form—money, medical aid, payment of rent or utilities, orders from food or clothing stores, etc. The provision is broad enough that emergencies can be met in migrant families as well as those meeting residence requirements of the State's AFDC program. Its utilization would be optional with the States.

(*i*) *Limitation on aid to families with dependent children eligibles.*—Your committee believes that Federal financial participation in the AFDC program must be kept within reasonable bounds. In addition to the measures described earlier which are designed to reduce the number of children on the AFDC rolls, the bill would impose a limit on Federal financial participation designed to freeze the present situation with respect to that category which is growing most rapidly. Specifically, the bill would not allow Federal participation in the future for a higher proportion of children than is now on the rolls. Since it is the category of "parent absent from the home" which is expected to grow, it is this category which would be the benchmark for the freeze. Under the bill, the proportion of all children under age 21 who were receiving aid to families with dependent children in each State in January, 1967, on the basis that a parent was absent from the home, would not be exceeded for Federal participation after 1967.

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

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

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

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

2. Public assistance and child welfare

(*a*) *Social work manpower.*—The successful operation of public welfare as well as many other programs is dependent upon sufficient numbers of trained social work personnel. The effective operation of all such programs is endangered by the serious shortage of such

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

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

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

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

present law for States to give consideration to these costs and it is indeed essential for States to do so if the housing standards of assistance recipients are to be improved.

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

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

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

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

(*d*) *Partial payments to States.*—Under current provisions of law, when a State fails to comply with its State plan or otherwise does not comply with any of the provisions for State plans contained in any of the titles of the Social Security Act, the penalty, after proper notice to the State and an opportunity for a fair hearing, is the

suspension of Federal funds for the entire categorical program under question. This is such a severe penalty that it is virtually impossible to invoke. To remedy this situation, the committee bill includes a provision giving the Secretary the authority to withhold payments to a State with respect to that part of the State plan which is not being complied with. For example, Federal funds for financing the cost of hospital care under title XIX might be withheld in the event a State should not be paying the reasonable cost of that service as provided under the law.

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

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

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

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

Child welfare services include a wide range of preventive and protective services such as casework services to children and their parents, services to unmarried mothers and their babies, homemaker and day

care services to help keep the child in his own home, foster care in foster family homes or institutions when a child must be removed from his home and adoption services to provide a new permanent home for a child who has lost his home. Child welfare services both supplement and substitute for parental care and supervision. They are designed to protect children from the damage of abuse and neglect, but more importantly to prevent such abuse and neglect.

States use Federal funds together with State and local funds to provide child welfare services through State and local departments of public welfare. States are required to match Federal funds appropriated under the authorization on a variable basis ranging from 33⅓ to 66⅔ percent, but actually the Federal share amounts to only about 10 percent of total expenditures.

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

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

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

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

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

AFDC program described previously will increase Federal participation in foster care by $20 million in 1970.

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

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

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

(*g*) *Cooperative research and demonstration projects.*—In 1956, Congress enacted section 1110 of the Social Security Act which authorizes grants, contracts, and other cooperative arrangements for projects related to the reduction of dependency and similar purposes. The authority is limited to such arrangements with public and nonprofit private agencies. The Department of Health, Education, and Welfare has advised the committee that in the field of social research some of the best work is being done by profitmaking establishments and that the number of nonprofit organizations engaging in such research is extremely limited. While the committee does not believe it would be appropriate to make grants to profitmaking agencies, it does believe that the Department should be able to contract with whatever organization or agency can best do research jobs that are desired to be undertaken by the Department. The bill accordingly deletes the requirement that contracts be limited to nonprofit agencies.

(*h*) *Puerto Rico, Virgin Islands, and Guam.*—Your committee has been advised by representatives of the Government of Puerto Rico that the dollar limitation of $9.8 million on assistance payments and certain other expenses which is included in section 1108 of the Social Security Act unduly limits the expansion and improvement of public assistance programs and that certain other provisions of your committee's bill cannot be promptly implemented. The bill accordingly provides for five annual increases in the limitations and makes a number of other adjustments. Proportionate increases have been made in the dollar ceilings and similar delays in effective dates have been authorized for the Virgin Islands and Guam. The dollar ceilings would be:

Fiscal year	Puerto Rico	Virgin Islands	Guam
1968	$12,500,000	$425,000	$575,000
1969	15,000,000	500,000	690,000
1970	18,000,000	600,000	825,000
1971	21,000,000	700,000	960,000
1972 and thereafter	24,000,000	800,000	1,100,000

In addition to these amounts, the Secretary is authorized to certify additional payments to be used for services related to community work and training and for family planning services in the following amounts:

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

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

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

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

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

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

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

[Dollars in millions]

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

	Fiscal year 1968	Fiscal year 1972
Public assistance:		
AFDC costs if there is no change in present law [1]	$1,462	$1,837
Title XIX costs if there is no change in present law [2]	1,391	3,118
All other public assistance costs if there is no change in present law [3]	1,647	1,776
Subtotal, present law	4,500	6,731
Increases in the committee bill:		
Day care	(4)	470
Other social services	(4)	125
Earnings exemptions	(4)	35
Work-training	(4)	225
Foster care under AFDC	(4)	40
Emergency assistance	(4)	35
Puerto Rico et al	(4)	17.5
Demonstration projects	(4)	2
Additional child health requirements in title XIX		50
Subtotal, increases	[4] 25	999.5
Decreases in the committee bill:		
AFDC limitation	−18	
AFDC reductions for persons trained who become self-sufficient		−130
Restrictions on title XIX		−1,434
Decrease in public assistance due to social security benefit increase [5]	−85	−210
Subtotal, decreases	−103	−1,774
Net savings due to public assistance amendments	−78	−773.5
Total, public assistance as amended by committee bill	4,422	5,357.5
Child welfare:		
Present law	[6] 55	60
Increase for child welfare services		40
Increases for child welfare research		15
Subtotal, increases		55
Social work manpower		5
Net public welfare savings in committee bill	−78	−713.5

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

3. Medical assistance provisions

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

States have taken advantage of the new title rapidly. Some 30 States, Guam, Puerto Rico, and the Virgin Islands already have programs in operation, and eight additional States are expected to be in operation

soon. While most of the State plans raise no question at this time, a few go well beyond your committee's intent and what your committee believes to have been the intent of the Congress.

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

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

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

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

The proposal in the committee's bill sets two limits on Federal financial participation with respect to the income level States established in determining who is medically needy. Under the law, each State which extends its program to include the medically needy must set dollar amounts that an individual and families of various sizes will need to provide them with the basic living standard the State has set. Persons at or below those levels are considered unable to contribute anything toward the cost of their medical care; persons above those limits are considered to have some income available to pay toward the

cost of the medical services they need. Your committee is proposing, for all State plans approved after July 25, 1967, that Federal sharing will not be available for families whose income exceeds 133⅓ percent of the highest amount ordinarily paid to a family of the same size (without any income and resources) in the form of money payments under the AFDC program. (AFDC income limits are, generally speaking, the lowest that are used in the categorical assistance programs.) The Secretary is given discretion to make appropriate adjustments if a State applies a uniform maximum to families of different sizes. The bill provides a further test of the matchability of State expenditures in this area, by setting a figure of 133⅓ percent of the average per capita income of a State as the upper limit on Federal sharing when applied to a family of four under the title XIX program. That figure would be proportionately reduced or increased to reflect the level for smaller or larger family groups.

For States with plans already approved, the limit of Federal sharing under both tests would be 150 percent effective July 1, 1968, 140 percent effective January 1, 1969, and 133⅓ percent on January 1, 1970. This staggered period of reduction will enable the States affected to make the necessary adjustments either in the scope of the program they offer in the State or in their State financing arrangements.

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

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

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

(*d*) *Coordination of title XIX and the supplementary medical insurance program.*—Under existing law, States may "buy-in" for their

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

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

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

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

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

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

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

(*e*) *Comparability provision modification.*—Under existing law, a State plan for medical assistance must provide that benefits of the same amount, scope, and duration be provided to all individuals eligible for cash assistance under titles I, IV, X, XIV, and XVI; and that benefits of the same amount, scope, and duration must be made available to all medically needy persons included under the plan. It further provides that eligibility shall be determined under comparable standards.

Some of the implications of these so-called comparability provisions in title XIX could not be fully determined when they were placed in juxtaposition with the health insurance for the aged provisions of title XVIII hospital insurance under part A and supplementary medical insurance under part B. It was not fully realized that comparability would be a deterrent to States "buying in" for physicians' services under the supplementary medical insurance program part B inasmuch as the comparability provisions require that, if the States "bought in" for the aged, they have to provide the services covered under part B of title XVIII for their title XIX eligibles of all ages.

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

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

(*g*) *Extent of Federal participation in certain administrative expenses.*—The Social Security Amendments of 1965 provided that there should be 75 percent Federal participation in sums attributable to the compensation and training of skilled professional medical personnel and staff directly supporting such personnel of the State or local agency administering title XIX. In a number of States, where the welfare agency has been designated as the State agency, administrative responsibility for the medical phases of the program has been contracted out to the State health department. In this situation, however, the health department is not the single State agency, and the special 75 percent Federal matching is not available to meet the costs of its skilled medical personnel and supportive staff who are directly involved in

administering the title XIX program. Your committee bill would remedy this situation by allowing 75 percent matching not only for the skilled professional medical personnel of the State agency, but also for any other public agency involved in administration of the program. The requirement in existing law that such matching shall be extended only to such expenditures as the Secretary of Health, Education, and Welfare finds necessary for the proper and efficient administration of the State plan would be retained.

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

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

(*j*) *Consultation to institutions providing medical care.*—One of the problems which has been recognized in the administration of titles XVIII and XIX is the difficulty in certifying the eligibility of

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

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

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

(*l*) *Payment to recipient of physicians bills.*—Under the current provisions in title XIX, Federal participation is limited to payments

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

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

C. IMPROVEMENT OF CHILD HEALTH

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

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

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

The bill consolidates the existing authorities into a single authorization with broad flexible categories. H.R.12080 accordingly eliminates

all present earmarked programs beginning July 1, 1968, and replaces them with one total dollar authorization. For the 4 fiscal years 1969 to 1972, 50 percent of the authorization will be for formula grants to States; 40 percent will be for project grants; and 10 percent will be for research and training. The Secretary would have limited authority to adjust these percentages. The Secretary would also determine the allocations within these percentages for different types of formula grants, projects, etc.

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

The authorizations are shown in the following table:

[In millions of dollars]

	Fiscal year				
	1969	1970	1971	1972	1973
Total authorization	250	275.0	300	325.0	350
Grants to States (50 percent of total until July 1972; 90 percent thereafter)	125	137.5	150	162.5	315
Project grants (40 percent of total until July 1972 when authority expires)	100	110.0	120	130.0	----------
Research and training (10 percent of total)	25	27.5	30	32.5	35

1. Formula grants to States.—Present law provides separate State grant programs for maternal and child health and crippled children's services.

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

During fiscal year 1966 State maternal and child health programs provided the following clinic, hospital, and public health nursing services:

Prenatal and postpartum care in medical clinics for 282,000 maternity cases.

Hospital inpatient care (prenatal or delivery) for 61,000 maternity cases.

Public health nursing visits for 521,000 maternity cases.

Child health supervision (through well-child conferences) of 1,722,000 children, including 680,000 infants.

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

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

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

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

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

(*d*) *Early identification of health defects of children.*—States will be required to make more vigorous efforts to screen and treat children

with disabling conditions. Though all States have crippled children's services programs, there are substantial differences in the rate of children served among the States, the highest being 17.7 per 1,000 population under 21 years of age and the lowest being 1.6 per 1,000. Many handicapped children or children with potentially crippling conditions fail to receive needed care because their conditions may not be included under the State's program. Other States have not carried on aggressive programs of early identification of children in need of treatment because of lack of funds to provide the necessary care and treatment.

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

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

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

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

The maternity and infant care projects promote public understanding of the importance of prenatal care in low-income neighborhoods, employ casefinding methods (through local churches, high schools, stores, laundromats, publicity, etc.) to find patients early in pregnancy, establish neighborhood clinics affiliated with hospitals, provide prenatal care, nutrition, homemaker services, public health nursing, and social services; and pay for hospital care for mothers and infants in hospitals staffed to give the quality of services high risk patients need. It is these programs that have opened the door to family planning services for thousands of low-income families for the first time. Because the brief period of pregnancy is too short a time in which to detect and correct all the factors adversely affecting the outcome of pregnancy, continuing health supervision for mothers who had complications of pregnancy is essential. This makes it possible to improve the health of mothers for a subsequent pregnancy and to begin prenatal care early. It is also essential to provide periodic medical examinations for women who are receiving family planning services.

Programs are in operation in rural counties as well as in the largest cities. In the 9-month period from July 1966 to March 1967, more than 60,000 women were delivered under the program. In this same period, nearly 37,500 women requested and received family planning services. Patients are currently being admitted to the program at the rate of over 9,000 per month.

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

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

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

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

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

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

Any meaningful effort to solve the dental health problem must concentrate a major share of attention, and of resources, on the dental health of children. For these diseases, which begin in childhood, can also be most succesfully and economically treated and prevented in these formative years. It is obvious, also, that the child who receives adequate dental health protection will have a better chance of maintaining high standards of health throughout his adult years.

(*d*) *Project grants in the committee bill.*—Your committee believes that ultimately the basic responsibility for providing health services to mothers and children must rest with the States. The committee also recognizes, however, the important purposes served by project grants in providing services in low income areas with special needs. The bill therefore continues to authorize the project grant approach until July 1972; after that date, the funds will be granted to the States, who will be required to assume this responsibility.

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

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

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

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

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

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

3. Research and training.—Present law authorizes (1) research grants to support studies which show promise of improving health

services for mothers and children, and (2) grants for the training of professional personnel for health and related care of crippled children, particularly mentally retarded children and those with multiple handicaps.

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

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

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

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

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

IV. SECTION-BY-SECTION ANALYSIS OF THE BILL

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

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

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

Section 101 of the bill provides a benefit increase of 12½ percent, with new minimum and maximum benefit amounts.

Primary insurance amount; column IV of the revised benefit table

Section 101(a) of the bill amends section 215(a) of the Social Security Act to substitute a new table for the present benefit table. The new table effectuates the benefit increase for people who are on the benefit rolls prior to the second month following the month of enactment of the bill and provides benefit amounts higher than those under present law for people who come on the benefit rolls in or after that month. The new primary insurance amounts, shown in column IV of the table, represent an increase of 12½ percent over the primary insurance amounts provided in present law for average monthly earnings up to $550—the highest average monthly earnings possible under present law. (The primary insurance amount is the monthly benefit payable to a worker who retires at or after age 65 or to a disabled worker who had not previously been entitled to a reduced old-age benefit; it is also the amount on which all other benefits are based.)

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

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

The total monthly amount of benefits payable to a family on the basis of a single earnings record, shown in column V of the table,

is 1½ times the worker's primary insurance amount up to the last point (average monthly earnings of $178) at which 1½ times the worker's primary insurance amount is greater than 80 percent of the worker's average monthly earnings. Above that point, the maximum family benefit is equal to the sum of 80 percent of the worker's average monthly earnings up to $426 (roughly two-thirds of the maximum possible average monthly earnings—$633—under a $7,600 contribution and benefit base) plus 40 percent of the worker's average monthly earnings above $426. This formula produces, at the maximum possible average monthly earnings of $633, a maximum family benefit of about two-thirds of the average monthly earnings. Under the bill, the maximum amount of monthly benefits payable to a family will range from $75 to $423.60.

Maximum family benefits for people already on the rolls

Section 101(b) of the bill amends section 203(a)(2) of the act to assure an increase in family benefits for families with two or more members who are entitled to benefits for the second month following the month of enactment of the bill as a result of applications filed in or before that second month. Under the bill, the total of benefits payable to such families may not be reduced to less than the larger of (1) the family maximum specified in column V of the new table or (2) the sum of all family members' benefits computed under present law, increased by 12½ percent, and rounded to the next higher 10 cents if not already a multiple of 10 cents. Without such a provision, some families now on the benefit rolls could receive little or no increase in benefits.

Section 101(b) of the bill also contains a provision affecting the amount of benefits for family members getting benefits in the effective month of the benefit increase on the basis of two or more earnings records. Under present law, where children are entitled to benefits on the earnings records of more than one worker, the total benefits payable to the family are not reduced to less than the smaller of the sum of the maximum family benefits payable on all the earnings records on which the family members could be entitled or the highest family maximum benefit shown in column V of the benefit table. Under the bill, in cases where the combined-family-maximum provisions (sec. 202(k)(2)(A) of present law) are applicable, these provisions are applied before the provisions of section 203(a) which guarantee every beneficiary a 12½-percent increase—that is, the provisions of the bill which guarantee a 12½-percent increase to each member of the family (described above) are to be applied last. Where the combined-family-maximum provisions are applicable in the effective month of the benefit increase, and later cease to apply because the benefits for the last family member entitled on more than one earnings record are terminated, the benefit amounts for the remaining family members, who are entitled on a single earnings record, will be determined under section 203(a)(2), as amended by the bill, as if they had been getting benefits based on only one earnings record in the effective month of the benefit increase.

Average monthly earnings; column III of the revised benefit table

Section 101(c)(1) of the bill amends section 215(b)(4) of the act so that column III of the new benefit table will be applicable only in

the case of an average monthly earnings computation for a person (1) who becomes entitled to old-age or disability insurance benefits in or after the second month following the month of enactment of the bill; or (2) who dies in or after that second month without having been entitled to old-age or disability insurance benefits; or (3) whose benefit is recomputed for months beginning with or after that second month.

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

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

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

Effective date

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

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

Section 101(f) of the bill is a special transitional provision which applies to a person who is entitled to a disability insurance benefit for the first month following the month of enactment of the bill and who becomes entitled to old-age insurance benefits (for example, by reason of attainment of age 65) or dies in the second month following the month of enactment of the bill, to make certain that his primary insurance amount is increased. The general rule, provided in section 215(a)(4) of present law, that would otherwise apply in this situation is that an individual who was entitled to a disability insurance benefit for the month before the month for which he becomes entitled to an old-age insurance benefit will have as his primary insurance amount the amount in column IV of the table that is equal to the

primary insurance amount on which his disability insurance benefit is based. In the above situation, the individual's disability insurance benefit, since it was derived from a primary insurance amount determined under present law, does not have any direct connection with column IV of the table included in the bill, which contains the new benefit amounts; thus, the general rule cannot be applied to him. Therefore, this section of the bill provides that his primary insurance amount will be the amount in column IV of the table on the same line as that on which, in column II, appears his present primary insurance amount. (This primary insurance amount in column II is equal to the primary insurance amount on which his disability insurance benefit under present law is based.)

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

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

Increase in special payments to transitionally insured people

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

Increase in special payments to certain uninsured people

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

Effective date

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

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

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

Section 103(b) of the bill amends section 202(c)(3) of the act to provide that a husband's insurance benefit, which is otherwise 50 percent of the wife's primary insurance amount, may not exceed $105.

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

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

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

SECTION 104. BENEFITS TO DISABLED WIDOWS AND WIDOWERS

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

Widow's insurance benefits

Section 104(a)(1) of the bill amends section 202(e)(1)(B) of the Social Security Act (relating to payment of widow's insurance benefits) to provide that a widow or surviving divorced wife who has attained age 50 (but is not yet age 60) may become entitled to widow's insurance benefits if she is disabled under the special test of disability set forth in section 223(d) of the act (as amended by sec. 156 of the bill) and her disability began within the period specified in the new section 202(e)(5) (discussed below).

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

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

benefits can begin is a period of 6 consecutive calendar months throughout which the widow is under a disability; months of disability before the husband's death or before termination of entitlement to mother's benefits can be counted in this waiting period.

Widower's insurance benefits

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

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

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

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

Actuarial reduction in benefits

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

Under present law, section 202(q) of the act provides for a reduction in widow's benefits of five-ninths of 1 percent for each month such benefits are payable in the period prior to age 62. The amendments made by section 104(c) of the bill provide a similar reduction in widower's benefits based on disability for the months such benefits are payable during this period (the "reduction period," which is computed from the first month of entitlement to benefits or from age 60, whichever is later), and in addition provide for a further reduction in both widow's and widower's benefits based on disability of 43/198 of 1 percent for each month such benefits are payable in the period prior to

age 60 (the "additional reduction period," which is computed from the first month of entitlement or age 50, whichever is later). The number of months in the "reduction period" multiplied by five-ninths of 1 percent is added to the number of months in the "additional reduction period" multiplied by 43/198 of 1 percent in computing the reduction in the benefits payable to the disabled widow or widower. Under these amendments, if a widow or widower qualifies for benefits on the basis of disability at the earliest possible time (age 50), such benefits will be equal to 50 percent of the primary insurance amount of the deceased wage earner.

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

Related amendments

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

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

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

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

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

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

Effective date

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

SECTION 105. INSURED STATUS FOR YOUNGER DISABLED WORKERS

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

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

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

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

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

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

The new section 229(a) provides that a serviceman will receive noncontributory wage credits, for purposes of determining entitlement to and the amount of social security benefits payable on the basis of his wages and self-employment income, for every calendar quarter occurring after 1967 in which he is paid wages for service in the uniformed services which is covered under social security on a contributory basis—i.e., for service in the uniformed services wthin the meaning of section 210(l). The credits will ordinarily be $300 for each calendar quarter in which the serviceman receives such covered wages, but (to take account of calendar quarters in which the serviceman receives pay for only a short period of service) will be $100 for any calendar quarter in which his service pay is $100 or less, and $200 for any

calendar quarter in which his service pay is more than $100 but not more than $200.

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

SECTION 107. LIBERALIZATION OF EARNINGS TEST

Annual and monthly measures of retirement

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

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

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

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

Requirement for reporting annual earnings

Section 107(a)(2) of the bill amends paragraph (1)(A) of section 203(h) of the act to require a beneficiary to report his earnings to the

Secretary whenever his annual earnings exceed $140 (rather than $125 as in present law) times the number of months in his taxable year.

Effective date

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

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

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

Amendments to Title II of the Social Security Act

Definition of wages

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

Definition of self-employment income

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

Quarter of coverage

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

Average monthly wage

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

Amendments to the Internal Revenue Code of 1954

Definition of self-employment income

Section 108(b)(1) of the bill amends section 1402(b)(1) of the Internal Revenue Code of 1954 (defining "self-employment income" for social security tax purposes) by increasing the upper limit on an-

nual self-employment income subject to social security contributions from $6,600 to $7,600 for taxable years ending after 1967.

Definition of wages

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

Federal service

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

Returns in the case of certain governmental employees

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

Special refunds of employee contributions

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

Effective Dates

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

SECTION 109. CHANGES IN TAX SCHEDULES

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

Old-age, survivors, and disability insurance rates

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

Subsection (a) of the amended section 1401 provides a new schedule of tax rates on self-employment income for purposes of old-age,

survivors, and disability insurance. Under present law, these tax rates are as follows:

Taxable years beginning after—	*Tax rate (percent)*
1966 (and before 1969)	5.9
1968 (and before 1973)	6.6
1972	7.0

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

Taxable years beginning after—	*Tax rate (percent)*
1966 (and before 1969)	5.9
1968 (and before 1971)	6.3
1970 (and before 1973)	6.9
1972	7.0

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

Calendar years:	*Tax rate, employer and employee, each (percent)*
1967 to 1968, inclusive	3.90
1969 to 1972, inclusive	4.40
1973 and after	4.85

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

Calendar years:	*Tax rate, employer and employee, each (percent)*
1967 to 1968, inclusive	3.90
1969 to 1970, inclusive	4.20
1971 to 1972, inclusive	4.60
1973 and after	5.00

Hospital insurance rates

Section 109(b) of the bill amends sections 1401(b), 3101(b), and 3111(b) of the code to provide new schedules of hospital insurance tax rates for the self-employed, employees, and employers.

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

Taxable years beginning after—	*Tax rate (percent)*
1966 (and before 1973)	0.50
1972 (and before 1976)	.55
1975 (and before 1980)	.60
1979 (and before 1987)	.70
1986	.80

Under the bill, the tax rates on self-employment income for hospital insurance are as follows:

Taxable years beginning after—	*Tax rate (percent)*
1966 (and before 1969)	0.50
1968 (and before 1973)	.60
1972 (and before 1976)	.65
1975 (and before 1980)	.70
1979 (and before 1987)	.80
1986	.90

Subsection (b) of the amended section 3101 and subsection (b) of the amended section 3111 provide new schedules of tax rates on wages for purposes of hospital insurance. Under present law, these tax rates are as follows:

Calendar years:	*Tax rate, employer and employee, each (percent)*
1967 to 1972, inclusive	0.50
1973 to 1975, inclusive	.55
1976 to 1979, inclusive	.60
1980 to 1986, inclusive	.70
1987 and after	.80

Under the bill, the tax rates on wages for both employees and employers for hospital insurance are as follows:

Calendar years:	*Tax rate, employer and employee, each (percent)*
1967 to 1968, inclusive	0.50
1969 to 1972, inclusive	.60
1973 to 1975, inclusive	.65
1976 to 1979, inclusive	.70
1980 to 1986, inclusive	.80
1987 and after	.90

Effective dates

Section 109(c) of the bill provides that the amendments made by sections 109(a)(1) and 109(b)(1) are to apply with respect to taxable years which begin after December 31, 1967, and that the remaining amendments made by section 109 are to apply with respect to remuneration paid after December 31, 1967.

SECTION 110. ALLOCATION TO DISABILITY INSURANCE TRUST FUND

Section 110(a) of the bill amends section 201(b)(1) of the Social Security Act to increase the percentage of taxable wages allocated to the Disability Insurance Trust Fund (now 0.70 of 1 percent) to 0.95 of 1 percent, effective with respect to wages paid after 1967.

Section 110(b) of the bill amends section 201(b)(2) of the act to increase the percentage of taxable self-employment income allocated to the Disability Insurance Trust Fund (now 0.525 of 1 percent) to 0.7125 of 1 percent, effective with respect to taxable years beginning after 1967.

PART 2—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

SECTION 115. COVERAGE OF MINISTERS

Section 115 of the bill provides social security coverage for the services performed by ministers, members of religious orders, and Christian Science practitioners in the exercise of their professions unless they elect, as provided in the bill, to have their services exempt from the social security self-employment tax. (Under present law the reverse is true; such services are exempt from the tax unless coverage is elected.)

Amendments to title II of the Social Security Act

Under existing law, services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry, or by a member of a religious order in the exercise of duties required by such order, are excepted from the term "employment" under section 210(a)(8)(A) of the Social Security Act, and from the term "trade or business" under section 211(c)(4) of the act, and thus from social security coverage. The services performed by a Christian Science practitioner in the exercise of his profession are also excepted from the term "trade or business" under section 211(c)(5) of the act and thus excluded from coverage. However, such a clergyman, member (other than a member who has taken a vow of poverty as a member of his order), or practitioner may file a certificate electing to be covered with respect to his services in such professions under the provisions applicable to the self-employed, in the manner prescribed in section 1402(a) of the Internal Revenue Code of 1954.

Section 115(a) of the bill amends the last sentence of section 211(c) of the act to provide that the coverage exceptions in section 211(c)(4) and (5) will not apply to the services performed in such professions by a minister, member (including a member who has taken a vow of poverty), or practitioner unless an exemption from the social security self-employment tax is effective with respect to him as provided for under section 1402(e) of the code, as amended by section 115(b)(2) of the bill.

Amendments to the Internal Revenue Code of 1954

Under existing law, services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his ministry, or by a member of a religious order in the exercise of duties required by such order, are excepted from the term "employment" under section 3121(b)(8)(A) of the Internal Revenue Code of 1954, and from the term "trade or business" under section 1402(c)(4) of the code, and thus from social security taxes. The services performed by a Christian Science practitioner in the exercise of his profession are also excepted from the term "trade or business" under section 1402(c)(5) of the code and thus excluded from the social security self-employment tax. However, such a clergyman, member (other than a member who has taken a vow of poverty as a member of his order), or practitioner may file a certificate electing to be covered with respect to his services in such professions under the provisions applicable to the self-employed, in the manner prescribed in section 1402(e) of the code.

Section 115(b)(1) of the bill amends the last sentence of section 1402(c) of the code to provide that the exceptions from the term "trade or business," and thus from the social security self-employment tax, in section 1402(c)(4) and (5) of the code, will not apply to the services performed in such professions by a minister, member (including a member who has taken a vow of poverty), or practitioner unless an exemption from the social security self-employment tax is effective with respect to him as provided for under section 1402(e) of the code, as amended by section 115(b)(2) of the bill.

Section 115(b)(2) of the bill substitutes for the present section 1402(e) of the code (permitting clergymen, members of religious orders who have not taken a vow of poverty, and Christian Science practitioners to secure social security coverage by filing a waiver certificate with the Internal Revenue Service) a new section 1402(e) which permits clergymen, members of religious orders (including those who have taken a vow of poverty), and Christian Science practitioners to secure an exemption from the social security self-employment tax upon meeting the requirements of the new section 1402(e).

The new section 1402(e)(1) provides that a clergyman, member, or practitioner, to secure the exemption, must file an application with the Internal Revenue Service, together with a statement that he is conscientiously opposed to the acceptance (based on his services as a minister, member, or practitioner) of public insurance which makes payments in the event of death, disability, old age, or retirement or makes payments toward the cost of, or provides services for, medical care. An exemption under the new section 1402(e) will apply only to services performed as a minister, member, or practitioner. An exemption may not be granted to an individual who had elected social security coverage by filing an effective waiver certificate under section 1402(e) of present law.

The new section 1402(e)(2) provides that an individual's application for exemption must be filed on or before the due date of the individual's income tax return for the second taxable year for which he has net earnings from self-employment of $400 or more, any part of which was derived from his services as a clergyman, member, or practitioner, or the due date of his tax return for his second taxable year ending after 1967, whichever date is later. The effect of this provision (with respect to persons who are on a calendar year basis) is that an individual performing services as a clergyman, member, or practitioner in 1968 or before (and who has not elected coverage under present law) will have until April 15, 1970, to obtain an exclusion from coverage under the new section 1402(e); those individuals first performing such services in 1969 or later will have until the due date of the tax return for the second year in which they performed such services to obtain the exclusion.

The new section 1402(e)(3) provides that an exemption from taxes under the new section 1402(e) will be effective for the first taxable year in which such clergyman, member, or practitioner has net earnings of $400 or more, any part of which was derived from performing services as a clergyman, member, or practitioner, and for all succeeding taxable years. Section 1402(e)(3) also provides that an exemption under the new section 1402(e) is irrevocable.

Section 115(c) of the bill provides that the amendments made by sections 115 (a) and (b) of the bill are to apply only with respect to taxable years ending after 1967. The effect of section 115(c) of the bill, with respect to existing law, is to provide that an individual who performed services as a clergyman, member, or practitioner in 1966 or 1967 and whose time for electing coverage under present law, by filing an effective waiver certificate under present section 1402(e) of the code, had not expired before the enactment date will retain his rights under present law to elect coverage for those 2 years. Thus, an individual who

first had such services in 1966 will have until April 15, 1968, to choose to cover his services performed in 1966 and 1967; an individual who first had such services in 1967 will have until April 15, 1969, to choose to cover his services performed in 1967.

An individual not electing coverage under present law will be covered under social security for taxable years ending after December 31, 1967, unless he is granted an exemption under the new section 1402(e) of the code.

SECTION 116. COVERAGE OF STATE AND LOCAL EMPLOYEES

Coverage for certain persons who are in positions under a State or local retirement system but are ineligible to join such system

Section 218(d)(6)(D) of the Social Security Act provides that when social security coverage is extended to persons under a retirement system under the divided retirement system procedure provided for under section 218(d)(6)(C), the coverage does not apply to persons who are in positions under the retirement system but are ineligible to join the system. Section 116(a) of the bill amends section 218(d)(6)(D) of the act to permit the coverage of all such "ineligibles" other than those to whose services the agreement already applies.

Under present law, when persons in positions covered under a retirement system who are personally ineligible to join the system are brought under social security with a nonretirement system group, the State is required to specify whether their social security coverage is to continue or to be terminated in the event they later become eligible to join the retirement system. This same requirement will apply in the case of persons brought under coverage under the amendment made by section 116(a).

Mandatory exclusion of emergency services

Sections 116(b)(1) and (2) of the bill remove the present provision (sec. 218(c)(3)(A) of the act) that "emergency services" may be excluded from coverage under a State coverage agreement at the option of the State, and substitute a new provision (sec. 218(c)(6)(E)) for the mandatory exclusion from such coverage of service performed by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency.

Section 116(b)(3) of the bill provides that these changes will be effective with respect to services performed on or after January 1, 1968.

Optional exclusion of certain services performed by election workers

Section 116(c) of the bill amends section 218(c) of the act by adding a new paragraph (8) to give the States the option under a State coverage agreement of excluding from coverage service performed by election officials and election workers if the remuneration paid in a calendar quarter for such service is less than $50. A State will be permitted to modify its agreement on or after January 1, 1968, to exclude such services. The exclusion will become effective with a date specified by the State, but not before the first day of the calendar quarter after the quarter in which the modification is mailed, or delivered by other means, to the Secretary.

SECTION 117. INCLUSION OF ILLINOIS AMONG STATES PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS

Section 117 of the bill amends section 218(d)(6)(C) of the Social Security Act by adding Illinois to the list of States which are permitted to divide their retirement systems into two divisions or parts for social security coverage purposes, one division or part consisting of those members desiring coverage under the act and the other consisting of those who do not, with all new members being covered on a compulsory basis.

SECTION 118. TAXATION OF CERTAIN EARNINGS OF RETIRED PARTNERS

Amendments to the Internal Revenue Code of 1954

Under existing law, retirement payments received by a retired partner from a partnership (of which he is a member or a former member) are, in general, counted as net earnings from self-employment under section 1402(a) of the Internal Revenue Code of 1954 and, subject to the provisions of section 1402(b) of the code (defining self-employment income), are subject to the social security self-employment tax. Section 118(a) of the bill amends section 1402(a) of the code by adding a new paragraph (10), which provides that under specified conditions there shall be excluded from the term "net earnings from self-employment," and thus excluded from the social security self-employment tax, certain periodic payments made by a partnership to a retired partner which are made on account of retirement pursuant to a written plan of the partnership. The new section 1402(a)(10) specifies that the plan (if the exclusion is to be effective) must meet such requirements as are prescribed by the Secretary of the Treasury or his delegate, apply to partners generally or to a class or classes of partners, and provide such payments at least until the retired partner's death. The new section 1402(a)(10) further provides that the exclusion will be effective with respect to retirement payments received by the retired partner in a year only if he renders no services in any trade or business conducted by the partnership or its successors during the taxable year of such partnership, or its successors, which ends within or with the taxable year of the retired partner, and at the end of such partnership's taxable year (1) there is no obligation from the other partners in the partnership to the retired partner other than to make retirement payments under the partnership plan, and (2) the retired partner's share in the capital of the partnership has been paid to him in full.

Amendments to title II of the Social Security Act

Under existing law, retirement payments received by a retired partner from a partnership (of which he is a member or a former member) are, in general, counted as net earnings from self-employment under section 211(a) of the Social Security Act and, subject to the provisions of section 211(b) of the art (defining self-employment income), are covered under social security. Section 118(b) of the bill amends section 211(a) of the act by adding a new paragraph (9), which provides that under specified conditions there shall be excluded from the term "net earnings from self-employment," and thus excluded

from social security coverage for benefit computation and retirement test purposes, certain periodic payments made by a partnership to a retired partner which are made on account of retirement pursuant to a written plan of the partnership. The new section 211(a)(9) specifies that the plan (if the exclusion is to be effective) must meet such requirements as are prescribed by the Secretary of the Treasury or his delegate, apply to partners generally or to a class or classes of partners, and provide such payments at least until the retired partner's death. The new section 211(a)(9) further provides that the exclusion will be effective with respect to retirement payments received by the retired partner in a year only if he renders no services in any trade or business conducted by the partnership or its successors during the taxable years of such partnership, or its successors, which ends within or with the taxable year of the retired partner, and at the end of such partnership's taxable year (1) there is no obligation from the other partners in the partnership to the retired partner other than to make retirement payments under the partnership plan, and (2) the retired partner's share in the capital of the partnership has been paid to him in full.

Effective date

Section 118(c) of the bill provides that the amendments made by section 118 (a) and (b) will apply with respect to net earnings from self-employment in taxable years which end on or after December 31, 1967.

PART 3—HEALTH INSURANCE BENEFITS

SECTION 125. METHOD OF PAYMENT TO PHYSICIANS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Section 125(a) of the bill amends section 1842(b)(3)(B) of the Social Security Act by providing an alternative to the receipted bill and assignment methods provided under present law for the payment of medical insurance benefits for services reimbursable on the basis of reasonable charges. Under this alternative procedure, payment requested on the basis of an itemized bill will be made to the physician or other person providing the service if the bill is submitted by him in such form and manner and within such time as may be specified in regulations and if the full charge does not exceed the reasonable charge for the service rendered. Payment may be made to the patient where payment is not made to the person providing the service either because the charge made is found to exceed the reasonable charge for the service or because such person fails to submit the bill within the time or in the form and manner specified or directs that payment be made to the patient. Payment may be made under these circumstances to the patient only if the bill is submitted in such form and manner as the Secretary may prescribe.

Section 125(a) of the bill further amends section 1842(b)(3)(B) of the act to establish a time limit on the period within which payment may be requested under the supplementary medical insurance program with respect to physician's services and other services reimbursable under that program on a reasonable charge basis. Claims for the services in question must be filed no later than the end of the calendar year following the year in which the services were furnished;

for purposes of applying this limitation, services furnished in the last 3 months of a calendar year will be deemed to have been furnished in the subsequent year.

Section 125(b) of the bill provides that these amendments will apply to bills received after December 31, 1967.

SECTION 126. ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICATION IN CASE OF CERTAIN HOSPITAL SERVICES

Section 126 of the bill amends section 1814(a) of the Social Security Act (as amended by sec. 129(c)(5) of the bill) and section 1835(a) of the act with respect to the requirements for physicians' certificates. The effect of section 126(a) is to eliminate the requirement for hospital insurance payments that there be a physician's certification of medical necessity with respect to admissions to hospitals which are neither psychiatric nor tuberculosis institutions; the effect of section 126(b), in combination with the amendment made by section 129(c)(5) of the bill, is to eliminate all requirements for physicians' certifications with respect to outpatient hospital services.

Section 126(a) of the bill amends section 1814(a) of the act so as to eliminate the hospital insurance program requirement that there be a physician's certification of medical necessity with respect to each admission to a general hospital, and to require such a certification only in cases of hospital stays of extended duration (and in cases of admissions to and stays in tuberculosis and psychiatric hospitals).

Section 126(b) of the bill amends section 1835(a)(2)(B) of the act by eliminating the supplementary medical insurance program requirement that there be a physician's certification with respect to services furnished by providers of services which are incident to a physician's service to outpatients (or to hospital outpatient diagnostic services).

Section 126(c) of the bill provides that these amendments will apply to services furnished after the date of the bill's enactment.

SECTION 127. INCLUSION OF PODIATRISTS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Section 127(a) of the bill amends section 1861(r) of the Social Security Act to include within the definition of the term "physician" a doctor of podiatry or surgical chiropody, but only with respect to functions which he is legally authorized to perform as such by the State in which he performs them. A doctor of podiatry or surgical chiropody will not, however, be considered a "physician" for purposes of section 1814(a) of the act (relating to certification and recertification of medical necessity under pt. A of title XVIII), section 1835 of the act (relating to certification and recertification of medical necessity under pt. B), or section 1861(k) of the act (relating to utilization review).

Section 127(b) of the bill amends section 1862(a) of the act, which provides that no payment may be made under part A or part B (regardless of any other provision of title XVIII) for any expenses incurred for certain specified health items and services, by adding a new paragraph (13). The new paragraph (13) provides that no payment may be made for any expenses incurred for the treatment of flat foot conditions and the prescription of supportive devices therefor, the

treatment of subluxations of the foot, or routine foot care (including the cutting or removal of corns, warts, or calluses, the trimming of nails, and other routine hygienic care).

Section 127(c) of the bill provides that these amendments will apply with respect to services furnished after December 31, 1967.

SECTION 128. EXCLUSION OF CERTAIN SERVICES

Section 128 of the bill amends section 1862(a)(7) of the Social Security Act, which provides that no payment may be made under part A or part B (regardless of any other provision of title XVIII) for expenses incurred for routine physical checkups, eyeglasses, eye examinations for the purpose of prescribing, fitting, or changing eyeglasses, or hearing aids or examinations therefor, by adding a provision that no payment may be made for expenses incurred for procedures performed (during the course of any eye examination) to determine the refractive state of the eyes.

SECTION 129. TRANSFER OF ALL OUTPATIENT HOSPITAL SERVICES TO SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Section 129(a) of the bill amends section 1861(s)(2) of the Social Security Act to include in the definition of medical and other health services for which payment may be made under the supplementary medical insurance program diagnostic services which are (1) furnished to an individual as an outpatient by a hospital or by others under arrangements with them made by a hospital, and (2) ordinarily furnished by such hospital (or by others under such arrangements) to its outpatients for the purpose of diagnostic study.

Section 129(b) of the bill further amends section 1861(s) of the act to exclude from the diagnostic services referred to in paragraph (2) thereof for which medical insurance payments may be made (other than the services of "physicians") any item or service which (1) would not be covered under the hospital insurance program if it were furnished to an inpatient of a hospital, or (2) is furnished by others under arrangements with them made by the hospital unless furnished in the hospital or in other facilities operated by or under the supervision of the hospital or its organized medical staff.

Section 129(c) of the bill, to reflect the transfer of all outpatient hospital diagnostic services from part A (the hospital insurance program) to part B (the supplementary medical insurance program), makes various conforming amendments in both part A and part B of title XVIII of the act. Paragraphs (1) and (2) of section 129(c) of the bill eliminate outpatient hospital diagnostic services from the list of services covered under part A. Paragraphs (3) and (4) eliminate the special $20 deductible and 20 percent coinsurance provisions of part A relating to these services (which will become subject to the regular deductible and coinsurance provisions of pt. B), and paragraphs (7) and (8) eliminate provisions of part B relating to the treatment of the present outpatient hospital diagnostic services deductible under part A for purposes of part B. Paragraph (6) eliminates the present part A authorization of payment for emergency outpatient hospital diagnostic services, and paragraph (9) provides (in a new sec. 1835(b) of the act) that payment may be made under

part B to any hospital for outpatient hospital diagnostic services furnished to an individual entitled to benefits under the supplementary medical insurance program even though such hospital does not have an agreement under title XVIII in effect if (A) such services were emergency services and (B) the Secretary would be required to make such payment if the hospital had such an agreement in effect and otherwise met the conditions of payment; such payments will be made only on the basis of 80 percent of costs, as provided under section 1833(a)(2), and then only if such hospital agrees to comply, with respect to the emergency services provided, with the provisions of the agreement under part A of title XVIII under which participating hospitals are not permitted to charge the patient for covered services. Paragraphs (5), (10), (11), (12), and (13) make conforming changes.

Section 129(d) of the bill provides that the amendments made by section 129 (a), (b), and (c) will apply with respect to services furnished after December 31, 1967.

SECTION 130. BILLING BY HOSPITAL FOR SERVICES FURNISHED TO OUTPATIENTS

Section 130(a) of the bill amends section 1835(a) of the Social Security Act (as amended by sec. 129(c)(9)(A) of the bill) to take account of the exception to the payment procedures for providers of services that is added to the act by section 130(b) of the bill.

Section 130(b) of the bill further amends section 1835 of the act (as amended by section 129(c)(9)(B) of the bill) to provide in a new subsection (c) that, notwithstanding section 1832 (which provides, in part, that medical insurance payments for hospital services may be made only to the hospital), section 1833 (which provides, in part, for reimbursement for hospital services to be made only on a reasonable-cost basis), and section 1866(a)(1)(A) (which bars a hospital from collecting charges beyond the deductible and coinsurance amounts for covered hospital services), hospitals may elect, subject to such limitations as the Secretary may prescribe, to collect from an individual covered by the supplementary medical insurance program the customary charges for covered outpatient hospital services, but only if such charges do not exceed $50. Such charges will be considered to be expenses incurred by the beneficiary for purposes of applying the medical insurance deductible and making payments under the supplementary medical insurance program. Payments under the supplementary medical insurance program to hospitals which have elected to make collections from individuals pursuant to this provision are to be adjusted periodically to place the hospital in the same position as it would have been in had it not elected to make such collections.

Section 130(c) of the bill provides that these amendments will apply with respect to services furnished after December 31, 1967.

SECTION 131. PAYMENT OF REASONABLE CHARGES FOR RADIOLOGICAL OR PATHOLOGICAL SERVICES FURNISHED BY CERTAIN PHYSICIANS TO HOSPITAL INPATIENTS

Section 131(a) of the bill amends section 1833(a)(1) of the Social Security Act by increasing from 80 to 100 percent of reasonable charges the amount payable under the supplementary medical insurance program with respect to expenses incurred for radiological or

pathological services which are covered under the program if such services are furnished to a hospital inpatient by a physician who is a specialist in the field of radiology or pathology, as the case may be.

Section 131(b) of the bill amends section 1833(b) of the act to provide that payments under the supplementary medical insurance program with respect to expenses for the radiological and pathological services referred to in the amendment made by section 131(a) will not be subject to the $50 medical insurance deductible.

Section 131(c) of the bill provides that these amendments will apply with respect to services furnished after December 31, 1967.

SECTION 132. PAYMENT FOR PURCHASE OF DURABLE MEDICAL EQUIPMENT

Section 132(a) of the bill amends section 1861(s)(6) of the Social Security Act, which presently provides for payment to be made under the supplementary medical insurance program with respect to expenses incurred in the rental of durable medical equipment, to provide that payments may also be made with respect to expenses incurred in the purchase of durable medical equipment.

Section 132(b) of the bill amends section 1833 of the act to provide, in a new subsection (f), that when payments under the supplementary medical insurance program are made with respect to the purchase of durable medical equipment, the payments will be made in amounts which the Secretary determines to be equivalent to the payments that would have been made over the period involved had the equipment been rented. Such payments are to be made over the period of time for which the Secretary finds that the new equipment will be used for the patient's medical treatment (but in no case may payments exceed the purchase price, less applicable deductible and coinsurance amounts, for the equipment). However, payment in the case of purchase of inexpensive equipment may be made in a lump sum if the Secretary finds that such method of payment is less costly or more practical than periodic payments.

Section 132(c) of the bill provides that these amendments will apply only with respect to items purchased after December 31, 1967.

SECTION 133. PAYMENT FOR PHYSICAL THERAPY SERVICES FURNISHED BY HOSPITAL TO OUTPATIENTS

Section 133(a) of the bill amends section 1861(s)(2) of the Social Security Act (as amended by sec. 129(a)(2) of the bill) to provide that supplementary medical insurance payments may be made for physical therapy services even though the services are not directly incident to a physician's services if they are furnished by a hospital, or by others under arrangement with a hospital, to an outpatient in a place of residence used as his home and if they are furnished under the hospital's supervision.

Section 133(b) of the bill provides that this amendment will apply to services furnished after December 31, 1967.

SECTION 134. PAYMENT FOR CERTAIN PORTABLE X-RAY SERVICES

Section 134(a) of the bill amends section 1861(s)(3) of the Social Security Act to provide that the diagnostic X-ray tests for which payments may be made under the supplementary medical insurance pro-

gram will include tests conducted by a nonphysician in a place of residence used as the patient's home if they are performed under the supervision of a physician (which need not be direct supervision) and if the tests meet such conditions relating to health and safety as the Secretary may find necessary.

Section 134(b) of the bill provides that this amendment will apply with respect to services furnished after December 31, 1967.

SECTION 135. BLOOD DEDUCTIBLES

Section 135(a) of the bill amends section 1813(a)(2) of the Social Security Act as redesignated by section 129(c)(3) of the bill (sec. 1813(a)(3) under present law), which provides that payment cannot be made to any provider of services under the hospital insurance program for the cost of the first 3 pints of whole blood furnished to an individual during a spell of illness. The amendment makes the 3-pint deductible also applicable to equivalent quantities of packed red blood cells, as defined by the Secretary under regulations.

Section 135(b) of the bill amends section 1866(a)(2)(C) of the amended by sections 129(c)(7) and 131(b) of the bill) to provide that to the extent that a provider of services may charge for blood under section 1866(a)(2)(C) of the act, it may do so in accordance with its customary practices; (2) to include, in addition to whole blood for which a provider of services may charge under present law, equivalent quantities of packed red blood cells; and (3) to provide that blood furnished an individual under part A will be considered to be replaced when the provider is given 1 pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells) furnished the individual to which the 3-pint deductible applies.

Section 135(c) of the bill amends section 1833(b) of the act (as amended by sections 129(c)(7) and 131(b) of the bill) to provide that there shall be a deductible under the supplementary medical insurance program equal to the expenses incurred for the first three pints of whole blood (or equivalent quantities of packed red blood cells as defined under regulations) furnished to an individual during a calendar year. This deductible is to be appropriately reduced in accordance with regulations to the extent that such blood has been replaced, and such blood will be considered to have been replaced when the institution or other person furnishing such blood is given 1 pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells) furnished the individual to which the 3-pint deductible applies.

Section 135(d) provides that these amendments will apply with respect to payments for blood furnished an individual after December 31, 1967.

SECTION 136. ENROLLMENT UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM BASED ON ALLEGED DATE OF ATTAINING AGE 65

Section 136(a) of the bill amends section 1837(d) of the Social Security Act to provide that where the Secretary finds that an individual who has attained age 65 failed to enroll in the supplementary medical insurance program because the individual, relying on erroneous docu-

mentary evidence, was mistaken about his age, the individual may enroll in such program, using the date of attainment of age 65 that he alleges and for which he presented documentary evidence. In such a case, the provisions in the law relating to enrollment, reenrollment, and coverage periods will be applied as if the individual's alleged date of attainment of age 65 were his actual date of attainment.

Section 136(b) of the bill provides that this amendment will apply to persons enrolling in the supplementary medical insurance program in months beginning after the date of enactment of the bill.

SECTION 137. EXTENSION OF MAXIMUM DURATION OF BENEFITS FOR INPATIENT HOSPITAL SERVICES TO 120 DAYS

Section 137(a) of the bill amends sections 1812(a)(1) and 1812(b)(1) of the Social Security Act to increase from 90 days to 120 days the maximum number of days of inpatient hospital services for which an individual is entitled to have payments made during any spell of illness.

Section 137(b) of the bill amends section 1813(a)(1) of the act by adding the requirement that the amount payable for inpatient hospital services furnished during any spell of illness will be reduced by a coinsurance amount equal to one-half of the inpatient hospital deductible (the amount of which is determined under sec. 1813(b)) for each day before the 121st day of inpatient hospital services after such services have been furnished for 90 days during a spell of illness. The amended section 1813(a)(1) further provides that if the charges imposed for such services for any day in the period after the individual has been furnished 60 days of such services are less than the amount of the reduction imposed under section 1813(a)(1), the amount payable for such services will be reduced by the amount of the charges imposed or the customary charges, whichever are greater.

Section 137(c) of the bill provides that these amendments will apply with respect to services furnished after December 31, 1967.

SECTION 138. LIMITATION ON SPECIAL REDUCTION IN ALLOWABLE DAYS OF INPATIENT HOSPITAL SERVICES

Section 138(a) of the bill makes two changes in section 1812(c) of the Social Security Act, which presently provides that if an individual is an inpatient of a psychiatric or tuberculosis hospital on the first day of the first month for which he is entitled to benefits under the hospital insurance program, the days on which he was an inpatient of such a hospital in the 90-day period immediately before such first day will reduce the number of days of inpatient hospital benefits for which payment could otherwise be made during his first spell of illness. First, section 1812(c) is amended so that the limitation will no longer reduce an individual's eligibility to have payment made for inpatient hospital services furnished by a hospital which is neither a psychiatric nor a tuberculosis institution if the services are not primarily for the diagnois or treatment of mental illness or tuberculosis. Second, conforming changes in section 1812(c) are made to take account of the increase (provided for under sec. 137 of the bill) from 90 to 120 days in the number of days of inpatient hospital benefits for which payment

can be made during a spell of illness and to increase from 90 days to 120 days the period prior to the institutionalized psychiatric or tuberculosis patient's entitlement under the hospital insurance program during which days of care in a psychiatric or tuberculosis institution count against his inpatient hospital benefit eligibility.

Section 138(b) of the bill provides that these amendments will apply with respect to payments for services furnished after December 31, 1967.

SECTION 139. TRANSITIONAL PROVISION ON ELIGIBILITY OF PRESENTLY UNINSURED INDIVIDUALS FOR HOSPITAL INSURANCE BENEFITS

Section 139 of the bill amends section 103(a)(2) of the Social Security Amendments of 1965, which permits certain persons not entitled to social security or railroad retirement cash benefits to qualify for hospital insurance benefits. The amendment reduces from six quarters of coverage to three quarters of coverage the minimum quarters of coverage required for persons attaining age 65 in 1968 for entitlement under this provision. A person attaining age 65 after 1968 will need three additional quarters of coverage for each year that elapsed between 1965 and the year he attains age 65.

SECTION 140. ADVISORY COUNCIL TO STUDY COVERAGE OF THE DISABLED UNDER TITLE XVIII OF THE SOCIAL SECURITY ACT

Section 140(a) of the bill requires the Secretary of Health, Educatin, and Welfare to appoint an Advisory Council to study the need of the disabled for coverage under the health insurance program.

Section 140(b) of the bill provides that the Council shall consist of 12 members representing organizations of employers and employees (in equal numbers), self-employed persons, and the public.

Section 140(c) of the bill provides that the Council may engage such technical assistance as it needs, and that the Secretary shall make available to it such secretarial, clerical, and other assistance, and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare, as it requires.

Section 140(d) provides that the members of the Council are to be compensated at rates fixed by the Secretary, not exceeding $100 a day, and may be allowed travel expenses.

Section 140(e) of the bill requires the Council to make findings with respect to the unmet need of the disabled for health insurance protection, the cost of providing the disabled with insurance protection against the costs of hospital and medical services, and the ways of financing this protection. The Council is also required to make recommendations on the financing of such protection and on the extent to which the cost of such protection could appropriately be borne by the Hospital Insurance and Supplementary Medical Insurance Trust Funds. The Council is required to submit a report on these questions to the Secretary of Health, Education, and Welfare no later than January 1, 1969, and to transmit the report to the Congress and the boards of trustees of the trust funds. After such report is transmitted to the Congress, the Council will cease to exist.

SECTION 141. STUDY TO DETERMINE FEASIBILITY OF INCLUSION OF CERTAIN ADDITIONAL SERVICES UNDER PART B OF TITLE XVIII OF THE SOCIAL SECURITY ACT

Section 141 of the bill requires the Secretary of Health, Education, and Welfare to study the question of adding to the services now covered under the supplementary medical insurance program the services of additional types of licensed practitioners performing health services in independent practice. The Secretary is required to report to the Congress, prior to January 1, 1969, his finding with respect to the need for covering under the supplementary medical insurance program any or all of the various types of services performed by such practitioners and the costs of such coverage. The Secretary is also required to make recommendations as to the priority of covering these services, the methods of coverage, and the safeguards that should be included in the law if any such coverage is provided.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

SECTION 150. ELIGIBILITY OF ADOPTED CHILD FOR MONTHLY BENEFITS

Payment of benefits to certain adopted children

Section 150(a) of the bill amends section 216(e) of the Social Security Act to provide an alternative to the present provision under which a child may be considered the adopted child of a deceased worker if the child is adopted by the worker's widow within 2 years of the worker's death. Under the alternative a child adopted by the worker's widow will also qualify as the worker's child if he was living in the worker's household when the worker died and if proceedings for the adoption had been instituted by the worker before he died, regardless of whether the adoption was completed within 2 years.

Effective date

Section 150(b) of the bill provides that this amendment will be effective for and after the second month following the month of enactment of the bill on the basis of applications filed in or after the month of enactment of the bill.

SECTION 151. CRITERIA FOR DETERMINING CHILD'S DEPENDENCY ON MOTHER

Section 151 of the bill provides that a child will be deemed dependent upon his mother or adopting mother according to the same criteria that are used to determine whether a child is dependent on his father or adopting father under existing law.

Dependency on mother

Section 151(a) of the bill amends section 202(d)(3) of the Social Security Act to provide that a child will be deemed dependent on his mother or adopting mother (as well as on his father or adopting father) if the child has not been legally adopted by another person and if the child is the parent's legitimate or legally adopted child. (or the parent was either living with or contributing to the support of the child). Section 151(a) also amends section 202(d)(3) to provide that the child of any individual who meets the definition of relationship

described in section 216(h)(2)(B) (regarding children of certain invalid marriages) or in 216(h)(3) (regarding certain illegitimate children) will be deemed to be the legitimate child of that individual, whether the individual is the child's father or mother; present law restricts the application of this provision to fathers.

Dependency on stepmother

Section 151(b) of the bill amends section 202(d)(4) of the act to provide that a child will be deemed dependent on his stepmother (as well as on his stepfather) if the child is living with the stepparent or if the stepparent is contributing at least one-half of the child's support.

Elimination of special requirements for dependency on mother

Section 151(c) of the bill eliminates section 202(d)(5) of the act, thus striking out the provisions that (1) a child will be deemed dependent on his mother or adopting mother if she is currently insured, and (2) a child can be deemed dependent on a mother who is not currently insured only if she is contributing one-half of the child's support or, if the child is not living with his father nor being supported by him, only if she is then living with or supporting the child.

Conforming changes

Section 151(d) of the bill makes conforming changes (including changes in the Railroad Retirement Act of 1937) required by the renumbering of the paragraphs in section 202(d) of the act.

Effective date

Section 151(e) of the bill makes these amendments effective for monthly benefits beginning with the second month following the month of enactment of the bill on the basis of applications filed in or after the month of enactment.

SECTION 152. UNDERPAYMENTS

Section 152(a) of the bill amends section 204(d) of the Social Security Act to provide that cash benefits (including unnegotiated checks) due a beneficiary at the time of his death will be paid in the following order of priority: (1) To the surviving spouse of the deceased beneficiary if she was entitled to monthly benefits for the month in which he died on the basis of the same earnings record as was the deceased beneficiary, (2) to his child or children if they were entitled to benefits on the same earnings record, (3) to his parent or parents if they were entitled to benefits on the same earnings record, (4) to the legal representative of his estate, (5) to his surviving spouse who is not entitled to benefits on the same earnings record, or (6) to his child or children who are not entitled to benefits on the same earnings record.

Sections 152 (b) and (c) of the bill amend section 1870 of the act to provide that where a person enrolled in the supplementary medical insurance program dies after receiving covered services for which reimbursement is due but before reimbursement has been made, and the bill for such covered services has been paid, the medical insurance benefits will be paid to the person who paid the medical bill. If there is no such person, the benefit will be paid to the legal representative of the de-

ceased beneficiary's estate, if any. If there is no legal representative, the medical insurance benefits will be paid according to the following order of priority: To the surviving spouse who was living in the same household as the deceased beneficiary at the time of his death; to the surviving spouse who was entitled in the month the beneficiary died to benefits on the same earnings record as the deceased beneficiary; or to the child or (in equal parts) the children of the deceased beneficiary.

Section 152(c) of the bill further amends section 1870 of the act to provide that where a person enrolled in the supplementary medical insurance program who received covered services under the plan dies, and no assignment of benefits for such services was made and these services have not been paid for, reimbursement under the medical insurance program can be made to the physician or other person who provided such services, but only if the physician (or other person) agrees to accept the "reasonable charge" for such services as his full charge.

Section 152(d) of the bill amends section 1842(b)(3)(B) of the act (as amended by sec. 125(a) of the bill) to provide an exception to the usual method of reimbursement on the basis of charges in cases where the beneficiary dies.

SECTION 153. SIMPLIFICATION OF COMPUTATION OF PRIMARY INSURANCE AMOUNT AND QUARTERS OF COVERAGE IN CASE OF 1937–1950 WAGES

Section 153 of the bill provides a simplified method of computing benefits when earnings before 1951 are included in the computation, and of determining quarters of coverage for the period before 1951 when quarters of coverage in this period are needed to establish a fully insured status, so that machine, rather than manual, procedures can be used in making such computations and determinations.

Primary insurance benefit; column I of the revised benefit table

Section 153(a) of the bill amends section 215(d) of the Social Security Act to provide a simplified method of computing benefits where earnings before 1951 are included in the computation.

Section 153(a)(1) of the bill amends section 215(d)(1) of the act to provide a revised method for computing the "primary insurance benefit," from which the worker's primary insurance amount (the amount on which the worker's benefit and the benefits of his dependents and survivors are based) is ultimately derived, when pre-1951 wages are used in the computation. The revised method for computing the primary insurance benefit is as follows: As under present law, the worker's average monthly wage will be determined over a number of years equal to 5 less than the number of years elapsing after 1936 (or after the year in which he attains 21) and up to the year in which he attains age 65 (62 for a woman), becomes disabled, or dies. Where the worker's total wages in that period do not exceed $27,000, he will be deemed, for benefit computation purposes, to have been paid those wages in 9 years prior to 1951; where the total wages are more than $27,000 but less than $42,000, he will be deemed to have been paid the wages at the rate of $3,000 a year (the maximum annual amount creditable before 1951) with any amount over a multiple of $3,000 being assigned to 1 additional year; and where the total wages credited before 1951 are at least $42,000, he will be deemed to have been paid $3,000 in each of the 14

calendar years prior to 1951. (Under present law, the worker's actual wages as paid to him in each year for the period 1937–50 must be used, and annual breakdowns of wages earned during that period 1937–50 are not available for machine use.) Total wages before 1951, for purposes of determining the primary insurance benefit, are defined as the sum of the remuneration credited to the worker's earnings record for 1937–50 plus any military wage credits and compensation under the Railroad Retirement Act of 1937 creditable for that period. The formula for determining the primary insurance benefit is to be 45.6 percent of the first $50 of average monthly earnings, plus 11.4 percent of the next $200 of average monthly earnings. This formula gives the same effect as the present-law formula for computing benefits where the period used is the one beginning with 1937 and where 14 "increments" are given. (Under present law, an "increment" is the term used to describe the 1-percent increase in the primary insurance benefit that is given for each year before 1951 in which the worker was paid wages of $200 or more; the maximum possible is 14—the number of years in the period 1937–50.)

Section 153(a)(2) of the bill amends section 215(d)(2) of the act to specify that the revised computation method is to be available only for a person who (A) as under present law, has at least one quarter of coverage before 1951; (B) as under present law, reaches age 22 after 1950 (but, unlike the requirement in present law, not if he reached age 21 before 1951), provided that he has less than six quarters of coverage after 1950; and (C) either (i) becomes entitled to old-age or disability insurance benefits after the date of enactment of the bill, (ii) dies after the date of enactment without having been entitled to old-age or disability insurance benefits, or (iii) has his primary insurance amount recomputed.

Section 153(a)(3) of the bill amends section 215(d)(3) of the act to provide that the computation provisions in effect before the enactment of the bill are to apply (A) to a person who attained age 21 after 1936 and before 1951, and (B) to a disabled person when his period of disability began before 1951 and the years in his period of disability are excluded in computing his benefit. These provisions are necessary in order to assure that these people do not get smaller benefit amounts than they would get under present law. The new computation method was designed for use only in those cases where at least 9 years before 1951 would have to be used in the computation, and 9 years before 1951 would not have to be used in computing a benefit where the person reached age 21 after 1936 and before 1951 or where years of disability before 1951 are excluded in the computation.

Section 153(a)(4) of the bill amends section 215(f)(2) of the act to provide that benefits for people on the benefit rolls will be recomputed for years after 1965 only in the case of a person who has creditable earnings after 1965. Under present law, a recomputation is made regardless of earnings, but if there are no earnings since the last previous computation the benefit is not increased by the recomputation. The change provided by the bill is made to avoid increases in benefits that would be possible solely as a result of recomputing the benefits for everyone on the benefit rolls under the revised computation method provided under this amendment.

Section 153(a)(5) of the bill amends section 215(f)(2) of the act to change the designation of two paragraphs therein to conform with changes made by section 153(a)(4).

Section 153(a)(6) of the bill adds to section 215(f) of the act a new paragraph (5) to provide that the primary insurance amount of a man who was entitled to an actuarially reduced old-age benefit and who died before age 65 will be recomputed using the period up to the year of death instead of the period up to the year of attaining age 65, regardless of whether he had earnings after 1965. (Sec. 153(a)(4) of the bill provides that benefits for people on the benefit rolls are to be recomputed for years after 1965 only where a person had creditable earnings after 1965.) The recomputed primary insurance amount will be effective for and after the month of the worker's death; i.e., will be the amount from which the survivor's benefits and lump-sum death payment are determined.

Section 153(a)(7) of the bill provides that (A) the changes made by section 153(a)(4) (which specify that recomputations for years after 1965 will be made only if a person has creditable earnings after 1965), and the conforming change in section 153(a)(5), will apply to recomputations made after the date of enactment of the bill, and (B) the changes made by section 153(a)(6) (which provide for recomputing the primary insurance amount of a man who was entitled to an actuarially reduced old-age benefit and who died before age 65) will apply in the case of men who die after the date of enactment.

Section 153(a)(8) of the bill assures that a person who is getting a benefit based on a primary insurance amount determined under the revised computation method between the date of enactment and the effective month of the general benefit increase under section 101 of the bill will get the benefit increase. Where a person becomes entitled to a social security benefit after the date of enactment and before the second month after the month of enactment, and the benefit is based on a primary insurance amount that was determined under the revised computation method, the primary insurance amount will be deemed (for purposes of col. II in the revised benefit table, which shows the primary insurance amounts in effect before the enactment of the bill) to have been computed under the law in effect before the enactment of the bill.

Section 153(a)(9) of the bill provides that the changes made by section 153(a) for computing benefits where pre-1951 wages are used will not apply for monthly benefits before January 1967; that is, where, under the provisions regarding retroactivity of benefits in present law, benefits are payable for some months of 1966, the benefit amounts will be figured under the computation provisions in effect before the enactment of the bill; where benefits are payable for months in 1967, the benefits will be figured under the revised computation method provided in section 153(a) of the bill.

Alternative method for determining quarters of coverage

Section 153(b) of the bill amends section 213 of the act to provide an alternative method for determining quarters of coverage for the period 1937–50, based on total wages in that period.

Section 153(b)(1) provides that a person will be deemed to have one quarter of coverage for each $400 of total wages prior to 1951.

This alternative method is to be used only to determine fully insured status, and is limited to those people who need seven or more quarters of coverage for a fully insured status. If the person is not fully insured based on the quarters of coverage determined for the period 1937–50 under the alternative method, plus the quarters of coverage determined under the provisions of present law for the period after 1950, his quarters of coverage will be determined under the provisions of present law.

Section 153(b)(2) of the bill provides that the alternative method for determining quarters of coverage is to apply for a worker who files an application for old-age insurance benefits in or after the month of enactment and for a worker whose death occurs in or after that month if the worker was not previously entitled to an old-age or disability insurance benefit.

Section 153(c) of the bill amends section 303(g)(1) of the Social Security Amendments of 1960 to preserve for people who were eligible for benefits before 1961 the benefit computation provisions that were in effect before the 1960 amendments (and are retained in present law). Under these provisions, the worker's benefit amount can be based on his average monthly wage over a period as short as 16 years where earnings before 1951 are used (rather than a minimum of 19 years, as would be needed under the computation provisions enacted in 1960), but the worker cannot substitute, for earnings in a year prior to eligibility, earnings in a year after he became eligible (as is possible under the computation provisions enacted in 1960). The revised computation method would, however, be available for people who were eligible for benefits before 1961 when their benefits are computed under the provisions in effect after the 1960 amendments (which require that at least 19 years after 1936 be used in figuring their average monthly earnings).

SECTION 154. DEFINITIONS OF WIDOW, WIDOWER, AND STEPCHILD

Section 154(a) of the bill amends section 216(c) of th Social Security Act, relating to the definition of widow, to reduce the duration-of-relationship requirement—the length of time a widow not otherwise qualifying must have been married to her deceased husband in order to get benefits on his earnings record—from 1 year to 9 months.

Section 154(b) of the bill amends section 216(e) of the act, relating to the definition of stepchild, to reduce the duration-of-relationship requirement for stepchildren of deceased workers from 1 year to 9 months.

Section 154(c) of the bill amends section 216(g) of the act, relating to the definition of widower, to reduce the duration-of-relationship requirement from 1 year to 9 months.

Section 154(d) of the bill amends section 216 of the act by adding a new subsection (k) to provide that where a member of a uniformed service dies in line of duty while serving on active duty, or where a deceased individual's death was accidental, the 9-month duration-of-relationship requirement applicable to the surviving spouse and stepchild of the deceased individual shall be deemed to be satisfied if the marriage lasted 3 months unless the Secretary determines that at the

time of the marriage the individual could not reasonably have been expected to live for 9 months. For this purpose an individual's death is "accidental" if he receives bodily injuries solely through violent, external, and accidental means and, as a direct result of these injuries and independently of all other causes, dies within 3 months.

Subsection (e) of section 154 provides that these amendments will be effective for and after the second month following the month of enactment of the bill.

SECTION 155. HUSBAND'S AND WIDOWER'S INSURANCE BENEFITS WITHOUT REQUIREMENT OF WIFE'S CURRENTLY INSURED STATUS

Section 155 provides for the payment of benefits to the dependent husband or widower of a retired, disabled, or deceased woman worker regardless of whether the woman was currently insured.

Husband's benefits

Section 155(a) of the bill amends section 202(c)(1) of the Social Security Act to eliminate the provision that in order for a man to become entitled to a husband's benefit based on his wife's earnings the woman must have been currently insured. The requirement that a husband must have been receiving one half of his support from his wife is not changed by the amendment. The section also makes a conforming change in section 202(c)(2).

Widower's benefits

Section 155(b) of the bill amends section 202(f)(1) of the act to eliminate the provision that in order for a man to get widower's benefits based on his wife's earnings the wife must have died currently insured. The requirement that a widower must have been receiving one-half of his support from his wife is not changed by the amendment. The section also makes a conforming change in section 202(f)(2).

Filing of proof of support

Section 155(c) provides that any husband or widower who was not previously eligible for the husband's or widower's benefits solely because his spouse did not meet the currently-insured requirement may file proof of support within 2 years after the enactment of the bill and thus establish his entitlement to benefits on her account. In the absence of this provision a husband or widower whose wife was not currently insured and came on the rolls or died more than 2 years before enactment would be unable to get benefits, since under present law a husband or widower must file proof of his dependency on his wife within the 2-year period immediately after the month of her entitlement to benefits or her death. Evidence of support must be filed within the appropriate period even though the husband may not have been eligible for benefits at that time.

Effective date

Section 155(d) of the bill makes these amendments effective for monthly benefits beginning with the second month following the month of enactment of the bill on the basis of applications filed in or after the month of such enactment.

SECTION 156. DEFINITION OF DISABILITY

Section 156 of the bill amends section 223 of the Social Security Act to clarify and amplify the definition of "disability" for purposes of the social security program (and to provide a special definition for purposes of widow's and widower's insurance benefits which are based on disability). Under the amendments made by sections 156 (a) and (b), the definition is contained in a new section 223(d) of the act, with the existing definition in section 223(c)(2) being eliminated.

Paragraph (1) of the new section 223(d) states the basic definition of the term "disability" exactly as it is stated in existing law; i.e. (A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, or (B) in the case of an individual aged 55 or over who is blind as defined in section 216(i)(1), inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he has previously engaged with some regularity and over a substantial period of time.

Paragraph (2)(A) of the new section 223(d) provides that in applying the basic definition (except the special definition for the blind, and except for purposes of widow's or widower's insurance benefits on the basis of disability), an individual shall be determined to be under a disability only if his impairment or impairments are so severe that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists, or whether he would be hired if he applied for work.

Paragraph (2)(B) of the new section 223(d) provides that (in applying the basic definition) a widow, surviving divorced wife, or widower shall not be determined to be under a disability for purposes of widow's or widower's insurance benefits unless his or her impairment or impairments are of a level of severity which under regulations prescribed by the Secretary is deemed sufficient to preclude an individual from engaging in any gainful activity.

Paragraph (3) of the new section 223(d) defines a physical or mental impairment as one that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.

Paragraph (4) of the new section 223(d) directs the Secretary by regulations to prescribe the critieria for determining when services or earnings demonstrate ability to engage in substantial gainful activity, and provides that an individual whose work or earnings meet these criteria will be found not to be disabled (except in the case of work performed during a "period of trial work").

Paragraph (5) of the new section 223(d) provides that an individual will not be considered to be under a disability unless he funishes such medical and other evidence of the existence of disability as the Secretary may require.

Section 156(c) of the bill makes necessary conforming changes in various provisions of the act to reflect the elimination of the existing definition of disability and the substitution of the new definition.

Section 156(d) of the bill amends section 216(i) of the act to provide that paragraphs (2)(A), (3), (4), and (5) of the new section 223(d)—relating to the requirements that must be met for an individual to be determined to be under a disability, the meaning of "impairment," the demonstration of ability to engage in substantial gainful activity, and the furnishing of evidence—are to apply also in determining whether an individual is under a disability for purposes of establishing a period of disability (the "disability freeze").

Section 156(e) of the bill provides that the amendments made by section 156 are to be effective with respect to applications for disability insurance benefits and for disability determinations for purposes of establishing a period of disability that are filed in or after the month of enactment, or before such month if the applicant has not died before such month and if either (1) notice of the final decision of the Secretary has not been given to the applicant before such month, or (2) such notice has been so given before such month but a civil action thereon is commenced (whether before, in, or after such month) under section 205(g) of the Social Security Act and the decision in such civil action has not become final before such month.

SECTION 157. DISABILITY BENEFITS AFFECTED BY RECEIPT OF WORKMEN'S COMPENSATION

Section 157 of the bill amends section 224 of the Social Security Act—the provision of present law under which social security disability benefits are reduced in certain cases where a disabled worker under age 62 qualifies for both workmen's compensation periodic payments and social security disability benefits. Under present law, the social security benefits payable to him and his family are reduced by the amount, if any, by which the total monthly benefits payable under the two programs exceed 80 percent of his "average current earnings" before he became disabled. A worker's average current earnings for this purpose are considered to be equal to the larger of (a) the average monthly wage used for computing his social security benefits, or (b) his average monthly earnings in covered employment and self-employment during his 5 consecutive years of highest covered earnings after 1950 (not counting that part of the earnings in excess of the maximum annual amount that is taxable and creditable for social security purposes). Under the bill, covered earnings in employment and self-employment in excess of the maximum annual amount that is taxable and creditable for social security purposes are to be included in computing the disabled worker's average monthly earnings during his 5 consecutive years of highest covered earnings after 1950, thus permtting payment of a larger social security benefit than under present law in some cases.

Paragraph (1) of section 157(a) of the bill amends clause (B) of the last sentence of section 224(a) of the act to provide that the computation of 1/60th of the total of the individual's wages and self-employment income for the high 5 consecutive calendar years after 1950 (to determine average current earnings) will be made without

regard to the limitations in sections 209(a) and 211(b)(1) of the act (relating to the maximum amounts of wages and self-employment income that are creditable for social security purposes).

Paragraph (2) of section 157(a) of the bill further amends section 224(a) of the act to authorize the Secretary, under regulations, to estimate on the basis of such information as is available to him the total of an individual's annual earnings from wages and self-employment (for purposes of clause (B) of the last sentence of sec. 224(a)) for years in which the individual's earnings as reported reach the maximum creditable amount.

Paragraph (1) of section 157(b) of the bill provides that the amendment made by section 157(a) will apply only with respect to monthly benefits for months after the month of enactment.

Paragraph (2) of section 157(b) of the bill provides that, where a redetermination is made under section 224(f) of the act of the amount of social security disability benefits which are still subject to reduction, and the reduction was first applied to benefits payable for the month of enactment or a prior month, the amendments made by section 157(a) will be deemed to have applied in the initial determination of average current earnings.

SECTION 158. EXTENSION OF TIME FOR FILING REPORTS OF EARNINGS

Section 158(a) of the bill amends section 203(h)(1)(A) of the Social Security Act to permit the Secretary of Health, Education, and Welfare to grant to a beneficiary, or to an individual receiving benefits on behalf of a beneficiary, a reasonable extension—not to exceed 3 months—of the time in which the beneficiary or other individual is required to file with the Secretary a report of his annual earnings, if a valid reason for the delay exists. Under present law, the time for filing reports of earnings cannot be extended; the Secretary may, however, waive the penalties imposed for late filing of such a report if the beneficiary shows that he had good cause for failing to make the report in time.

Section 158(b) of the bill amends section 203(h)(2) of the act to make it clear that a penalty for late filing will not be imposed in cases where the beneficiary files his report of earnings after the regular deadline but within the extended period of time that he was granted by the Secretary under section 203(h)(1), as amended by section 158(a) of the bill.

SECTION 159. PENALTIES FOR FAILURE TO FILE TIMELY REPORTS OF EARNINGS AND OTHER EVENTS

Failure to file timely report of earnings

Section 159(a) of the bill amends section 203(h)(2)(A) of the Social Security Act to reduce the amount of the penalty which is imposed for the first time a beneficiary fails to report, as required, his annual earnings to the Secretary of Health, Education, and Welfare within the prescribed time. Under present law, the penalty is equal to the person's benefit for the last month for which he is entitled to benefits in the year, even though the amount that is withheld under the earnings test because he has had annual earnings of above $1,500

is less than a full month's benefit; the amount of benefits required to be withheld can be as little as $1. Under the amendment, the penalty imposed for the first failure to report earnings of more than the annual ceiling (which is $1,680 under the amendments made by sec. 107 of the bill) within the specified time will not exceed the amount withheld under the earnings test, unless that amount is less than $10 (in which case the penalty will be $10).

Failure to file timely report of events other than earnings

Section 159(b) of the bill amends section 203(g) of the act to reduce the amount of the penalty imposed (1) for failure by a beneficiary under age 72 (or by a person getting benefits on behalf of a beneficiary) to report, within the required time. to the Secretary any month in which he engaged in 7 or more days of noncovered employment or self-employment outside the United States, and (2) for failure by a beneficiary entitled to wife's or mother's insurance benefits by reason of having in her care a child of the worker entitled to child's insurance benefits to report, within the prescribed time, to the Secretary any month in which she does not have such a child in her care. Under present law, the penalty for the first failure to report the occurrence of either one of these events is 1 month's benefit; for subsequent failures to report such events, the penalty is an amount equal to the total amount of the benefits for all the months in which the event occurred but was not reported within the time prescribed. Under the amendment, the penalty for the first failure to report the occurrence of either event will continue to be equal to 1 month's benefit; the penalty for the second failure to report will be equal to 2 months' benefits and the penalty for the third or a subsequent failure to report will be equal to 3 months' benefits. In no case, however, will the amount of the penalty for failure to report exceed the total amount of benefits withheld. For example, if an individual failed on a third occasion to report an event that he should have reported, but only 1 month's benefit was involved, the amount of the penalty would be an amount equal to the benefit for that 1 month.

Effective date

Section 159(c) provides that the amendments made by section 159 are to be effective with respect to penalties imposed on or after the date of the enactment of the bill.

SECTION 160. LIMITATION ON PAYMENT OF BENEFITS TO ALIENS OUTSIDE THE UNITED STATES

Length of time an alien is outside the United States

Section 160(a) of the bill amends section (t)(1) of section 202 of the Social Security Act to provide that after an alien has been outside the United States for 30 consecutive days he will be deemed to be outside the United States continuously until he has been in the United States for 30 consecutive days. (In general, when an alien has been outside of the United States for a period of 6 months, his benefits are suspended until he returns to the United States.) The amendment is effective with respect to 6-month periods which begin after the month of enactment of the bill.

Exceptions to suspension of benefit payments not to apply in certain cases

Section 160(b) of the bill amends paragraph (4) of section 202(t) of the act to provide that the exceptions to the suspension of benefit payments to aliens who are outside the United States that are based on the worker's having 40 quarters of coverage or 10 years residence in the United States shall not apply to any alien who is (1) a citizen of a country that has in effect a social insurance or pension system that is of general application and that does not provide benefit payments to otherwise eligible U.S. citizens who are residing outside that country, or (2) a citizen of a foreign country that has no social insurance or pension system of general application if, at any time within five years before the month the bill is enacted or, in the case of an alien whose benefits are not subject to suspension under section 202(t)(1) of the act for such month, within five years before the first month after the month of enactment for which his benefits are subject to such suspension, payment of benefits to individuals in such country is withheld by the Treasury Department under the first sentence of the act of October 9, 1949 (31 U.S.C. 123). The amendment will apply for and after the sixth month following the month in which the bill is enacted.

Limitation on payment of benefits to aliens in certain countries

Section 160(c)(1) of the bill adds a new paragraph (10) to section 202(t) of the act to provide that no monthly social security benefits will be paid for any month beginning after the date of enactment of the bill to an alien who resides in a foreign country if payments to people in that country are withheld by the Treasury Department under the first section of the act of October 9, 1940 (31 U.S.C. 123). That section provides for the Department of the Treasury to withhold checks drawn on the United States to people who are in a country in which there is no reasonable assurance that an individual will receive his check or be able to negotiate it for its full value.

Subsection (c)(2) of section 160 of the bill amends subsection (t)(6) of section 202 of the act to provide that where an alien is residing in a foreign country where benefit payments are withheld by the Treasury Department under the 1940 law in the month preceding the month of his death, no lump-sum death payment may be made on the basis of his earnings record.

Paragraph (3) of section 160(c) of the bill provides that where benefits for months through the month of enactment that have been withheld by the Treasury Department under the 1940 law from an alien subsequently become payable, such benefits shall be paid only to the person from whom they were withheld or, if he has died, to a survivor entitled to a monthly benefit on the same earnings record, and that they shall be paid in an amount not in excess of the equivalent of the last twelve months' benefits that would have been payable to him.

SECTION 161. RESIDUAL PAYMENTS TO CERTAIN CHILDREN

Section 161(a) of the bill amends section 203(a) of the Social Security Act, relating to maximum family benefits, by (1) restating the present provision that when a reduction is made to take account of the maximum family benefit, the worker's own benefit is not reduced and

the benefits payable to dependents and survivors are proportionately reduced, and (2) providing that if any benefits are payable to a child who cannot under applicable State law inherit his father's intestate personal property (sec. 216(h)(3)), but who can attain, under section 339(a) of the Social Security Amendments of 1965, the status of a child for social security purposes (such as by reason of acknowledgment or court decree), those benefits will be reduced before any others. Thus, benefits for such children would be "residual"—that is, where the maximum family benefit is involved the child's benefit cannot exceed the difference between the total benefits payable to other members of the family and the maximum benefit payable to the family on the worker's account.

Section 161(b) makes this amendment effective with respect to benefits payable for and after the second month after enactment.

SECTION 162. TRANSFER TO HEALTH INSURANCE BENEFITS ADVISORY COUNCIL OF NATIONAL MEDICAL REVIEW COMMITTEE FUNCTIONS; INCREASE IN COUNCIL'S MEMBERSHIP

Section 162(a) of the bill amends section 1867 of the Social Security Act to provide for increasing the membership of the Health Insurance Benefits Advisory Council from 16 to 19 members, and for increasing from four to five the number of members at whose request it is the duty of the Secretary of Health, Education, and Welfare to call a meeting of the Advisory Council.

Section 1867 as amended includes, as an activity of the Health Insurance Benefits Advisory Council, the study of utilization of hospital and other medical care and services for which payment may be made under the health insurance program (title XVIII of the act) with a view to recommending any changes which may seem desirable in the way in which such care and services are utilized or in the administration of the title XVIII program (a function which, under present law, was to have been performed by the National Medical Review Committee). The Advisory Council is given the additional responsibility of making an annual report to the Secretary on its activities, including any recommendations it may have with respect thereto. This report is to be transmitted by the Secretary to the Congress.

Section 1867 as amended also authorizes the Advisory Council to engage such technical assistance as may be required to carry out its functions. In addition, the Secretary is to make available to the Council such secretarial, clerical, and other assistance and such pertinent data obtained and prepared by the Department of Health, Education, and Welfare as the Advisory Council may require to carry out its functions.

Section 162(b) of the bill provides that the amendment made by section 162(a) with respect to the increase in the Advisory Council membership from 16 to 19 will not affect the terms of office of the members of the Advisory Council in office on the date of enactment of the bill or their successors. The terms of office of the three additional members of the Advisory Council first appointed pursuant to the increase in the membership of such Council provided by such amendment are to expire, as designated by the Secretary at the time

of the appointment, one at the end of the first year, one at the end of the second year, and one at the end of the third year after the date of appointment.

Section 162(c) of the bill repeals section 1868 of the act, which provides for the establishment of a National Medical Review Committee.

SECTION 163. ADVISORY COUNCIL ON SOCIAL SECURITY

Section 163 of the bill amends section 706 of the Social Security Act, relating to the Advisory Council on Social Security.

Section 163(a)(1) of the bill amends section 706(a) of the act to provide that an Advisory Council will be appointed in February of every fourth year beginning in 1969. (Present law requires that an Advisory Council be appointed during 1968 and every fifth year thereafter.)

Section 163(a)(2) of the bill amends section 706(d) of the act to require that the Council report no later than January 1 of the year after it was appointed, rather than January 1 of the second year after appointment.

Section 163(b) of the bill amends section 706(b) of the act to provide that each such Council will consist of a chairman and 12 other persons, all of whom shall be appointed by the Secretary of Health, Education, and Welfare. (Present law provides that the Commissioner of Social Security serves as Chairman of the Council.)

SECTION 164. REIMBURSEMENT OF CIVIL SERVICE RETIREMENT ANNUITANTS FOR CERTAIN PREMIUM PAYMENTS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Section 164 of the bill amends section 1840(e)(1) of the Social Security Act to permit a plan described in section 8903 of title 5, United States Code (relating to health benefits plans under the Federal Employees Health Benefits Act of 1959), to reimburse each annuitant enrolled in such a plan and also enrolled in the supplementary medical insurance program in an amount equal to the premiums paid under the supplementary medical insurance program. Such reimbursement must be financed from funds other than the contributions made by the Federal Government and by Federal employees and annuitants under the Federal Employees Health Benefits Act of 1959.

SECTION 165. APPROPRIATIONS TO SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

Section 165(a) of the bill amends section 1844(a) of the Social Security Act to authorize the appropriation from general revenues of funds sufficient to place the Supplementary Medical Insurance Trust Fund in the same position at the end of each fiscal year after June 30, 1967, that it would be in if the Government contribution authorized under section 1844 were deposited in the trust fund at the same time as the premiums being matched. Section 165(a) also authorizes the appropriation from general revenues of funds sufficient to place the trust fund in the same position it would be in at the end of any future fiscal year if that part of the Government contributions due to the trust

fund for fiscal year 1967 which was not appropriated in that year had been appropriated to it on June 30, 1967.

Section 165(b) of the bill amends section 1844(b) of the act by extending from December 31, 1967, to December 31, 1969, the date of expiration of the period of availability of the contingency reserve for the medical insurance program.

SECTION 166. DISCLOSURE TO COURTS OF WHEREABOUTS OF CERTAIN INDIVIDUALS

Section 166(a) of the bill amends section 1106(c)(1) of the Social Security Act by adding a new subparagraph (B) requiring the Secretary of Health, Education, and Welfare to furnish the most recent address of an individual (or his most recent employer, or both) to a court having jurisdiction to issue orders against the individual for the support and maintenance of his children if the court certifies that the information is requested for its own use in issuing or determining whether to issue such an order against such individual.

Sections 166(b) and (c) of the bill make conforming changes in the present provisions of section 1106(c) relating to the manner of making a request for information and to the applicability of penalties with respect to misuse of information furnished to a court.

SECTION 167. REPORTS OF BOARDS OF TRUSTEES TO CONGRESS

Section 167(a) of the bill amends sections 201(c)(2), 1817(b)(2), and 1841(b)(2) of the Social Security Act to require the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, the Board of Trustees of the Federal Hospital Insurance Trust Fund, and the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund to submit their reports on the status of each of these funds for the preceding fiscal year by April 1. These sections now require the report to be submitted by March 1.

Section 167(b) of the bill adds to section 201(c) of the act an additional requirement that the report on the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund include an actuarial analysis of the costs to the Federal Old-Age and Survivors Insurance Trust Fund of the payment of benefits to disabled beneficiaries.

SECTION 168. GENERAL SAVINGS PROVISION

Section 168 of the bill adds a general savings clause, applicable in certain cases where a person who is made eligible for benefits by the bill becomes entitled to benefits for the second month after the month in which the bill is enacted.

Under section 168(a) of the bill the savings clause applies to any person (or persons) entitled to benefits for the "effective month" (defined in section 168(b) as the first month after the month in which the bill is enacted) on the basis of an application filed no later than the effective month. If another member of the person's family who was made elegible for benefits by the bill becomes entitled to benefits for

the month after the effective month, then each member of the family who was entitled to benefits for the effective month will get the same benefit amount that he would have gotten if the newly eligible person had not become entitled to benefits, in spite of the provisions of the law (sec. 203(a)) for limiting the total amount of benefits payable to a family. The benefit amount of the newly entitled person would be determined without regard to the general savings clause.

The following example illustrates how the savings clause will operate: Assume that a man died in 1966, leaving a widow and their twin children eligible for benefits, and a stepchild who was not eligible for benefits on the earnings record of the deceased worker because the step-relationship had lasted only 11 months before the stepfather died. The widow and her twin children get benefits that are limited by the family maximum to $91.20 each—a total of $273.60 for the family. After enactment of the bill, the widow and two children have their benefit amounts increased by 12½ percent, from $91.20 to $102.60 each, and the family maximum becomes $307.80. The stepchild is made eligible for benefits by section 154 of the bill, which would reduce the 1-year duration-of-relationship requirement to 9 months, and becomes entitled to benefits as of the effective month of the bill. Without the general savings clause, the stepchild would merely share in the $307.80 payable to the family—the four beneficiaries would get $77.00 each. Under the savings clause, though, the widow and the two children who were getting benefits before the enactment of the bill will continue to get $102.60 each and the stepchild will be paid the $77.00 that he would have been paid without regard to the general saving clause; thus, the family will get total benefits of $384.80 a month, rather than $307.80.

TITLE II—PUBLIC WELFARE AMENDMENTS

PART 1—PUBLIC ASSISTANCE AMENDMENTS

SECTION 201. PROGRAMS OF SERVICES FURNISHED TO FAMILIES WITH DEPENDENT CHILDREN

Section 201(a)(1) of the bill amends section 402(a) of the Social Security Act (as amended by sec. 202(a) of this bill) by striking out of part of clause (14) of such section 402(a) and by adding thereto four clauses (clauses (15) through (18)) imposing new requirements for a State plan for the dependent children program.

Clause (15) requires such a plan to provide (1) for the development of a program for each appropriate relative and child recipient and each appropriate individual living in the home whose needs are taken into account in determining eligibility for and the amount of the assistance payments with the objective of assuring, to the maximum extent possible, that such persons will become self-sufficient wage earners, and of preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life; (2) for the implementation of such programs by assuring that the employment potential of such persons is evaluated, they are furnished such services as child-care services and testing, counseling, basic education, vocational training, and special job development to assist them in securing and retain-

ing employment or in raising the level of their skills, and in all appropriate cases family planning services are offered to them, and when appropriate that protective or vendor payments authorized under section 406(b)(2) of the act are provided; (3) for review as necessary of each program (as often as necessary but at least once a year) to insure its effective implementation; (4) for furnishing the Secretary with reports of the results of the programs; and (5) to the extent that such programs are developed and implemented by services furnished by the staff of the State or local agency administering the State plan, for the establishment of a single organizational unit in the agency responsible for furnishing the services.

Clause (16) requires the State plan to provide that where the State agency has reason to believe that the home is unsuitable for a recipient child residing therein because of the neglect, abuse, or exploitation of the child this condition (and data the agency has about the situation) will be brought to the attention of the appropriate court or law enforcement agency.

Clause (17) requires the plan to provide (1) for the development and implementation of a program by the agency for establishing the paternity of a child recipient born out of wedlock and securing support for him, and for securing support for a child recipient deserted or abandoned by his parent from such parent (or another person legally liable for such support), utilizing any reciprocal arrangements adopted with other States to obtain or enforce court orders for support, and (2) for the establishment of a single organizational unit in the State or local agency administering the State plan which is to be responsible for the administration of such program for the support of such child recipients.

Clause (18) requires the plan to provide for entering into cooperative arrangements with appropriate courts and law enforcement officials (1) to assist the State agency in administering its program referred to in clause (17) for obtaining support for child recipients, including entering into financial arrangements with such courts and officials to assure optimum results under this program, and (2) with respect to any other matters of concern common to such courts or officials and the agency.

Section 201(b) of the bill adds a new subsection (c) to section 402 of the act. This subsection provides that on the basis of his review of reports received from the States as provided for under new clause (15) of section 402(a) (as added by sec. 201(a)(1) of the bill) the Secretary is to compile the necessary data and from time to time publish his findings as to the effectiveness of the State programs undertaken pursuant to such clause. The Secretary will also report annually with respect to such programs to the Congress (with the first report due by July 1, 1970).

Section 201(c) of the bill strikes out subparagraphs (A) and (B) of section 403(a)(3) of the act and inserts a new subparagraph (A) relating to Federal participation in certain administrative costs. The Federal share is 75 percent of such costs as are for (1) the services directed toward self-sufficiency of individuals through employment and family planning services which are furnished to recipients and certain other individuals in accordance with clause (15) of section

402(a) of the act (as added by sec. 201(a)(1) of the bill); (2) any of the services specified in or under section 403(c) of the act (as amended by section 201(e)(1) of the bill), such as child-welfare services, family services, and other services to families, provided to applicants, recipients and certain other individuals; (3) any of the above services provided to a child who is an applicant for aid, or is a former or potential applicant or recipient, and certain other individuals living in the same home with the child; and (4) the training of personnel employed or preparing for employment with the State or local agency.

Section 201(d) of the bill makes certain technical changes and adds a provision within section 403(a)(3) of the act that, to the extent specified by the Secretary, child-welfare services, family planning services, and family services may be obtained by the agency from sources other than those State agencies specified in or under section 403(a)(3)(D) and (E) of the act.

Section 201(e) of the bill substitutes new matter for the existing provisions of subsection (c) of section 403 of the act. This amendment provides that for purposes of determining the Federal share under section 403(a) of the act, the services referred to as specified in or under section 403(a)(3)(A)(ii) and (iii) of the act (as amended by sec. 201(c) of the bill) shall include child-welfare services, family services, and other services (specified by the Secretary), to maintain and strengthen family life, and to help toward self-support or self-care relatives with whom children are living and certain other individuals (living in the same home as a relative and child). A State may qualify for payments at 75 percent for the costs of the services identified above only if its State plan approved under section 402 of the act provides that such services are to be furnished by the staff of the agency administering the plan through the single organizational unit (referred to in sec. 420(a)(15)(E) of the act, as added by sec. 201(a)(1) of the bill) responsible for furnishing such services. Section 201(e) of the bill also makes certain technical changes in, and repeals section 403(a)(4) of, the act.

Section 201(f) of the bill adds to section 406 of the act a new subsection (d) defining the term "family services."

Section 201(g)(1) of the bill provides that the new requirements for approval of a State plan under section 402 of the act (added by sec. 201(a) of the bill) becomes effective October 1, 1967, except that a State has until July 1, 1969, to modify such plan so as to be in compliance with the additional requirements.

Section 201(g)(2) of the bill provides that the amendments made by section 201 (c), (d), and (e) of the bill will be applicable in the case of any State, with respect to services and training furnished, on or after the date as of which the modification of the State plan to comply with the new requirements under section 402(a) of the act (added by sec. 201(a)(1) of the bill) is approved.

Section 201(h) of the bill provides that, notwithstanding section 403(a)(3)(A) of the act (as amended by sec. 201(c) of the bill), the rate specified therein shall be 85 percent (rather than 75 percent) with respect to expenditures, for services furnished by a State pursuant to section 402(a)(15) of the act (as added by sec. 201(a)(1) of the bill), made during the period beginning October 1, 1967, and ending with the close of June 30, 1969.

SECTION 202. EARNINGS EXEMPTION FOR RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN

Section 202(a) of the bill redesignates clauses (8) through (13) of section 402(a) of the Social Security Act as clauses (9) through (14).

Section 202(b) of the bill strikes out clause (7) of such section 402(a) and inserts, effective July 1, 1969, clauses (7) and (8) changing requirements for a State plan for dependent children with respect to the determination of need. The new clause (7) (which makes no change in present law) provides that, with the exceptions set forth in the new clause (8), the State agency shall, in determining need, take into account any other income and resources of any child or relative claiming aid under the plan, or that of any other individual living in the same home whose needs the State takes into account in determining whether such child or relative is needy, as well as any expenses reasonably attributable to the earning of such income.

The new clause (8) requires a State plan to provide that, in making the determination under the new clause (7), the State agency shall with respect to any month disregard all of the earnings of each child receiving aid for any month in which he is under age 16, or (if he is age 16 or over but under age 21) is a full-time student attending a school, college, or university, or a vocational or technical training course designed to fit him for gainful employment.

In addition, it provides that in the case of earnings of a dependent child not included in the previous paragraph, a relative receiving aid, and any other individual (living in the same home as such relative and child) whose needs are considered in making such determination, the State agency shall disregard the first $30 of the total earned income of such persons for such month plus one-third of the remainder thereof. This clause also incorporates present provisions of law under which a State agency may, subject to limitations prescribed by the Secretary, permit all or any portion of the earned or other income to be set aside for future identifiable needs of a dependent child, and may, before disregarding any of the preceding amounts, disregard not more than $5 of any income. The clause further provides that, with respect to any month, the State agency shall not disregard any earned income of any one of the persons specified above (other than children under age 16 or those in school) if such person left work or reduced his earnings without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary, or refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept work he is able to perform which is offered under certain conditions; nor shall the State agency disregard the earned income of any of such persons for a month if with respect to such month the income of such persons exceeded their need as determined by the agency pursuant to clause (7) (without regard to clause (8)), unless, for any one of the preceding 4 months, the needs of such persons were met by aid furnished under the plan.

Section 202(c) of the bill provides that a State with a plan approved under section 402 of the act will not be deemed to have failed to comply substantially with the requirements of section 402(a)(7) of the act (as in effect prior to July 1, 1969) for any period beginning after September 30, 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income in accordance with

the requirements of section 402(a) (7) and (8) of the act as amended by section 202 of the bill.

Section 202(d) of the bill provides that, in determining the need of a claimant of aid under a State plan approved under section 402 of the act which provides for such a determination in accordance with section 402(a) (7) and (8) of such act (as amended by sec. 202 of the bill), the State shall apply section 402(a) (7) and (8) notwithstanding any provision of law (other than the Social Security Act) requiring the State to disregard earned income of such claimant.

SECTION 203. DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

Section 203(a) of the bill amends in its entirety section 407 of the Social Security Act, which now provides for aid to families with dependent children with respect to a needy child who is deprived of parental support or care because of the unemployment (as defined by the State) of a parent and who meets certain other eligibility conditions.

The new section 407(a) of the act redefines a "dependent child" for purposes of such section 407 as one whose deprivation results from the unemployment (as determined in accordance with standards prescribed by the Secretary) of his father and who meets the other eligibility conditions.

The new section 407(b) of the act applies the above definition to a State if its plan approved under section 402 of the act—

(1) Requires the payment of aid with respect to a child within such definition when his father has been unemployed for a minimum period of 30 days before receipt of aid, has not without good cause within such period refused a bona fide offer of employment or training, and has at least six quarters of work (as defined in sec. 407(d)(1)) in a 13-calendar quarter period ending within 1 year before the application for aid or, within such 1-year period, received unemployment compensation under any State or Federal program or was qualified (within the meaning of sec. 407 (d)(3)) under the unemployment compensation program of the State for such compensation; and

(2) Provides for the establishment of a work and training program under section 409 of the act and for assurances that fathers of children within the above definition are assigned to projects under such program within 30 days after receiving aid; for utilization of the services and facilities of State public employment offices to assist such fathers to secure employment or occupational training, including registration and periodic reregistration of such fathers; for cooperative arrangements with the State vocational education agency to encourage retraining; and for denial of aid if and for as long as such a father fails to register, refuses without good cause to participate in a work and training program under such section 409, refuses without good cause to accept employment in which he is able to engage (which is offered to him from certain sources), refuses without good cause to undergo retraining under the vocational education program, or receives unemployment compensation.

The new section 407(c) of the act provides that, notwithstanding other provisions of the section, Federal sharing in expenditures pur-

suant to the section will not be available where such expenditures are made, with respect to a child within the above definition, for any part of the 30-day period referred to in section 407(b)(1)(A) or for any period before his father meets the conditions of section 407(b)(1)(B) and (C), and will not be available if and for as long as such father is not assigned (within 30 days after receiving aid) to a project under a work and training program under section 409 of the act unless the public assistance agency determines that such assignment would be detrimental to his health or that no such project is available.

The new section 407(d)(1) of the act defines a "quarter of work" as a calendar quarter in which the father received at least $50 of earned income (or which is a "quarter of coverage" for purposes of the old-age, survivors, and disability insurance program under title II of the act), or in which he participated in a community work and training program under section 409 of the act or any other work and training program subject to the limitations in such section 409.

The new section 407(d)(3) of the act provides that the father shall be deemed qualified for unemployment compensation under the State's unemployment compensation law if he would have been eligible therefor upon application, or if he had been in uncovered work which, had it been covered, would (with his covered work) have made him eligible for such compensation upon application.

Section 203(b) of the bill provides that in the case of an application for aid for a dependent child (who is within sec. 407(a) of the act as amended by sec. 203(a) of the bill) made within 6 months after the effective date of the modification of the State plan to provide for an unemployed fathers program, the father of such child shall be deemed to meet the requirements in section 407(b)(1)(C) of the act (as amended by sec. 203(a) of the bill) of at least six "quarters of work" if at any time after April 1961 and prior to application he met those requirements. For these purposes, a recipient of aid (under sec. 407 of the act in effect before the bill is enacted) for the last month ending before the effective date of the modification referred to above will be deemed to have applied for such aid under section 407 of the act (as amended by sec. 203 of the bill) on the day after such effective date.

Section 203(c) of the bill provides that section 407 of the act (as amended by sec. 203(a) of the bill) will be effective October 1, 1967, but (1) no State which had in operation an approved unemployed parents program under section 407 of the act (as in effect before enactment of sec. 203(a) of the bill) in the calendar quarter commencing July 1, 1967, will be required before July 1, 1967, to include any additional child or family under its approved plan for dependent children by reason of the enactment of section 203(a) of the bill; and (2) no such State will be required to deny aid to any individual because such plan does not establish a community work and training program in accordance with section 409 of the act prior to July 1, 1969.

SECTION 204. COMMUNITY WORK AND TRAINING PROGRAMS

Section 204(a) of the bill amends section 409 of the Social Security Act in its entirety. As amended, section 409 will authorize Federal financial participation in certain expenditures related to work per-

formed by certain children and relatives receiving aid to families with dependent children and certain other individuals (living in the same home as such recipients) whose needs are taken into account in making the determination under section 402(a)(7) of the act. Under such section 409, expenditures (other than for medical or remedial care) are aid to families with dependent children (as defined in sec. 406(b) of such act) where they are made under a State plan approved under section 402 of the act in the form of payments for work performed by such a child, relative, or other individual if—

(1) The child, relative, or other individual has attained age 16;

(2) The work is performed under a work and training program of the State agency which such agency or another public or nonprofit agency maintains and operates to prepare individuals for, or restore them to, employability,

(3) There is State financial participation in the expenditures;

(4) The State plan provisions provide reasonable assurance that—

(A) The work and training program conforms to standards prescribed by the Secretary;

(B) It is in effect in those political subdivisions containing a significant number of recipients of aid under the plan who have attained age 16;

(C)(i) There is an evaluation of the vocational needs and potential of each appropriate child and each relative (who is an applicant for or recipient of aid under the plan), and of each other appropriate individual (living in the same home as such a recipient) whose needs are considered in making the determination under section 402(a)(7) of the act, and (ii) the program is made available to any such person who has the capability for employment;

(D) Appropriate standards for health, safety, and other conditions applicable to such work are established and maintained (except that this condition will be deemed to be satisfied if State law establishes health and safety standards which are applicable to such work);

(E) The rates of pay will be not less than the applicable minimum rate (if any) under Federal or State law for the same type of work and not less than the prevailing rate for similar work in the community (except that payments for work by individuals considered under such law to be learners or handicapped persons may be at any special minimum rates that are in accord with such law);

(F) The work is performed on projects serving a useful public purpose and will not cause displacement of regular workers, with provision in appropriate cases for the performance of such work (under an agreement by the agency administering the State plan) for governmental agencies or private employers;

(G) The additional expenses reasonably attributable to the work will be considered in determining the worker's needs;

(H) Any such child, relative, or other individual will have reasonable opportunities to seek regular employment and to secure other appropriate training that is available; and

(I) Such persons will, with respect to the work so performed, be provided coverage under the State workmen's compensation law or similar protection; and

(5) The State plan includes provision—

(A) For cooperative arrangements with the State public employment offices under which they will assist such persons who work under the program to secure employment or occupational training, including appropriate provision for their registration and for maximum utilizaton of all the services and facilities of such offices;

(B) That the services and facilities under title II of the Manpower Development and Training Act of 1962 and under any other Federal and State programs for manpower training, retraining, and work experience shall, to the extent available, be utilized for persons accepted for participation under the community work and training program;

(C) For entering into cooperative arrangements with Federal and State agencies responsible for vocational education and adult education in the State, designed to assure maximum utilization of such programs in the training and preparation for regular employment of persons working under the community work and training program;

(D) For assuring appropriate arrangements for the care and protection of children during the absence from the home of any such relative participating in the program; and

(E) That there will be no adjustment or recovery by the State or any locality on account of any payments which are correctly made for such work.

Section 204(b) of the bill amends section 402(a) of the act by adding thereto three clauses (clauses (19) through (21)) imposing new requirements for a State plan for the aid to families with dependent children program.

The new clause (19) requires such a plan to include provisions to assure that all appropriate recipients of such aid, and other appropriate individuals (living in the same home as such recipients) whose needs are considered in making the determination under clause (7) of such section 402(a), register and periodically reregister with the State public employment offices.

The new clause (20) requires such a plan to provide that (1) if and for as long as any appropriate child or relative who is a recipient refuses without good cause to register or reregister, to accept bona fide offers of employment in which he is able to engage, or to participate in a work and training program under section 409 of the act or undergo any other training for employment, (a) in the case of refusal by the relative, his needs shall not be considered in making the determination under section 402(a)(7) of the act, and aid will be denied for any dependent child in the family other than payments described in section 406(b)(2) of the act (which may be made in such case without regard to some of the conditions set forth therein) or aid in the form of foster care under section 408 of the act, (b) in the case of refusal by a child who is the only child recipient in the family, no aid will be furnished the family, and (c) if more than one child in the

family is a recipient, aid will be denied for any child who makes such refusal; and (2) if and for as long as any such other appropriate individual makes such refusal, his needs shall not be considered in making the determination under section 402(a)(7) of the act.

Under the new clause (21), such a plan must, effective July 1, 1969, provide for a work and training program meeting the requirements of section 409 of the act (as amended by section 204(a) of the bill) for the appropriate recipients of aid and the other appropriate individuals described in such section 409, with the objective of benefiting the maximum number of such persons, and provide for expenditures in the form of payments described in such section 409.

Section 204(c) of the bill amends section 403(a)(3) of the act (as amended by section 201(c) of the bill) by adding a new subparagraph (B) relating to Federal participation in certain costs connected with activities under a work and training program pursuant to section 409 of the act. The Federal share is 75 percent of such costs of such a program as are for (1) training, supervision, materials, and other items authorized by the Secretary, and (2) other services specified by the Secretary which are related to the purposes of such a program and are provided to participants.

Section 204(d) of the bill further amends section 403(a) of the act to provide that, for purposes of the amendment made by section 204(c) of the bill, subject to limitations by the Secretary, the services and items referred to in such amendment may be furnished, pursuant to agreement entered into by the agency administering the State plan, by any employing entity equipped to furnish them.

Section 204(e) of the bill provides that, notwithstanding section 403(a)(3)(B) of the act (as added by section 204(c) of the bill), the rate specified therein shall be 85 percent (rather than 75 percent) with respect to expenditures by a State, for services and training, made during the period beginning October 1, 1967, and ending with the close of June 30, 1969.

Section 204(f)(1) of the bill amends title III of the act by adding thereto a new section 304 relating to services furnished by State public employment offices. The Secretary of Health, Education, and Welfare will enter into cooperative agreements with the Secretary of Labor for the provision through such offices of services specified by the Secretary of Health, Education, and Welfare as necessary to assure that recipients of or applicants for aid to families with dependent children under a State plan approved under section 402 of the act (1) are registered and periodically reregistered at such offices, (2) are receiving testing and counseling services and such other services as are made available by such offices to individuals to assist them in securing and retaining employment, and (3) are, in appropriate cases, referred to employers who request such offices to furnish applicants for job placement. The State agency responsible for the State plan will pay the Secretary of Labor (as expenses subject to 75 percent Federal participation pursuant to sec. 403(a)(3)(B) of the act, as added by sec. 204(c) of the bill) for any costs incurred in providing the services described in item (2) above with respect to individuals who receive or apply for aid (or whose needs are considered) under such State plan.

Section 204(f)(2) of the bill amends section 402(a) of the act by adding thereto clause (22) imposing a requirement that a State plan for dependent children must provide for payment to the Secretary of Labor for any costs incurred in providing the services described in clause (2) of section 304 of the act (as added by sec. 204(f)(1) of the bill) with respect to individuals receiving or applying for aid (or whose needs are considered) under such plan.

Section 204(g) of the bill provides that the amendments made by subsections (a), (b), and (f)(2) of section 204 will be effective on July 1, 1969, or, if earlier (in the case of any State), on the date as of which the modification of the State plan to comply with such amendments is approved. It further provides that the new clauses (19) and (20) as added to section 402(a) of the act by section 204(b) of the bill will take effect April 1, 1968.

SECTION 205. FEDERAL PARTICIPATION IN PAYMENTS FOR FOSTER CARE OF CERTAIN DEPENDENT CHILDREN

Section 205(a) of the bill adds to section 402(a) of the Social Security Act a new requirement that a State plan must, effective July 1, 1969, provide for aid to families with dependent children in the form of foster care in accordance with section 408 of the act.

Section 205(b) of the bill amends section 403(a)(1)(B) of the act by increasing the maximum average amount per month in which the Federal Government will share in expenditures for aid to families with dependent children in the form of foster care for such month. (Under present law such maximum is $32 per month for all recipients of aid to families with dependent children in any form.)

Section 205(c) of the bill amends section 408(a) of the act so as to extend aid to families with dependent children in the form of foster care to additional children. Under the proposed amendment, aid in such form will be available to a child who meets the conditions in clauses (1), (2), and (3) of such section 408(a) and who, although he did not receive aid to families with dependent children in or for the month in which court proceedings leading to his removal from his home were initiated as required in present clause (4) of such section 408(a), would have received such aid in or for such month upon application therefor, or, if he had lived with a relative specified in section 406(a) of such act within 6 months before the month in which such proceedings were initiated, would upon application have received such aid in or for such month if in that month he had been living with (and removed from the home of) such a relative.

Section 205(d) of the bill makes permanent the provision in section 408(a)(2)(B) of the act that the condition regarding responsibility for placement and care of the child is met where such responsibility, even though it is not in the State or local agency administering the State plan approved under section 402 of the act, is in another public agency and such other agency meets certain conditions. Section 205(d) of the bill also makes permanent the provision in section 408(a)(3) of the act under which a child who has been placed in a child-care institution, and who meets the other conditions of eligibility, is considered a dependent child for purposes of aid to families with dependent children in the form of foster care.

Section 205(e) of the bill provides that the amendments made by subsections (b) and (c) will be applicable only with respect to foster care provided after September 1967.

SECTION 206. EMERGENCY ASSISTANCE FOR CERTAIN NEEDY FAMILIES WITH DEPENDENT CHILDREN

Section 206(a) of the bill amends section 403(a) of the Social Security Act (as amended by sec. 201(e) of the bill) so as to provide for Federal participation in expenditures for "emergency assistance to needy families with children" under the State plan approved under section 402 of the act. The Federal share will be 50 percent of the total expenditures under such plan for such assistance in the form of payments or care and 75 percent of the total expenditures for such assistance in the form of services.

Section 206(b) of the bill adds a new subsection (e) to section 406 of the act(as amended by sec. 201(f) of the bill). Under the new subsection (e), "emergency assistance to needy families with children" is defined to mean, but only with respect to a State whose State plan approved under section 402 of such act provides for furnishing such assistance, (1) money payments, payments in kind, or such other payments as the State agency may specify with respect to, or medical or remedial care recognized under State law on behalf of, an eligible child or any other member of household in which such child is living, and (2) such services as the Secretary may specify. Emergency assistance may be given for a period not in execss of 30 days in any 12-month period in the case of a needy child under age 21 who is (or, within a period specified by the Secretary, has been) living with any of the relatives specified in section 406(a)(1) of the act in a place of residence maintained by such a relative as his home, but only where such child is without available resources and the payments, care, or services involved are necessary to avoid destitution of the child or to provide suitable living arrangements in a home for such a child.

SECTION 207. PROTECTIVE PAYMENTS AND VENDOR PAYMENTS WITH RESPECT TO DEPENDENT CHILDREN

Sections 207(a)(1) and (2) and 207(c) of the bill amend and make permanent the protective payments provisions in section 406(b)(2) of the Social Security Act. As amended, section 406(b)(2) (in addition to continuing the authority for Federal sharing, where certain conditions are met, in protective payments made to an individual interested in or concerned with the welfare of the family with dependent children) will authorize Federal participation, where the same conditions are met, in payments made on behalf of such family directly to a person furnishing food, living accommodations, or other goods, services, or items to or for such family. This amendment also deletes the requirement in present law that the State provide for meeting all of the need of individuals for whom protective or vendor payments are made.

Section 207(a)(3) of the bill further amends section 406(b) of the act by providing that, in the case of a refusal to take certain steps leading to self-sufficiency through employment (as described in section

402(a)(20) of the act as amended by section 204(b) of the bill), protective payments and vendor payments which are made under section 406(b)(2) of the act (as amended by section 207(a) of the bill) without regard to the specified conditions therein shall be included as assistance expenditures.

Section 207(b) of the bill removes, by striking out the last sentence of section 403(a) of the act, the 5-percent limitation on the number of recipients with respect to whom protective payments may be made with Federal participation.

SECTION 208. LIMITATION ON NUMBER OF CHILDREN WITH RESPECT TO WHOM FEDERAL PAYMENTS MAY BE MADE

Section 208 of the bill makes a technical change in subsection (a) of section 403 of the Social Security Act and further amends such section by adding thereto a new subsection (d) to limit Federal payments to States. The new subsection (d) provides that, notwithstanding any other provision of the act, the number of dependent children, deprived of parental support or care by reason of a parent's continued absence from the home, with respect to whom payments under section 403 may be made to a State for any calendar quarter after 1967 shall not exceed the number bearing the same ratio to the total population of such State under age 21 on January 1 of the year in which such quarter falls as the number of such dependent children with respect to whom such payments were made to such State for the calendar quarter beginning January 1, 1967, bore to the total population of such State under age 21 on that date.

SECTION 209. FEDERAL PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

Section 209(a) of the bill adds a new section 1119 to the Social Security Act. Such section 1119 provides that where an expenditure is made for repairing the home owned by a recipient of old-age assistance, aid to the blind, aid to the permanently and totally disabled, or aid to the aged, blind, or disabled under a State plan approved under title I, X, XIV, or XVI of the act, the Federal payment to the State under section 3(a), 1003(a), 1403(a), or 1603(a) of such act for any quarter will be increased by 50 percent of such expenditures, except that amounts in excess of $500 for any one home shall be excluded in determining such expenditures. In order to claim the Federal share of such expenditures, the public assistance agency is required to make a finding (prior to making the expenditure) that the home is so defective that continued occupancy is unwarranted, that unless repairs are made rental quarters will be necessary for the recipient, and that the cost of rental quarters needed for the individual (including his spouse living with him in the home and any other person whose needs are taken into account in determining the recipient's need) will exceed (over such time as the Secretary may specify) the cost of repairs necessary to make the home habitable and other costs attributable to its continued occupancy. It is also required that there had been no expenditures for repairing the home pursuant to any prior finding under this provision.

Subsection (b) makes this amendment applicable with respect to expenditures made after September 30, 1967.

PART 2—MEDICAL ASSISTANCE AMENDMENTS

SECTION 220. LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

Section 220(a) of the bill amends section 1903 of the Social Security Act by adding a new subsection (f) which prohibits payment of the Federal share, as determined under such section 1903, with respect to any medical assistance expenditure by a State for any member of a family which has annual income in excess of the applicable income limitation determined under paragraph (1) of such subsection (f).

Paragraph (1)(B)(i) of the new subsection (f) provides that, with two exceptions, the applicable income limitation with respect to any family is the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 133⅓ percent of the highest amount of aid to families with dependent children in the form of money payments under the State's public assistance plan under part A of title IV of the act which would ordinarily be paid to a family of the same size without any income or resources. One exception, set forth in paragraph (1)(B)(ii), authorizes the Secretary, where the operation of a uniform maximum limits payments to families of more than one size, to adjust the income limitation amount to take account of families of different sizes. The other exception, set forth in paragraph (1)(C), provides that if 133⅓ percent of the average per capita income of the State for the calendar quarter is less, by any percentage, than the income limitation amount for a family of four determined under paragraph (1)(B), the applicable income limitation for such a family shall be 133⅓ percent of such average per capita income and the applicable income limitation as otherwise determined under such paragraph (1)(B) for a family of any other size shall be reduced by the same percentage. Paragraph (1)(D) requires the total amount of any applicable income limitation which is not a multiple of $100 or such other amount as the Secretary may prescribe to be rounded to the next higher multiple of $100 or of the amount prescribed, as the case may be.

Subsection (f)(2) provides that the computation of a family's income for purposes of subsection (f)(1) shall exclude any costs (by way of insurance premiums or otherwise) incurred by such family for medical care or remedial care recognized under State law.

Subsection (f)(3) provides that for purposes of subsection (f)(1)(B), in the case of a one-member family, the "highest amount which would ordinarily be paid" to such family shall be the amount determined by the State agency (based on reasonable relationship to the amounts payable under its public assistance plan under part A of title IV of the act to families of two or more persons) to be the amount of aid in the form of money payments which the State would ordinarily pay to a one-member family (without any income or resources) if such plan (without regard to its provisions for foster care pursuant to section 408 of the act) provided such aid to such a family.

Subsection (f)(4) provides that the per capita income of each State, for purposes of subsection (f)(1)(C), is to be promulgated annually between July 1 and August 31 by the Secretary on the basis of the most recent calendar year for which satisfactory data are available from the Department of Commerce and such promulgation will be conclusive for each quarter of the first calendar year after the promulgation; except that the promulgation effective for calendar year 1968 will be made as soon as possible after enactment of the bill.

Section 220(b)(1) of the bill provides that, in the case of any State whose plan for medical assistance is approved by the Secretary under section 1902 of the act after July 25, 1967, the amendments made by section 220(a) of the bill will be applicable with respect to calendar quarters beginning after enactment of the bill. Section 220(b)(2) of the bill provides that, in the case of any State whose plan for medical assistance was approved before July 26, 1967, the amendments made by section 220(a) of the bill will apply with respect to calendar quarters beginning after June 30, 1968, except that (1) with respect to the third and fourth calendar quarters of 1968, determinations of the applicable income limitation pursuant to subsection (f)(1)(C) of section 1903 of the act (as added by sec. 220(a) of the bill) will be based on 150 percent, rather than 133⅓ percent, of the average per capita income of the State, and (2) with respect to all quarters during 1969, the applicable percentage will be 140 percent instead of 133⅓ percent.

SECTION 221. MAINTENANCE OF STATE EFFORT

Section 221(a) of the bill amends section 1117(a) of the Social Security Act (1) to provide States the option, for any fiscal year ending on or after June 30, 1967, and before July 1, 1969, to have the "maintenance of State effort" requirements of section 1117 of the act applied on a fiscal year basis rather than on a quarterly basis, and (2) to provide, if a State exercises this option, that it will have to choose, as the base period against which its effort is to be measured, either the fiscal year ending June 30, 1965, or the fiscal year ending June 30, 1964. (Subsec. (b) and (c) of such sec. 1117 (relating to the manner of determining expenditures and reductions) would also be applied on a fiscal year basis to that State.)

Section 221(b) of the bill adds to section 1117 of the act a new subsection (d) allowing any State at its option, for the quarters in any fiscal year ending before July 1, 1969, to have the reduction (if any) of the Federal share due to the application of the "maintenance of State effort" requirements determined—

(1) On the basis of aid or assistance in the form of money payments alone under its public assistance plans approved under titles I, IV, X, XIV, and XVI of the act rather than, as currently required, by taking into account, in addition to such money payments, all aid or assistance in the form of medical vendor payments under such plans or medical assistance payments under its approved title XIX plan;

(2) On the basis of expenditures for child-welfare services under sections 523 and 422 of the act in conjunction with money payments, medical vendor payments, and medical assistance payments under all of its approved public assistance plans; or

(3) On the basis of expenditures for child-welfare services under such sections 523 and 422 in conjunction with aid or assistance in the form of money payments alone under its approved public assistance plans.

SECTION 222. COORDINATION OF TITLE XIX AND THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Subsections (a) and (b) of section 222 of the bill amend section 1843 of the Social Security Act, which provides for agreements between States and the Secretary of Health, Education, and Welfare for the enrollment under the supplementary medical insurance program (established under part B of title XVIII of the act) of individuals eligible therefor who are receiving money payments under approved public assistance plans, so as to permit a State to include in an agreement under section 1843 (or modify its existing agreement under such section to include), on substantially the same conditions as money payment recipients except for a 2-month waiting period, aged individuals who are eligible to receive medical assistance under the State's plan approved under title XIX of the act.

Subsections (c) and (d) of section 222 of the bill amend section 1903 of the act to prohibit, with respect to quarters beginning after 1967, Federal financial participation under a State plan approved under title XIX of the act, with respect to individuals age 65 or over, in medical assistance expenditures which would have been paid under the supplementary medical insurance program if the individuals involved had been enrolled in that program or in expenditures for other health insurance premiums for individuals who are not enrolled under that program. (These amendments would not change the equal matching of supplementary medical insurance premiums from general funds as presently provided under sec. 1844 of the act, or affect Federal financial participation in expenditures for such premiums for money payment recipients.)

Subsection (e) of section 222 of the bill amends section 1843(a) of the act, which requires that the buy-in agreement be requested by the State before 1968, to allow the State to request the agreement before 1970. It also amends section 1843 (c) and (d) of the act to permit a State to provide coverage for an individual under the supplementary medical insurance program through the buy-in agreement regardless of when the individual becomes eligible for coverage through such agreement, instead of only if he becomes eligible for such coverage before 1968 as provided by existing law.

SECTION 223. MODIFICATION OF COMPARABILITY PROVISIONS

Section 223(a) of the bill amends section 1902(a)(10) of the Social Security Act to provide exceptions to the requirement for comparability of treatment of individuals with respect to medical assistance made available by a State under its plan approved under title XIX of the act. Under the amendment, the fact that the State (1) makes available to individuals age 65 or older the benefits of the supplementary medical insurance program under part B of title XVIII of the

act (either pursuant to a "buy-in" agreement under sec. 1843 or by State payment of the premiums due under such part B on their behalf), or (2) provides for meeting part or all of the cost of the deductibles, cost sharing, or similar charges under such part B for individuals eligible for supplementary medical insurance benefits, does not require the State to make available any such benefits, or services of the same amount, duration, and scope, to any other individuals.

Subsection (b) makes this amendment applicable with respect to calendar quarters beginning after June 30, 1967.

SECTION 224. REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PLAN

Section 224 of the bill amends section 1902(a)(13)(A) of the Social Security Act which currently requires, as a condition for approval of a State plan for medical assistance, that the plan provide for inclusion of at least the first five items of medical care and services listed in section 1905(a) of the act. Under this amendment, the State has the option to include in its plan at least the care and services listed in such first five items or at least any seven of the first 14 items of care and services listed in section 1905(a) of the act.

SECTION 225. EXTENT OF FEDERAL FINANCIAL PARTICIPATION IN CERTAIN ADMINISTRATIVE EXPENSES

Section 225(a) of the bill amends section 1903(a)(2) of the Social Security Act to authorize 75-percent Federal financial participation in expenses attributable to the compensation or training of skilled medical personnel and directly supporting staff engaged in the administration of an approved title XIX plan without regard to whether such personnel are employees of the single State agency responsible for administration of the plan or of some other public agency participating in the administration of the plan.

Subsection (b) makes this amendment applicable with respect to expenditures made after December 31, 1967.

SECTION 226. ADVISORY COUNCIL ON MEDICAL ASSISTANCE

Section 226 of the bill adds to title XIX of the Social Security Act a new section 1906 providing for the establishment of a Medical Assistance Advisory Council of 21 members, appointed by the Secretary without regard to the civil-service laws, to advise the Secretary on matters of general policy in the administration of medical assistance (including the relationship of titles XIX and XVIII) and make recommendations for improvements in such administration. Such members, who hold office for a term of 4 years on a rotating basis, will include representatives of State and local agencies and other groups concerned with health, and consumers of health services, with a majority of the membership consisting of representatives of consumers. The Secretary may also appoint special advisory professional or technical committees. Members of the Advisory Council and of such special committees are entitled to compensation at rates not exceeding $100 per day, including travel time, plus travel expenses and per diem in lieu of subsistence. The Advisory Council will hold meetings as fre-

quently as called by the Secretary, and upon the request of five or more members the Secretary must call a meeting of the Advisory Council.

SECTION 227. FREE CHOICE BY INDIVIDUAL ELIGIBLE FOR MEDICAL ASSISTANCE

Section 227(a) of the bill adds to section 1902(a) of the Social Security Act a new requirement that a State plan for medical assistance must provide that any individual eligible for such assistance is free to choose to obtain the services he requires from any institution, agency, or person qualified to perform the required services (including a prepayment plan which provides such services or arranges for their availability) and which undertakes to provide such services to him.

Subsection (b) makes this amendment applicable with respect to calendar quarters beginning after June 30, 1969, in the case of the States and the District of Columbia, and with respect to calendar quarters beginning after June 30, 1972, in the case of Puerto Rico, the Virgin Islands, and Guam.

SECTION 228. UTILIZATION OF STATE FACILITIES TO PROVIDE CONSULTATIVE SERVICES TO INSTITUTIONS FURNISHING MEDICAL CARE

Section 228(a) of the bill adds to section 1902(a) of the Social Security Act a new requirement that a State plan for medical assistance must, effective July 1, 1969, provide for consultative services by health agencies and other appropriate State agencies to hospitals, nursing homes, home health agencies, clinics, laboratories, and other institutions specified by the Secretary, in order to assist them with respect to (1) qualifying for payments under the act, (2) establishing and maintaining fiscal records necessary for the proper and efficient administration of the act, and (3) providing information needed to determine payments due under the act on account of care and services furnished to individuals.

Section 228(b) of the bill provides that, effective July 1, 1969, the last sentence of section 1864(a) of the act is repealed.

SECTION 229. PAYMENTS FOR SERVICES AND CARE BY A THIRD PARTY

Section 229(a) of the bill adds to section 1902(a) of the Social Security Act a new requirement that a State plan for medical assistance must provide (1) that the State or local agency will take all reasonable measures to ascertain whether third parties are legally liable to pay for care and services (available under the plan) arising out of injury, disease, or disability, (2) that where the agency knows that a third party has such legal liability it will treat such legal liability as a resource of the individual for whom care and services are made available in its consideration of whether income and resources are available to him, and (3) that in any case where it is found that such legal liability exists after medical assistance has been provided to the individual, the agency will seek reimbursement for such medical assistance to the extent of such legal liability.

Section 229(b) of the bill provides that the amendments made by section 229(a) will be applicable with respect to legal liabilities of third parties arising after March 31, 1968.

Section 229(c) of the bill amends section 1903(d)(2) of the act by adding thereto a new sentence which provides that expenditures for which the State received payments under section 1903(a) of the act shall be treated as an overpayment to the extent the State or local agency is reimbursed for such expenditures by a third party pursuant to the provisions of its plan that comply with the requirements added to section 1902(a) of the act by section 229(a) of the bill.

SECTION 230. DIRECT PAYMENTS TO CERTAIN RECIPIENTS OF MEDICAL ASSISTANCE

Section 230 of the bill amends section 1905(a) of the Social Security Act to provide that in the case of physicians' services provided under a State plan approved under title XIX to an individual who is not a recipient of aid or assistance under another approved public assistance plan of the State, the term "medical assistance" includes payments for such services regardless of whether the State makes such payments directly to such individual or on his behalf to the provider of such services.

SECTION 231. DATE ON WHICH STATE PLANS UNDER TITLE XIX MUST MEET CERTAIN FINANCIAL PARTICIPATION REQUIREMENTS

Section 231 of the bill amends section 1902(a)(2) of the Social Security Act to advance to July 1, 1969, the date on which State plans for medical assistance must meet the requirements for State financial participation.

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

SECTION 235. INCLUSION OF CHILD-WELFARE SERVICES IN TITLE IV

Subsections (a), (b), and (c) of section 235 of the bill incorporate into title IV as a new part B the present provisions for child-welfare services now appearing in part 3 of title V. The present title IV, including the amendments made by the bill, becomes part A of title IV.

Part B of title IV, in addition to incorporating all the provisions of title V, part 3, makes the following changes in such part 3: (1) The authorization for appropriations is changed to $100 million for the fiscal year ending June 30, 1969, and $110 million for each fiscal year thereafter; and (2) the provision relating to research, training, and demonstration projects (sec. 426) is amended to authorize projects for the demonstration of the utilization of research in the field of child welfare in order to encourage experimental and special types of welfare services and to authorize contracts and jointly financed cooperative arrangements for research, special projects, or demonstration projects.

Subsection (d) of section 235 of the bill adds a provision requiring the State plan for child-welfare services to provide that the State agency administering or supervising the administration of the plan of the State approved under part A of title IV will administer or supervise the administration of the plan under part B of title IV and that

those child-welfare services which are furnished by the staff of the State or local agency will be the responsibility of the organizational unit in the State or local agency established under section 402(a)(15) of the act.

Subsections (e), (f), and (g) of section 235 of the bill contain a number of provisions effectuating the transfer of the child-welfare provisions from title V, part 3 to part B of title IV:

(1) title V, part 3 is repealed on enactment of the bill;

(2) part B of title IV becomes effective at that time;

(3) a plan developed under title V, part 3, is treated as a plan developed under part B of title IV;

(4) appropriations, allotments, or reallotments under title V, part 3, is deemed such under part B of title IV;

(5) overpayments and underpayments under title V, part 3, are treated as such under part B of title IV; and

(6) grants and appropriations under section 526 of the act are deemed to be such under section 426.

Subsection (e) of section 235 of the bill also provides that subsection (d) of such section (relating to the State agency and the organizational unit responsible for furnishing child-welfare services) will be effective July 1, 1969.

SECTION 236. CONFORMING AMENDMENTS

Section 236 of the bill makes a series of conforming amendments to provisions of titles II, IV, XI, XVI, XVIII, and XIX of the Social Security Act which are necessary to reflect the transfer of the child-welfare provisions from title V to title IV of the act by section 235 of the bill.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

SECTION 245. PARTIAL PAYMENTS TO STATES

Section 245 of the bill amends sections 4, 404(a), 1004, and 1404 of the Social Security Act so that, where the Secretary finds after notice and opportunity for hearing to a State that its plan approved under section 2, 402, 1002, or 1402 of the act fails to comply with the provisions of such section, the Secretary will have discretion (similar to the authority now in secs. 1604 and 1904 of the act) to limit the withholding of Federal payments to the State to categories under or parts of the plan not affected by such failure, rather than withhold total payments to the State.

SECTION 246. CONTRACTS FOR COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

Section 246 of the bill amends section 1110(a)(2) of the Social Security Act to authorize contracts for research and demonstration projects with private organizations and agencies (as well as with States and public and other nonprofit organizations and agencies, to which the present authority is limited).

SECTION 247. PERMANENT AUTHORITY TO SUPPORT DEMONSTRATION PROJECTS

This section of the bill amends section 1115 of the Social Security Act to make permanent the authority to pay the State's share of the cost of demonstration projects to promote the objectives of the public assistance titles of the act, and to increase the funds available for such purposes for any fiscal year beginning after June 30, 1967, from $2 million to $4 million.

SECTION 248. SPECIAL PROVISIONS RELATED TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

Section 248(a) of the bill amends section 1108 of the Social Security Act in its entirety and makes the amendment applicable with respect to fiscal years beginning after June 30, 1967.

Under section 1108(a) of the act as so amended, the present $9.8 million limit for Federal financial participation in the public assistance programs (other than the medical assistance program) of Puerto Rico would be raised to $12.5 million for fiscal year 1968 and further increases would be made in each succeeding fiscal year to a maximum of $24 million for fiscal year 1972 and each fiscal year thereafter. Similarly, there would be proportionate increases in the dollar maximums for the Virgin Islands and Guam—from the present $330,000 to $800,000 for fiscal year 1972 and thereafter in the case of the Virgin Islands, and from the present $450,000 to $1.1 million for fiscal year 1972 and thereafter in the case of Guam. These limits do not apply to payments which are subject to the limits imposed by section 1108(b) (discussed below).

Section 1108(b) of the act as amended authorizes payment, in addition to the amounts stated in section 1108(a), on account of family planning services (required pursuant to sec. 402(a)(15)(B)(ii) of the act as added by sec. 201(a)(1) of the bill) and services and items referred to in section 403(a)(3)(B) of the act (as added by sec. 204(c) of the bill) and in section 304(2) of the act (as added by sec. 204(f)(1) of the bill), with respect to any fiscal year, of not more than $2 million for Puerto Rico, $65,000 for the Virgin Islands, and $90,000 for Guam.

Section 1108(c) of the act as amended imposes a maximum on Federal payments for the medical assistance program under title XIX of the act, with respect to any fiscal year, of $20 million for Puerto Rico, $650,000 for the Virgin Islands, and $900,000 for Guam. In addition to this limitation, section 248(e) of the bill, by an amendment to section 1905(b) of the act, reduces the Federal medical assistance percentage for Puerto Rico, the Virgin Islands, and Guam from 55 to 50 percent, effective with respect to quarters after 1967. Section 248(d) of the bill makes inapplicable to these three jurisdictions the limitation on Federal participation in medical assistance expenditures that is applicable to the States and the District of Columbia under section 1903(f)(1) of the act as added by section 220(a) of the bill.

Section 1108(d) of the act as amended (substantially restating existing law) provides that, notwithstanding sections 502(a) and 512(a) of the present Social Security Act, and sections 421, 503(1),

and 504(1) of the act as amended by the bill, and until the Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the initial allotment specified in such sections, allot such smaller amounts to Guam as he may deem appropriate.

Section 248(b) of the bill provides that, notwithstanding section 403(a)(3)(A) of the act (as amended by sec. 201(c) of the bill) and section 403(a)(3)(B) of the act (as added by sec. 204(c) of the bill), the rate specified in such provisions shall, in the case of Puerto Rico, the Virgin Islands, and Guam, be 60 percent (rather than 75 or 85 percent).

Section 248(c) of the bill provides, effective July 1, 1969, that neither the disregards or set-aside of income authorized under section 402(a)(7) of the present Social Security Act nor the disregards or set-aside of income provided for in section 402(a)(8) of the act as amended by section 202(b) of the bill will apply in the case of Puerto Rico, the Virgin Islands, and Guam. It further requires, effective not later than July 1, 1972, that their State plans approved under section 402 of the act provide for disregarding of income of dependent children in making the determination under such section 402(a)(7) in amounts (agreed to between the Secretary and the State agencies involved) sufficiently lower than the amounts specified in such section 402(a)(8) to reflect appropriately the applicable differences in income levels.

SECTION 249, APPROVAL OF CERTAIN PROJECTS

This section of the bill adds to title XI of the Social Security Act a new section 1120. Subsection (a) of such section 1120 would prohibit any payment under the Social Security Act with respect to any experimental, pilot, demonstration, or other project where any part of such a project is wholly financed with Federal funds made available under such act (without any non-Federal financial participation) unless the Secretary or Under Secretary of Health, Education, and Welfare has personally approved such project. Section 1120(b) would require the Secretary to submit to the Congress, as soon as possible after the approval of any such project, a description thereof together with a statement of its purpose, probable cost, and expected duration.

TITLE III. IMPROVEMENT OF CHILD HEALTH

SECTION 301. CONSOLIDATION OF SEPARATE PROGRAMS UNDER TITLE V OF THE SOCIAL SECURITY ACT

Section 301 of the bill amends title V of the Social Security Act, effective with respect to the fiscal years beginning after June 30, 1968, by substituting a new title V for parts 1, 2, 4, and 5 of the present title V as follows:

TITLE V—MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN'S SERVICES

Section 501. Authorization of Appropriations

The new section 501 combines the purpose clauses of existing sections 501 and 511, adds reduction of infant mortality to the purpose

clause, and incorporates into a single authorization for appropriations the authorizations in existing parts 1, 2, and 4 of title V. The combined authorization is for $250 million for the fiscal year ending June 30, 1969, and increases in annual steps of $25 million per year to $350 million for the fiscal year ending June 30, 1973, and for each fiscal year thereafter.

Section 502. Purposes for Which Funds are Available

The new section 502 makes the appropriations pursuant to new section 501 available as follows: For fiscal years 1969 through 1972, 50 percent is allotted for maternal and child health services and services for crippled children, 40 percent for special project grants for maternity and infant care, health of school and preschool children, and dental health of children, and 10 percent for grants for research and training; for the fiscal year ending June 30, 1973, and each year thereafter, 90 percent of the appropriation is allotted for the maternal and child health and crippled children's services program under new sections 503 and 504 which will, after June 30, 1972, include the special projects relating to such services under new sections 508, 509, and 510, and 10 percent is allotted for training and research under new sections 511 and 512. The Secretary may transfer not to exceed 5 percent of the appropriation from one of the purposes specified to another and of the appropriations available for sections 503 and 504 shall determine the portion to be available for allotment under each section.

Section 503. Allotments to States for Maternal and Child Health Services

The new section 503 replaces, and makes no substantive change in, the provisions of existing section 502.

Section 504. Allotments to States for Crippled Children's Services

The new section 504 replaces, and makes no substantive change in, the provisions of existing section 512.

Section 505. Approval of State Plans

The new section 505 requires a single State plan for maternal and child health services and services for crippled children. It combines the provisions of existing sections 503 and 513 and adds new plan requirements as follows:

(1) Provision for early identification and treatment of children in need thereof with respect to the portion of the plan relating to crippled children;

(2) Special attention to dental care for children and family planning services for mothers in the development of demonstration projects;

(3) Effective July 1, 1972, provision of a program of projects which offer reasonable assurance of helping reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing and of helping to reduce infant and maternal mortality, and which offer reasonable

assurance of promoting the health of children of school and preschool age and of promoting the dental health of such children. Section 505 also provides that in the event different agencies administered (or supervised) the plans under existing sections 503 and 513 on July 1, 1967, each such agency can continue to administer (or supervise) its respective portion of the new combined plan.

Section 506. Payments

The new section 506 replaces, and makes no substantive change in, the provisions of subsections (a), (b), and (c) of existing sections 504 and 514. However, this section adds as a condition of payment maintenance of State and local fiscal effort at least at the 1968 level and adds to the existing other conditions of payment (which require that States make a satisfactory showing of extension of maternal and child health services and services to crippled children) extension of the provision of dental care and family planning services. It also includes a provision on payment of grants under other provisions of title V.

Section 507. Operation of State Plans

The new section 507 (which replaces the existing secs. 505 and 515) empowers the Secretary, in the event of a State's failure to comply with all or any of the State's plan requirements, to withhold payment or limit payment to categories under parts of the plan not affected by such failure until he is satisfied that there is no longer failure to comply.

Section 508. Special Project Grants for Maternity and Infant Care

The new section 508 (which replaces the existing sec. 531) adds reduction of infant and maternal mortality to the purpose clause of the authorization for special project grants for maternity and infant care, authorizes health care for mothers and infants in circumstances which increase hazards to their health, authorizes grants for projects for provision of health care for infants and for projects for family planning services, adds any public or nonprofit private agency, institution, or organization as a potential grantee for these purposes, and extends the authorization for projects under this section for 4 additional years, through June 30, 1972.

Section 509. Special Project Grants for Health of School and Preschool Children

The new section 509 replaces the existing section 532 without substantial change in the program content and extends the authorization for special project grants for health of school and preschool children for 2 additional years, through June 30, 1972.

Section 510. Special Project Grants for Dental Health of Children

The new section 510 adds to title V a new authorization for project grants to promote the dental health of children and youth of school or preschool age, particularly in areas with concentrations of low in-

come families. The Secretary is authorized to make grants to the State health agency and (with the consent of the State health agency) to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for dental care and services for children and youth of school age or preschool children. Treatment, correction of defects, or aftercare is available only to children who would not otherwise receive it because they are from low income families or because of other reasons beyond their control. Such preventive services, treatment, correction of defects, and aftercare for such age groups as may be provided in regulations of the Secretary must be available through the project. Projects may include research or demonstrations. No grant may be made for any project under this section for any period after June 30, 1972.

Section 511. Training of Personnel

The new section 511 replaces and broadens the training authorization in existing section 516 to include training of any personnel for health care and related services for mothers and children and to give priority to training at the undergraduate level.

Section 512. Research Projects Relating to Maternal and Child Health Services and Crippled Children's Services

The new section 512 replaces existing section 533 and requires that special emphasis be accorded to projects which will help in studying the need for, feasibility, costs, and effectiveness of comprehensive health care programs making maximum use of health personnel with varying levels of training, and in studying methods of training for such programs. Grants authorized under this section for such projects will include funds for training personnel for work in such projects.

Section 513. Administration

The new section 513 replaces existing section 541 and adds a new provision to make available up to one-half of 1 percent of the appropriation for grants under title V for evaluation of programs and reduces the amount available for allotments accordingly. The Secretary is authorized to carry out such evaluation directly, or by grants or contracts. This section also adds, as a condition of receipt of grants under title V by any agency, institution, or organization, a requirement for cooperation (to the extent specified by the Secretary) with the agency administering or supervising the administration of the State's plan approved under title XIX.

Section 514. Definition

The new section 514 defines a crippled child for purposes of title V.

SECTION 302. CONFORMING AMENDMENTS

Section 302 of the bill amends title XIX of the act, effective July 1, 1969, to list, among the described care and services which are included under "medical assistant," such screening, diagnosis, and treatment of

children as are prescribed in regulations by the Secretary and to require that State plans under title XIX must provide for utilization and appropriate reimbursement of the agencies, institutions, and organizations providing services under title V for the cost of such services furnished to any individual for which payment would otherwise be made to the State with respect to him under section 1903.

SECTION 303. 1968 AUTHORIZATION FOR MATERNITY AND INFANT CARE PROJECTS

Section 303 of the bill amends section 531 of the existing title V of the act by increasing the authorization for special project grants for maternity and infant care from $30 to $35 million for the fiscal year ending June 30, 1968.

SECTION 304. SHORT TITLE

Section 304 authorizes citing title III of the bill as the "Child Health Act of 1967."

TITLE IV—GENERAL PROVISIONS

SECTION 401. SOCIAL WORK MANPOWER AND TRAINING GRANTS FOR EXPANSION AND DEVELOPMENT OF UNDERGRADUATE AND GRADUATE PROGRAMS

This section of the bill adds a new section 707 to title VII of the Social Security Act. The new section authorizes an appropriation of $5 million for the fiscal year ending June 30, 1969, and $5 million for each of the 3 succeeding fiscal years for grants by the Secretary to public or nonprofit private colleges and universities and to accredited graduate schools of social work or an association of such schools. The grants are to be made to meet part of the cost of development, expansion, or improvement of undergraduate programs in social work and programs for the graduate training of professional social work personnel, including the costs of compensation of additional faculty, administrative personnel, and minor improvements of existing facilities. No less than half the amount appropriated for any fiscal year may be used for grants for undergraduate programs. In making grants, the Secretary is to take into account the relative need in the States for personnel trained in social work and the effect of the grants thereon.

The term "graduate school of social work" means a department, school, division, or other administrative unit, in a public or private college or university, which provides, primarily or exclusively, a program of education in social work and allied subjects leading to a graduate degree in social work. The term "accredited" as applied to a graduate school of social work refers to a school accredited by a body or bodies approved by the Commissioner of Education or with respect to which there is evidence satisfactory to the Secretary that it will be accredited within a reasonable time. The term "nonprofit" is used in the sense that no part of the net earnings derived from the operation of a college or university inures to the benefit of any private shareholder or individual.

SECTION 402. INCENTIVE FOR LOWERING COSTS WHILE MAINTAINING QUALITY AND INCREASING EFFICIENCY IN THE PROVISION OF HEALTH SERVICES

Section 402(a) of the bill authorizes the Secretary to develop and engage in experiments under which organizations and institutions which are selected by the Secretary in accordance with regulations and which would otherwise be reimbursed on the basis of reasonable cost for services under (1) title XVIII of the Social Security Act (health insurance for the aged), (2) title XIX of the act (grants to States for medical assistance programs), or (3) title V of the act (grants to States for maternal and child welfare) will be reimbursed in any manner mutually agreed upon by the Secretary and the institution or organization. The method of reimbursement which will be applied in such experiments will be such as the Secretary may select, may be based on charges or costs adjusted by incentive factors, and may include specific incentive payments or reductions of payments for the performance of specific actions, but in any case shall be such as he determines may, through experiment, be demonstrated to have the effect of increasing the efficiency and economy of health services through the creation of additional incentives to these ends without adversely affecting the quality of such services.

Section 402(b) of the bill provides that in the case of any such experiment, the Secretary may waive compliance with the requirements of titles XVIII, XIX, and V of the act insofar as they require reimbursement for certain services to be made on the basis of reasonable cost (including physicians' services and other medical services which a group practice prepayment plan elects to have reimbursed on a cost basis in accordance with sec. 1833(a)(1) of such act). Costs incurred in such experiments which would not otherwise be paid under such titles for such services may nevertheless be paid to the extent that the waiver applies to them, and in such cases the Secretary will bear the excess costs.

Section 402(c) of the bill amends section 1875(b) of the act to provide that the Secretary's annual report to the Congress concerning the operation of the health insurance program will include a report on the experimentation authorized by section 402 of the bill.

SECTION 403. CHANGES TO REFLECT CODIFICATION OF TITLE 5, UNITED STATES CODE

Section 403 of the bill amends various provisions of the Social Security Act, and of certain other related laws, to correct references which were rendered obsolete or erroneous by the enactment into positive law of title 5 of the United States Code on September 6, 1966 (Public Law 89–554).

SECTION 404. MEANING OF SECRETARY

Section 404 of the bill makes it clear that the term "Secretary" (unless the context otherwise requires) means the Secretary of Health, Education, and Welfare when it is used in the amendments made by the bill.

V. SUPPLEMENTAL VIEWS OF THE HONORABLE JACOB H. GILBERT OF NEW YORK

I am forced to dissent vigorously from the decision of the committee to apply new standards that narrow the implementation of title XIX, the program known as medicaid.

I feel, first, that it establishes a grievous and unfortunate precedent. I am familiar with events in my own State, New York, but similar patterns have occurred elsewhere. The States have devised and put into effect medicaid programs based on legislation passed in 1965 and which they had every reason to believe would remain unchanged. The legislation contained a commitment for assistance from the Federal Government. The States acted in good faith on that commitment. Under the amendment included in the current legislation, the Federal Government would be backing out of the obligation it assumed. Ironically, it takes that action, not because the program in question has been a failure, but because it has been a success. It has helped so many needy persons that it has cost more than originally anticipated. No reason could be less justified for cutting back on a program.

I believe, furthermore, that this amendment is a serious mistake because it penalizes productive members of the community. By setting arbitrary income limits for eligibility, it cuts out those families and individuals who work but who lack sufficient income to pay for medical expenses. It will not, in most instances, penalize welfare recipients, but only those who are struggling by the sweat of their own brow to make ends meet. I need not emphasize that the amendment will deprive children of the care they need and, in recent years, have acquired under this program. The decision to reduce the scope of the program is, in my view, an inadvisable one.

I object, furthermore, to this amendment because it penalizes the State of New York more than any other. New York has, throughout recent history, been a pioneer in social welfare legislation. It has had in effect a program similar to medicaid dating back to 1929. Its program is the best in the country. Under the standards established in this amendment, thousands of New Yorkers will be stricken from eligibility.

I am gratified that the committee has agreed to achieve its goal of establishing eligibility at 133⅓ percent of average AFDC standards on a three-step basis. But even the first step, 150 percent, will reduce eligibility for families and individuals by substantial amounts. It appears that thousands of self-supporting, self-respecting families will now have to go on the welfare rolls for medical assistance.

I feel that this is a particularly inopportune moment for the enactment of this amendment. It is inopportune because we are seeking to persuade the poorer segment of our Nation to take courage, to look to Government not for a dole but for the means of becoming financially independent. This amendment will break the hearts of thousands of

conscientious citizens. In view of the domestic turmoil through which this Nation is now suffering, I believe it is unwise to eliminate the programs that give hope to those who live at the margins of our economy.

I must conclude by noting that this bill, in my opinion, is inadequate for the needs of those members of our society whose resources are fewest. I proposed an across-the-board increase in retirement benefits of 50 percent. The administration proposed 15 percent. The committee voted only 12.5 percent, which I regard as clearly insufficient.

I note further that the minimum old-age and disability benefit was raised from $44 to only $50 a month, which is still not a sufficient income to represent a subsistence level of existence.

Finally, I point out that the increase in social security tax falls most heavily on the lower income taxpayers who obviously are the least able to afford the expenditure. I would have preferred a tax increase which could have been made progressive, falling more heavily on those in the upper brackets.

JACOB H. GILBERT.

VI. SUPPLEMENTAL VIEWS OF HON. THOMAS B. CURTIS, OF MISSOURI

I concur with the committee report and recommend the passage of H.R. 12080. Although I have some serious reservations about the changes in the old-age and survivsorship portion of the bill which I shall discuss later, the improvements in the welfare sections are extensive and too long delayed. The improvements in the medical care sections, titles XVIII and XIX, are much needed but they are only the beginning of the amendments necessary to try to make these systems work. Although I believe the systems are fundamentally unsound and wide of the mark in attacking the real health problems of the aged and other potentially medically indigent, nonetheless, the innovations should have as fair a test as possible.

The real health problems lie in the area of financing catastrophic health costs. They never did lie in financing the routine and less costly illnesses of our people. H.R. 12080 notably extends the hospital benefits from 60 days to 90 days. This is still hitting at the problem from the wrong end. The cases of catastrophic illness or accident require sometimes a year or more of hospital care and can put even affluent families on relief. These problems are met only in title XIX, the welfare section of the social security law. Our programs should be designed to keep people off welfare.

H.R. 12080 fails to correlate retirement benefits from social security with retirement benefits that most Americans derive from personal savings and private pension plans.

Americans in contrast to people in other developed countries have a broadly based tripartite system for their retirement. Government social security is one part. The primary and historical part consists of the person's own savings, annuities, insurance, homeownership, etc. The third part consists of the funded employment pension plans which meet the standards set by the Congress in the Internal Revenue Code.

The committee report states that studies of the Social Security Administration find that "Because social security benefits are virtually the sole reliance of about half the beneficiaries and the major reliance for almost all beneficiaries the level at which social security benefits are set determines in large measure the basic economic well-being of the majority of the Nation's older people." I challenge this statement. I have seen no studies by the Social Security Administration or by others which substantiates it. The wealth and investment resources of the aged as well as their income sources need objective study. Indeed, if this statement were true, what are we to believe happened to old people in America before 1936? They were cared for and compassionately, nor were the bulk of them cared for through welfare programs. Our objective should be to improve our systems, not denigrate them. This can only be done through objective studies.

Today social security is certainly an important part of the retirement plans of most Americans. But it is only a part and when it was initiated, it was never proposed as the sole source of retirement income for our people. The discussion today should be around how much of a part it should be.

Now that over 90 percent of all Americans are covered by social security as their standard of living increases with additional discretionary income available to them should they and their employers put that money into increasing social security benefits or increasing the benefits they might obtain through private savings plans and the employer-employee pension systems?

I argue that there are three basic reasons today that the increase of retirement benefits for our people should come from further emphasis on funded retirement programs rather than pay-as-you-go retirement systems such as governmental social security.

1. Funded retirement programs can pay larger benefits than a pay-as-you-go system, because over 50 percent of the benefits paid out to the retiree come from the earnings on the investment of the fund. Our private pension plans today have over $90 billion in their funds. The annual earnings run over $4.5 billion. These funded plans are being extended to cover more and more people. About 25 million workers are presently covered in a program which was effectively started almost 10 years after social security. It wasn't until last year that the Congress effectively extended the tax treatment for corporate pension plans to self-employed and their employees. In a few years 50 million or 75 percent of the workers should be covered and the funds should be well over $200 billion.

The social security system, on the other hand, is a pay-as-you-go system which does not contemplate paying benefits out of the earnings of the trust fund. The social security trusts consist of only $22 billion and is called a contingent fund—to protect the system against unanticipated contingencies such as serious recession. It barely equals the benefits paid out in 1 year, yet it covers over 65 million workers. If the social security system were funded in the same sense that corporate and other private pension plans are required to be funded by our tax and insurance laws, the fund would have to have $350 billion in it.

In other words, instead of increasing the payroll tax by say $200 a year—$100 from the employee and $100 from the employer by increasing the wage base on which the social security tax is paid from $6,800 to $7,800 and increasing the rate of tax, that same $200 a year if paid into a funded pension plan, the benefits could be increased two to three times the increases provided in the social security pay-as-you-go system.

The second reason which requires us to be cautions about increasing the social security system by having it compete for the same funds which finance private retirement plans is the economic limitations of the payroll tax, which is the method of financing not only social security but unemployment insurance and, in reality, workmen's compensation. Many economists have argued that getting the social security tax above 10 percent of payroll endangers the basic system. It is certainly true that all taxes have a point of diminishing returns. Without the increases in this bill, the payroll tax is already scheduled to go up to 11.3 percent of payroll.

The third reason for increasing the retirement benefits for our people through the funded systems rather than through pay-as-you-go systems lies in the need of any society for capital to finance its economic growth and increased standard of living. The Western European countries, particularly the ones that have been acclaimed for paying higher social security benefits than does the U.S. social security system, constantly look with envious eyes to the great U.S. capital market, because they do not have the capital to finance their growth. Americans through their tripartite retirement systems have much greater retirements benefits per person than these same countries because Americans do rely heavily on funded retirement systems in addition to social security. In the process, Americans have created great savings which are available through the savings and loan institutions ($150 billion), through the pension plans ($90 billion), through the insurance companies ($200 billion) and savings in banks ($100 billion) to finance the expansion of industry and their own living standards. If a society does not finance a large part of the retirement of its people through savings, it creates serious difficulties for itself.

So when we cut in on the funded systems by increasing the pay-as-you-go system as is done to some degree in H.R. 12080, we cut back on the amount of benefits that otherwise might be paid to our retirees as well as cut back on the capital that otherwise would be available to finance the Nation's growth which provides the jobs and living standards for our people.

I think it is important that we understand our great society so that in our endeavor to improve and better it, we do not unwittingly damage it.

THOMAS B. CURTIS.

○

Union Calendar No. 207

90TH CONGRESS
1ST SESSION

H. R. 12080

[Report No. 544]

IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 1967

Mr. MILLS (for himself and Mr. BYRNES of Wisconsin) introduced the following bill; which was referred to the Committee on Ways and Means

AUGUST 7, 1967

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1967".

TABLE OF CONTENTS

TABLE OF CONTENTS—Continued

TABLE OF CONTENTS—Continued

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

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

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 101. (a) Section 215 (a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount under 1965 Act)	(Average monthly wage)		(Primary insurance amount)	(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—		
----------	$13.48	$44.00	----------	$67	$50.00	$75.00
$13.49	14.00	45.00	$68	69	50.70	76.10
14.01	14.48	46.00	70	70	51.80	77.70
14.49	15.00	47.00	71	72	52.90	79.40
15.01	15.60	48.00	73	74	54.00	81.00
15.61	16.20	49.00	75	76	55.20	82.80
16.21	16.84	50.00	77	78	56.30	84.50
16.85	17.60	51.00	79	80	57.40	86.10
17.61	18.40	52.00	81	81	58.50	87.80
18.41	19.24	53.00	82	83	59.70	89.60
19.25	20.00	54.00	84	85	60.80	91.20
20.01	20.64	55.00	86	87	61.90	92.90
20.65	21.28	56.00	88	89	63.00	94.50
21.29	21.88	57.00	90	90	64.20	96.30
21.89	22.28	58.00	91	92	65.30	98.00
22.29	22.68	59.00	93	94	66.40	99.60
22.69	23.08	60.00	95	96	67.50	101.30
23.09	23.44	61.00	97	97	68.70	103.10
23.45	23.76	62.10	98	99	69.90	104.90
23.77	24.20	63.20	100	101	71.10	106.70
24.21	24.60	64.20	102	102	72.30	108.50
24.61	25.00	65.30	103	104	73.50	110.30
25.01	25.48	66.40	105	106	74.70	112.10
25.49	25.92	67.50	107	107	75.00	114.00
25.93	26.40	68.50	108	109	77.10	115.70
26.41	26.94	69.60	110	113	78.30	117.50
26.95	27.46	70.70	114	118	79.60	119.40
27.47	28.00	71.70	119	122	80.70	121.10
28.01	28.68	72.80	123	127	81.90	122.90
28.69	29.25	73.90	128	132	83.20	124.80
29.26	29.68	74.90	133	136	84.30	126.50
29.69	30.36	76.00	137	141	85.50	128.30
30.37	30.92	77.10	142	146	86.80	130.20
30.93	31.36	78.20	147	150	88.00	132.00
31.37	32.00	79.20	151	155	89.10	133.70
32.01	32.60	80.30	156	160	90.40	135.60
32.61	33.20	81.40	161	164	91.60	137.40
33.21	33.88	82.40	165	169	92.70	139.10

"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 1965 Act)	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—		
$33.89	$34.50	$83.50	$170	$174	$94.00	$141.00
34.51	35.00	84.60	175	178	95.20	142.80
35.01	35.80	85.60	179	183	96.30	146.40
35.81	36.40	86.70	184	188	97.60	150.40
36.41	37.06	87.80	189	193	98.80	154.40
37.09	37.60	88.90	194	197	100.10	157.60
37.61	38.20	89.90	198	202	101.20	161.60
38.21	39.12	91.00	203	207	102.40	165.60
39.13	39.68	92.10	208	211	103.70	168.80
39.69	40.33	93.10	212	216	104.80	172.80
40.34	41.12	94.20	217	221	106.00	176.80
41.13	41.76	95.30	222	225	107.30	180.00
41.77	42.44	96.30	226	230	108.40	184.00
42.45	43.20	97.40	231	235	109.60	188.00
43.21	43.76	98.50	236	239	110.90	191.20
43.77	44.44	99.60	240	244	112.10	195.20
44.45	44.88	100.60	245	249	113.20	199.20
44.89	45.60	101.70	250	253	114.50	202.40
		102.80	254	258	115.70	206.40
		103.80	259	263	116.80	210.40
		104.90	264	267	118.10	213.60
		106.00	268	272	119.30	217.60
		107.00	273	277	120.40	221.60
		108.10	278	281	121.70	224.80
		109.20	282	286	122.90	228.80
		110.30	287	291	124.10	232.80
		111.30	292	295	125.30	236.00
		112.40	296	300	126.50	240.00
		113.50	301	305	127.70	244.00
		114.50	306	309	128.90	247.20
		115.60	310	314	130.10	251.20
		116.70	315	319	131.30	255.20
		117.70	320	323	132.50	258.40
		118.80	324	328	133.70	262.40
		119.90	329	333	134.90	266.40
		121.00	334	337	136.20	269.60
		122.00	338	342	137.30	273.60
		123.10	343	347	138.50	277.60
		124.20	348	351	139.80	280.80
		125.20	352	356	140.90	284.80
		126.30	357	361	142.10	288.80
		127.40	362	365	143.40	292.00
		128.40	366	370	144.50	296.00
		129.50	371	375	145.70	300.00
		130.60	376	379	147.00	303.20
		131.70	380	384	148.20	307.20
		132.70	385	389	149.30	311.20
		133.80	390	393	150.60	314.40
		134.90	394	398	151.80	318.40
		135.90	399	403	152.90	322.40
		137.00	404	407	154.20	325.60
		138.00	408	412	155.30	329.60
		139.00	413	417	156.40	333.60
		140.00	418	421	157.50	336.80
		141.00	422	426	158.70	340.80
		142.00	427	431	159.80	342.80
		143.00	432	436	160.90	344.80
		144.00	437	440	162.00	346.40
		145.00	441	445	163.20	348.40
		146.00	446	450	164.30	350.40
		147.00	451	454	165.40	352.00
		148.00	455	459	166.50	354.00
		149.00	460	464	167.70	356.00
		150.00	465	468	168.80	357.60
		151.00	469	473	169.90	359.60
		152.00	474	478	171.00	361.60
		153.00	479	482	172.20	363.20
		154.00	483	487	173.30	365.20
		155.00	488	492	174.40	367.20
		156.00	493	496	175.50	368.80
		157.00	497	501	176.70	370.80
		158.00	502	506	177.80	372.80
		159.00	507	510	178.90	374.40
		160.00	511	515	180.00	376.40
		161.00	516	520	181.20	378.40
		162.00	521	524	182.30	380.00

"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 1965 Act)	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—		
		$163.00	$525	$529	$183.40	$382.00
		164.00	530	534	184.50	384.00
		165.00	535	538	185.70	385.60
		166.00	539	543	186.80	387.60
		167.00	544	548	187.90	389.60
		168.00	549	552	189.00	391.20
			553	556	190.00	392.80
			557	559	191.00	394.00
			560	563	192.00	395.60
			564	566	193.00	396.80
			567	569	194.00	398.00
			570	573	195.00	399.60
			574	576	196.00	400.80
			577	580	197.00	402.40
			581	583	198.00	403.60
			584	587	199.00	405.20
			588	590	200.00	406.40
			591	594	201.00	408.00
			595	597	202.00	409.20
			598	601	203.00	410.80
			602	604	204.00	412.00
			605	608	205.00	413.60
			609	611	206.00	414.80
			612	615	207.00	416.40
			616	618	208.00	417.60
			619	622	209.00	419.20
			623	625	210.00	420.40
			626	628	211.00	421.60
			629	633	212.00	423.60"

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

"(2) when two or more persons were entitled (without the application of section 202 (j) (1) and section 223 (b)) to monthly benefits under section 202 or 223 for the second month following the month in which the Social Security Amendments of 1967 are enacted on the basis of the wages and self-employment income of such insured individual, such total of benefits for such

second month or any subsequent month shall not be reduced to less than the larger of—

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

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), as in effect prior to such second month, for each such person for such second month, by 112.5 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202 (k) (2) (A) was applicable in the case of any such benefits for such second month, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for such second month, or".

(c) (1) Section 215 (b) (4) of such Act is amended to read as follows:

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

"(A) who becomes entitled, in or after the second month following the month in which the Social Security Amendments of 1967 are enacted, to benefits under section 202 (a) or section 223; or

"(B) who dies in or after such second month without being entitled to benefits under section 202 (a) or section 223; or

"(C) whose primary insurance amount is required to be recomputed under subsection (f) (2)."

(2) Section 215 (b) (5) of such Act is repealed.

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

"Primary Insurance Amount Under 1965 Act

"(c) (1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1967.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became en-

titled to benefits under section 202 (a) or section 223 before the second month following the month in which the Social Security Amendments of 1967 are enacted or who died before such second month."

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

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for the month following the month in which this Act is enacted and became entitled to old-age insurance benefits under section 202 (a) of such Act for the second month following the month in which this Act is enacted, or he died in such second month, then, for purposes of section 215 (a) (4) of the Social Security Act (if applicable) the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 102. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out "$35" and inserting in lieu thereof "$40", and by striking out "$17.50" and inserting in lieu thereof "$20".

(2) Section 227 (b) of such Act is amended by striking out in the second sentence "$35" and inserting in lieu thereof "$40".

(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40".

(2) Section 228 (b) (2) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40", and by striking out "$17.50" and inserting in lieu thereof "$20".

(3) Section 228 (c) (2) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$20".

(4) Section 228 (c) (3) (A) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40".

(5) Section 228 (c) (3) (B) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$20".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted.

MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFIT

SEC. 103. (a) Section 202 (b) (2) of the Social Security Act is amended to read as follows:

"(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month, or (B) $105."

(b) Section 202 (c) (3) of such Act is amended to read as follows:

"(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of his wife for such month, or (B) $105."

(c) Section 202 (e) (4) of such Act is amended by striking out "50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based" and inserting in lieu thereof "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105".

(d) Section 202 (f) (5) of such Act is amended by

striking out "50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based" and inserting in lieu thereof "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105".

(c) The amendments made by subsections (a), (b), (c), and (d) shall apply with respect to monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted.

BENEFITS TO DISABLED WIDOWS AND WIDOWERS

SEC. 104. (a) (1) Subparagraph (B) of section 202 (e) (1) of the Social Security Act is amended to read as follows:

"(B) (i) has attained age 60, or (ii) has attained age 50 but has not attained age 60 and is under a disability (as defined in section 223 (d)) which began before the end of the period specified in paragraph (5),".

(2) So much of section 202 (e) (1) of such Act as follows subparagraph (E) is amended to read as follows: "shall be entitled to a widow's insurance benefit for each month, beginning with—

"(F) if she satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which she becomes so entitled to such insurance benefits, or

"(G) if she satisfies subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after her waiting period (as defined in paragraph (6)) in which she becomes so entitled to such insurance benefits, or

"(ii) the first month during all of which she is under a disability and in which she becomes so entitled to such insurance benefits, but only if she was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (5) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, becomes entitled to an old-age insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of such deceased individual, or, if she became entitled to such benefits before she attained age 60, the third month following the month in which her disability ceases (unless she attains age 62 on or before the last day of such third month)."

(3) Section 202 (e) of such Act is further amended by adding after paragraph (4) the following new paragraphs:

"(5) The period referred to in paragraph (1) (B) (ii), in the case of any widow or surviving divorced wife, is the period beginning with whichever of the following is the latest:

"(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income her benefits are or would be based, or

"(B) the last month for which she was entitled to mother's insurance benefits on the basis of the wages and self-employment income of such individual, or

"(C) the month in which a previous entitlement to widow's insurance benefits on the basis of such wages and self-employment income terminated because her disability had ceased,

and ending with the month before the month in which she attains age 60, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

"(6) The waiting period referred to in paragraph (1) (G), in the case of any widow or surviving divorced wife, is the earliest period of six consecutive calendar months—

"(A) throughout which she has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which her application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (5) begins."

(b) (1) Subparagraph (B) of section 202 (f) (1) of such Act is amended to read as follows:

"(B) (i) has attained age 62, or (ii) has attained age 50 but has not attained age 62 and is under a disability (as defined in section 223 (d)) which began before the end of the period specified in paragraph (6),".

(2) So much of section 202 (f) (1) of such Act as follows subparagraph (E) is amended to read as follows: "shall be entitled to a widower's insurance benefit for each month, beginning with—

"(F) if he satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which he becomes so entitled to such insurance benefits, or

"(G) if he satisfies subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after his waiting period (as defined in paragraph (7)) in which he becomes so entitled to such insurance benefits, or

"(ii) the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (6) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of his deceased wife, or the third month following the month in which his disability ceases (unless he attains age 62 on or before the last day of such third month)."

(3) Section 202(f)(3) of such Act is amended by inserting "subsection (q) and" after "provided in".

(4) Section 202(f) of such Act is further amended by adding after paragraph (5) the following new paragraphs:

"(6) The period referred to in paragraph (1)(B)(ii),

in the case of any widower, is the period beginning with whichever of the following is the latest:

"(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income his benefits are or would be based, or

"(B) the month in which a previous entitlement to widower's insurance benefits on the basis of such wages and self-employment income terminated because his disability had ceased,

and ending with the month before the month in which he attains age 62, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

"(7) The waiting period referred to in paragraph (1)(G), in the case of any widower, is the earliest period of six consecutive calendar months—

"(A) throughout which he has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which his application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (6) begins."

(c) (1) The heading of section 202 (q) of such Act is amended to read as follows:

"Reduction of Benefit Amounts for Certain Beneficiaries"

(2) So much of section 202 (q) (1) of such Act as precedes subparagraph (A) is amended by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's".

(3) Subparagraph (A) of section 202 (q) (1) of such Act is amended by striking out "or widow's" and inserting in lieu thereof ", widow's, or widower's".

(4) Section 202 (q) (1) of such Act is amended by adding at the end thereof the following:

"A widow's or widower's insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—

"(C) $^{43}/_{198}$ of 1 percent of the amount of such benefit, multiplied by

"(D) (i) the number of months in the additional reduction period for such benefit (determined under paragraph (6)), if such benefit is for a month before the month in which such individual attains retirement age, or

"(ii) the number of months in the additional adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month

in which such individual attains retirement age or for any month thereafter."

(5) Section 202 (q) (3) (A) of such Act is amended—

(A) by striking out "or widow's" each place it appears and inserting in lieu thereof "widow's, or widower's";

(B) by striking out "a widow's" and inserting in lieu thereof "a widow's or widower's"; and

(C) by striking out "60" and inserting in lieu thereof "50".

(6) Section 202 (q) (3) (C) of such Act is amended by striking out "or widow's" each time it appears and inserting in lieu thereof "widow's, or widower's".

(7) Section 202 (q) (3) (D) of such Act is amended by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's".

(8) Section 202 (q) (3) (E) of such Act is amended—

(A) by striking out "(or would, but for subsection (e) (1), be)" and inserting in lieu thereof "(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)";

(B) by striking out "widow's" each place it appears and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "she" and inserting in lieu thereof "she or he".

(9) Section 202 (q) (3) (F) of such Act is amended—

(A) by striking out "(or would, but for subsection (e) (1), be)" and inserting in lieu thereof "(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)";

(B) by striking out "widow's" each place it appears and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "she" and inserting in lieu thereof "she or he".

(10) Section 202 (q) (3) (G) of such Act is amended—

(A) by striking out "(or would, but for subsection (e) (1), be)" and inserting in lieu thereof "(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)";

(B) by striking out "widow's" and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "he" and inserting in lieu thereof "she or he".

(11) Section 202 (q) (6) of such Act is amended to read as follows:

"(6) For the purposes of this subsection—

"(A) the 'reduction period' for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the period—

"(i) beginning—

"(I) in the case of an old-age or husband's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit, or

"(II) in the case of a wife's insurance benefit, with the first day of the first month for which a certificate described in paragraph (5) (A) (i) is effective, or

"(III) in the case of a widow's or widower's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit or the first day of the month in which such individual attains age 60, whichever is the later, and

"(ii) ending with the last day of the month before the month in which such individual attains retirement age; and

"(B) the 'additional reduction period' for an individual's widow's or widower's insurance benefit is the period—

"(i) beginning with the first day of the first

month for which such individual is entitled to such benefit, but only if such individual has not attained age 60 in such first month, and

"(ii) ending with the last day of the month before the month in which such individual attains age 60."

(12) Section 202(q)(7) of such Act is amended—

(A) by inserting "or 'additional adjusted reduction period'" after "the 'adjusted reduction period'";

(B) by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's";

(C) by inserting "or additional reduction period (as the case may be)" after "the reduction period"; and

(D) by striking out "widow's" in subparagraph (E) and inserting in lieu thereof "widow's or widower's", by striking out "she" each place it appears in such subparagraph and inserting in lieu thereof "she or he", and by striking out "her" in such subparagraph and inserting in lieu thereof "her or his".

(13) Section 202(q)(9) of such Act is amended by striking out "widow's" and inserting in lieu thereof "widow's or widower's".

(d)(1)(A) The third sentence of section 203(c) of such Act is amended by striking out "or any subsequent

month" and inserting in lieu thereof "or any subsequent month; nor shall any deduction be made under this subsection from any widow's insurance benefit for any month in which the widow or surviving divorced wife is entitled and has not attained age 62 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower is entitled and has not attained age 62".

(B) The third sentence of section 203(f)(1) of such Act is amended by striking out "or (D)" and inserting in lieu thereof the following: "(D) for which such individual is entitled to widow's insurance benefits and has not attained age 62 (but only if she became so entitled prior to attaining age 60) or widower's insurance benefits and has not attained age 62, or (E)".

(C) Section 203(f)(2) of such Act is amended by striking out "and (D)" and inserting in lieu thereof "(D), and (E)".

(D) Section 203(f)(4) of such Act is amended by striking out "(D)" and inserting in lieu thereof "(E)".

(2) Section 216(i)(1) of such Act is amended by inserting "202(e), 202(f)," after "202(d),".

(3)(A) Section 222(a) of such Act is amended by inserting "widow's insurance benefits, or widower's insurance benefits," after "benefits,".

(B) Section 222 (b) (1) of such Act is amended by striking out "child's insurance benefits or if" and inserting in lieu thereof "child's insurance benefits, a widow or surviving divorced wife who has not attained age 60, a widower who has not attained age 62, or".

(4) (A) Section 222 (d) (1) of such Act is amended by inserting "or" at the end of subparagraph (B), and by inserting after such subparagraph the following new subparagraphs:

"(C) entitled to widow's insurance benefits under section 202 (e) prior to attaining age 60, or

"(D) entitled to widower's insurance benefits under section 202 (f) prior to attaining age 62,".

(B) Section 222 (d) (1) of such Act is further amended by striking out "who have attained age 18 and are under a disability," in the first sentence and inserting in lieu thereof the following: "who have attained age 18 and are under a disability, the benefits under section 202 (e) for widows and surviving divorced wives who have not attained age 60 and are under a disability, the benefits under section 202 (f) for widowers who have not attained age 62,".

(5) (A) The first sentence of section 225 of such Act is amended by inserting after "under section 202 (d)," the following: "or that a widow or surviving divorced wife who has not attained age 60 and is entitled to benefits under

section 202 (e), or that a widower who has not attained age 62 and is entitled to benefits under section 202 (f),".

(B) The first sentence of section 225 of such Act is further amended by striking out "223 or 202 (d)" and inserting in lieu thereof "202 (d), 202 (e), 202 (f), or 223".

(c) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

INSURED STATUS FOR YOUNGER DISABLED WORKERS

SEC. 105. (a) Subparagraph (B) (ii) of section 216 (i) (3) of the Social Security Act is amended by striking out "and he is under a disability by reason of blindness (as defined in paragraph (1))".

(b) Subparagraph (B) (ii) of section 223 (c) (1) of such Act is amended by striking out "before he attains" and inserting in lieu thereof "before the quarter in which he attains", and by striking out "and he is under a disability by reason of blindness (as defined in section 216 (i) (1))".

(c) The amendment made by subsection (a) shall apply only with respect to applications for disability determinations filed under section 216 (i) of the Social Security Act in or after the month in which this Act is enacted. The

amendments made by subsection (b) shall apply with respect to monthly benefits under title II of such Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

SEC. 106. Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

"SEC. 229. (a) For purposes of determining entitlement to and the amount of any monthly benefit for any month after December 1967, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any individual, and for purposes of section 216(i)(3), such individual shall be deemed to have been paid, in each calendar quarter occurring after 1967 in which he was paid wages for service as a member of a uniformed service (as defined in section 210(m)) which was included in the term 'employment' as defined in section 210(a) as a result of the provisions

of section 210 (l), wages (in addition to the wages actually paid to him for such service) of—

"(1) $100 if the wages actually paid to him in such quarter for such services were $100 or less,

"(2) $200 if the wages actually paid to him in such quarter for such services were more than $100 but not more than $200, or

"(3) $300 in any other case.

"(b) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund annually, as benefits under this title and part A of title XVIII are paid after December 1967, such sums as the Secretary determines to be necessary to meet (1) the additional costs, resulting from subsection (a), of such benefits (including lump-sum death payments), (2) the additional administrative expenses resulting therefrom, and (3) any loss in interest to such trust funds resulting from the payment of such amounts. Such additional costs shall be determined after any increases in such benefits arising from the application of section 217 have been made."

LIBERALIZATION OF EARNINGS TEST

SEC. 107. (a) (1) Paragraphs (1), (3), and (4) (B) of section 203 (f) of the Social Security Act are each

amended by striking out "$125" and inserting in lieu thereof "$140".

(2) Paragraph (1) (A) of section 203 (h) of such Act is amended by striking out "$125" and inserting in lieu thereof "$140".

(b) The amendments made by subsection (a) shall apply with respect to taxable years ending after December 1967.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 108. (a) (1) (A) Section 209 (a) (4) of the Social Security Act is amended by inserting "and prior to 1968" after "1965".

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

"(5) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $7,600 with respect to employment has been paid to an individual during any calendar year after 1967, is paid to such individual during such calendar year;".

(2) (A) Section 211 (b) (1) (D) of such Act is amended by inserting "and prior to 1968" after "1965", and by striking out "; or" and inserting in lieu thereof "; and".

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

"(E) For any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(3) (A) Section 213 (a) (2) (ii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $7,600 in the case of a calendar year after 1967".

(B) Section 213 (a) (2) (iii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $7,600 in the case of a taxable year ending after 1967".

(4) Section 215 (e) (1) of such Act is amended by striking out "and the excess over $6,600 in the case of any calendar year after 1965" and inserting in lieu thereof "the excess over $6,600 in the case of any calendar year after 1965 and before 1968, and the excess over $7,600 in the case of any calendar year after 1967".

(b) (1) (A) Section 1402 (b) (1) (D) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1968" after "1965", and by striking out "; or" and inserting in lieu thereof "; and".

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

"(E) for any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(2) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,600".

(3) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$6,600" and inserting in lieu thereof "$7,600".

(4) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,600".

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

(A) by inserting "and prior to the calendar year 1968" after "the calendar year 1965";

(B) by inserting after "exceed $6,600," the following: "or (D) during any calendar year after the calendar year 1967, the wages received by him during such year exceed $7,600,"; and

(C) by inserting before the period at the end thereof the following: "and before 1968, or which exceeds the tax with respect to the first $7,600 of such wages received in such calendar year after 1967".

(6) Section 6413(c)(2)(A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by striking out "or $6,600 for any calendar year after 1965" and inserting in lieu thereof "$6,600 for the calendar year 1966 or 1967, or $7,600 for any calendar year after 1967".

(c) The amendments made by subsections (a)(1) and (a)(3)(A), and the amendments made by subsection (b) (except paragraph (1) thereof), shall apply only with respect to remuneration paid after December 1967. The amendments made by subsections (a)(2), (a)(3)(B), and (b)(1) shall apply only with respect to taxable years ending after 1967. The amendment made by subsection (a)(4) shall apply only with respect to calendar years after 1967.

CHANGES IN TAX SCHEDULES

SEC. 109. (a)(1) Section 1401(a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and

disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 5.9 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1971, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1970, and before January 1, 1973, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and

"(4) in the case of any taxable year beginning after December 31, 1972, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs

(1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 3.9 percent;

"(2) with respect to wages received during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages received during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages received after December 31, 1972, the rate shall be 5.0 percent."

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 3.9 percent;

"(2) with respect to wages paid during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages paid during the cal-

endar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages paid after December 31, 1972, the rate shall be 5.0 percent."

(b) (1) Section 1401(b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 0.50 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1973, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1976, the tax shall be equal to 0.65 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1975, and before January 1, 1980, the tax shall be equal to 0.70 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1979, and before January 1, 1987, the tax shall be equal to 0.80 percent of the amount of the self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning after December 31, 1986, the tax shall be equal to 0.99 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101 (b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"(2) with respect to wages received during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(3) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"(4) with respect to wages received during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"(5) with respect to wages received during the cal-

endar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"(6) with respect to wages received after December 31, 1986, the rate shall be 0.90 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"(2) with respect to wages paid during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(3) with respect to wages paid during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"(4) with respect to wages paid during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"(5) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"(6) with respect to wages paid after December 31, 1986, the rate shall 0.90 percent."

(c) The amendments made by subsections (a) (1) and (b) (1) shall apply only with respect to taxable years beginning after December 31, 1967. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1967.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 110. (a) Section 201 (b) (1) of the Social Security Act is amended—

(1) by inserting "(A)" after "(1)";

(2) by striking out "1954, and" and inserting in lieu thereof "1954, (B)";

(3) by inserting "and before January 1, 1968," after "December 31, 1965,"; and

(4) by inserting after "so reported," the following: "and (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and so reported,".

(b) Section 201 (b) (2) of such Act is amended—

(1) by inserting "(A)" after "(2)";

(2) by striking out "1966, and" and inserting in lieu thereof "1966, (B)"; and

(3) by inserting after "December 31, 1965," the following: "and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967,".

PART 2—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

COVERAGE OF MINISTERS

SEC. 115. (a) The last sentence of section 211 (c) of the Social Security Act is amended to read as follows: "The provisions of paragraph (4) or (5) shall not apply to service performed by an individual unless an exemption under section 1402 (e) of the Internal Revenue Code of 1954 is effective with respect to him."

(b) (1) The last sentence of section 1402 (c) of the Internal Revenue Code of 1954 (relating to definition of trade or business) is amended to read as follows: "The provisions of paragraph (4) or (5) shall not apply to service performed by an individual unless an exemption under subsection (e) is effective with respect to him."

(2) Section 1402 (e) of such Code (relating to ministers, members of religious orders, and Christian Science practitioners) is amended to read as follows:

"(e) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—

"(1) EXEMPTION.—Any individual who is (A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order or (B) a Christian Science practitioner, upon filing an application (in such form and manner, and with such official, as may be

prescribed by regulations made under this chapter) together with a statement that he is conscientiously opposed to the acceptance (with respect to services performed by him as such minister, member, or practitioner) of any public insurance which makes payments in the event of death, disability, old age, or retirement or makes payments toward the cost of, or provides services for, medical care (including the benefits of any insurance system established by the Social Security Act), shall receive an exemption from the tax imposed by this chapter with respect to services performed by him as such minister, member, or practitioner. Notwithstanding the preceding sentence, an exemption may not be granted to an individual under this subsection if he had filed an effective waiver certificate under this section as it was in effect before its amendment in 1967.

"(2) TIME FOR FILING APPLICATION.—Any individual who desires to file an application pursuant to paragraph (1) must file such application on or before whichever of the following dates is later: (A) the due date of the return (including any extension thereof) for the second taxable year for which he has net earnings from self-employment (computed without regard to subsections (c) (4) and (c) (5)) of $400 or more, any

part of which was derived from the performance of service described in subsection (c) (4) or (c) (5); or (B) the due date of the return (including any extension thereof) for his second taxable year ending after 1967.

"(3) EFFECTIVE DATE OF EXEMPTION.—An exemption received by an individual pursuant to this subsection shall be effective for the first taxable year for which he has net earnings from self-employment (computed without regard to subsections (c) (4) and (c) (5)) of $400 or more, any part of which was derived from the performance of service described in subsection (c) (4) or (c) (5), and for all succeeding taxable years. An exemption received pursuant to this subsection shall be irrevocable."

(c) The amendments made by subsections (a) and (b) shall apply only with respect to taxable years ending after 1967.

COVERAGE OF STATE AND LOCAL EMPLOYEES

SEC. 116. (a) Section 218 (d) (6) (D) of the Social Security Act is amended by inserting "(i)" after "(D)", and by adding at the end thereof the following:

"(ii) Notwithstanding clause (i), the State may, pursuant to subsection (c) (4) (B) and subject to the conditions of continuation or termination of coverage provided for in

subsection (c) (7), modify its agreement under this section to include services performed by all individuals described in clause (i) other than those individuals to whose services the agreement already applies. Such individuals shall be deemed (on and after the effective date of the modification) to be in positions covered by the separate retirement system consisting of the positions of members of the division or part who desire coverage under the insurance system established under this title."

(b) (1) (A) Section 218 (c) (3) of such Act is amended by striking out subparagraph (A), and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(B) Paragraphs (4) and (7) of section 218 (c) of such Act, and paragraph (5) (B) of section 218 (d) of such Act, are each amended by striking out "paragraph (3) (C)" wherever it appears and inserting in lieu thereof "paragraph (3) (B)".

(C) Paragraph (4) (C) of section 218 (d) of such Act is amended by striking out "subsection (c) (3) (C)" and inserting in lieu thereof "subsection (c) (3) (B)".

(2) Section 218 (c) (6) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (C);

(B) by striking out the period at the end of sub-

paragraph (D) and inserting in lieu thereof ", and"; and

(C) by adding at the end thereof the following new subparagraph:

"(E) service performed by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency."

(3) The amendments made by this subsection shall be effective with respect to services performed on or after January 1, 1968.

(c) Section 218 (c) of such Act is amended by adding at the end thereof the following new paragraph:

"(8) Notwithstanding any other provision of this section, the agreement with any State entered into under this section may at the option of the State be modified on or after January 1, 1968, to exclude service performed by election officials or election workers if the remuneration paid in a calendar quarter for such service is less than $50. Any modification of an agreement pursuant to this paragraph shall be effective with respect to services performed after an effective date, specified in such modification, which shall not be earlier than the last day of the calendar quarter in which the modification is mailed or delivered by other means to the Secretary."

INCLUSION OF ILLINOIS AMONG STATES PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS

SEC. 117. Section 218 (d) (6) (C) of the Social Security Act is amended by inserting "Illinois," after "Georgia,".

TAXATION OF CERTAIN EARNINGS OF RETIRED PARTNER

SEC. 118. (a) Section 1402 (a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out "and" at the end of paragraph (8);

(2) by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) there shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed by the Secretary of the Treasury or his delegate, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner's death, if—

"(A) such partner rendered no services with respect to any trade or business carried on by such

partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

"(B) no obligation exists (as of the close of the partnership's taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

"(C) such partner's share, if any, of the capital of the partnership has been paid to him in full before the close of the partnership's taxable year referred to in subparagraph (A)."

(b) Section 211(a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (7);

(2) by striking out the period at the end of paragraph (8) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (8) the following new paragraph:

"(9) There shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed

by the Secretary of the Treasury or his delegate, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner's death, if—

"(A) such partner rendered no services with respect to any trade or business carried on by such partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

"(B) no obligation exists (as of the close of the partnership's taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

"(C) such partner's share, if any, of the capital of the partnership has been paid to him in full before the close of the partnership's taxable year referred to in subparagraph (A)."

(c) The amendments made by this section shall apply only with respect to taxable years ending on or after December 31, 1967.

PART 3—HEALTH INSURANCE BENEFITS

METHOD OF PAYMENT TO PHYSICIANS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 125. (a) Section 1842 (b) (3) (B) of the Social Security Act is amended—

(1) by striking out "(i)"; and

(2) by striking out "and (ii)" and all that follows and inserting in lieu thereof the following: "and such payment will be made—

"(i) on the basis of a receipted bill; or

"(ii) on the basis of an assignment under the terms of which the reasonable charge is the full charge for the service; or

"(iii) on the basis of an itemized bill (I) to the physician or other person providing the service, if such bill is submitted by him in such form and manner as the Secretary may prescribe and within such time as may be specified in regulations and the full charge is found not to exceed the reasonable charge for the service, or (II) to the individual receiving the service, if payment is not made in accordance with clause (I) (either because the charge made is found to exceed the reasonable

charge for the service, or because the physician or other person providing the service fails to submit the bill under clause (I) within the time specified or directs that payment be made to the individual receiving the service) and the bill is submitted in such form and manner as the Secretary may prescribe;

but only if the bill is submitted, or a written request for payment is made in such other form as may be permitted under regulations, no later than the close of the calendar year following the year in which such service is furnished (deeming any service furnished in the last 3 months of any calendar year to have been furnished in the succeeding calendar year);".

(b) The amendments made by subsection (a) shall apply with respect to payments made under part B of title XVIII of the Social Security Act on the basis of bills received after December 31, 1967.

ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICATION IN CASE OF CERTAIN HOSPITAL SERVICES

SEC. 126. (a) Section 1814 (a) of the Social Security Act (as amended by section 129 (c) (5) of this Act) is amended—

(1) by striking out subparagraph (A) of paragraph (2);

(2) by redesignating subparagraphs (B), (C), (D), and (E) of paragraph (2) as subparagraphs (A), (B), (C), and (D), respectively;

(3) by redesignating paragraphs (3), (4), (5), and (6) as paragraphs (4), (5), (6), and (7), respectively;

(4) by inserting immediately after paragraph (2) the following new paragraph:

"(3) with respect to inpatient hospital services (other than inpatient psychiatric hospital services and inpatient tuberculosis hospital services) which are furnished over a period of time, a physician certifies that such services are required to be given on an inpatient basis for such individual's medical treatment, or that inpatient diagnostic study is medically required and such services are necessary for such purpose, except that (A) such certification shall be furnished only in such cases, with such frequency, and accompanied by such supporting material, appropriate to the cases involved, as may be provided by regulations, and (B) the first such

certification required in accordance with clause (A) shall be furnished no later than the 20th day of such period;"; and

(5) by striking out "(D), or (E)" in the last sentence and inserting in lieu thereof "or (D)".

(b) Section 1835 (a) (2) (B) of such Act is amended by inserting after "medical and other health services," the following: "except services described in subparagraphs (B) and (C) of section 1861 (s) (2),".

(c) The amendments made by this section shall apply with respect to services furnished after the date of the enactment of this Act.

INCLUSION OF PODIATRISTS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 127. (a) Section 1861 (r) of the Social Security Act is amended—

(1) by striking out "or (2)" and inserting in lieu thereof "(2)"; and

(2) by inserting before the period at the end thereof the following: ", or (3) except for the purposes of section 1814 (a), section 1835, and subsection (k) of this section, a doctor of podiatry or surgical chiropody, but (unless clause (1) of this subsection also applies to him) only with respect to functions which he is legally author-

ized to perform as such by the State in which he performs them".

(b) Section 1862 (a) of such Act is amended—

(1) by striking out "or" at the end of paragraph (11);

(2) by striking out the period at the end of paragraph (12) and inserting in lieu thereof "; or"; and

(3) by adding after paragraph (12) the following new paragraph:

"(13) where such expenses are for—

"(A) the treatment of flat foot conditions and the prescription of supportive devices therefor,

"(B) the treatment of subluxations of the foot, or

"(C) routine foot care (including the cutting or removal of corns, warts, or calluses, the trimming of nails, and other routine hygienic care)."

(c) The amendments made by subsections (a) and (b) shall apply with respect to services furnished after December 31, 1967.

EXCLUSION OF CERTAIN SERVICES

SEC. 128. Section 1862 (a) (7) of the Social Security Act is amended by inserting after "changing eyeglasses," the following: "procedures performed (during the course of any

eye examination) to determine the refractive state of the eyes,".

TRANSFER OF ALL OUTPATIENT HOSPITAL SERVICES TO SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 129. (a) Section 1861 (s) (2) of the Social Security Act is amended—

(1) by inserting "(A)" after "(2)";

(2) by striking out "physicians' bills" and all that follows and inserting in lieu thereof the following: "physicians' bills;

"(B) hospital services (including drugs and biologicals which cannot, as determined in accordance with regulations, be self-administered) incident to physicians' services rendered to outpatients; and

"(C) diagnostic services which are—

"(i) furnished to an individual as an outpatient by a hospital or by others under arrangements with them made by a hospital, and

"(ii) ordinarily furnished by such hospital (or by others under such arrangements) to its outpatients for the purpose of diagnostic study;".

(b) Section 1861 (s) of such Act is further amended by adding at the end thereof (after and below paragraph (11)) the following new sentence:

"There shall be excluded from the diagnostic services speci-

fied in paragraph (2) (C) any item or service (except services referred to in paragraph (1)) which—

"(12) would not be included under subsection (b) if it were furnished to an inpatient of a hospital; or

"(13) is furnished under arrangements referred to in such paragraph (2) (C) unless furnished in the hospital or in other facilities operated by or under the supervision of the hospital or its organized medical staff."

(c) (1) Section 226(b) (1) of such Act is amended by striking out "post-hospital home health services, and outpatient hospital diagnostic services" and inserting in lieu thereof "and post-hospital home health services".

(2) Section 1812(a) of such Act is amended—

(A) by adding "and" at the end of paragraph (2);

(B) by striking out "; and" at the end of paragraph (3) and inserting in lieu thereof a period; and

(C) by striking out paragraph (4).

(3) Section 1813(a) of such Act is amended by striking out paragraph (2), and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(4) (A) Section 1813(b) (1) of such Act is amended by striking out "or diagnostic study".

(B) The first sentence of section 1813(b) (2) of such Act is amended by striking out "or diagnostic study".

(5) (A) Section 1814(a) (2) of such Act is amended—

(i) by adding "or" at the end of subparagraph (D);

(ii) by striking out "or" at the end of subparagraph (E); and

(iii) by striking out subparagraph (F).

(B) The last sentence of section 1814(a) of such Act is amended by striking out "(E), or (F)" and inserting in lieu thereof "or (E)".

(6) Section 1814(d) of such Act is amended by striking out "or outpatient hospital diagnostic services".

(7) Section 1833(b) of such Act is amended—

(A) by striking out "(or regarded under clause (2) as incurred in such preceding year with respect to services furnished in such last three months)"; and

(B) by striking out ", and (2)" and all that follows and inserting in lieu thereof a period.

(8) Section 1833(d) of such Act is amended by striking out "other than subsection (a)(2)(A) thereof".

(9)(A) Section 1835(a) of such Act is amended by striking out "Payment" and inserting in lieu thereof "Except as provided in subsection (b), payment".

(B) Section 1835 of such Act is further amended by redesignating subsection (b) as subsection (c), and by inserting after subsection (a) the following new subsection:

"(b) Payment may also be made to any hospital for

services described in subparagraph (C) of section 1861 (s) (2) furnished to an individual entitled to benefits under this part even though such hospital does not have an agreement in effect under this title if (A) such services were emergency services and (B) the Secretary would be required to make such payment if the hospital had such an agreement in effect and otherwise met the conditions of payment hereunder. Such payments shall be made only in the amounts provided under section 1833 (a) (2) and then only if such hospital agrees to comply, with respect to the emergency services provided, with the provisions of section 1866 (a)."

(C) Section 1861 (e) of such Act is amended—

(i) by striking out "except for purposes of section 1814 (d)," and inserting in lieu thereof "except for purposes of sections 1814 (d) and 1835 (b),"; and

(ii) by striking out "(including determination of whether an individual received inpatient hospital services for purposes of such section)" and inserting in lieu thereof "and 1835 (b) (including determination of whether an individual received inpatient hospital services or diagnostic services for purposes of such sections)".

(10) Section 1861 (p) of such Act is repealed.

(11) Section 1861 (y) (3) of such Act is amended by striking out "1813 (a) (4)" and inserting in lieu thereof "1813 (a) (3)".

(12) (A) Section 1866 (a) (2) (A) of such Act is amended—

(i) by striking out ", (a) (2), or (a) (4)" and inserting in lieu thereof "or (a) (3)"; and

(ii) by striking out "or, in the case of outpatient hospital diagnostic services, for which payment is made under part A".

(B) Section 1866 (a) (2) (C) of such Act is amended by striking out "1813 (a) (3)" and inserting in lieu thereof "1813 (a) (2)".

(13) Section 21 (a) of the Railroad Retirement Act of 1937 is amended by striking out "post-hospital home health services, and outpatient hospital diagnostic services" and inserting in lieu thereof "and post-hospital home health services".

(d) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.

BILLING BY HOSPITAL FOR SERVICES FURNISHED TO OUTPATIENTS

SEC. 130. (a) Section 1835 (a) of the Social Security Act (as amended by section 129 (c) (9) (A) of this Act) is further amended by striking out "Except as provided in subsection (b)," and inserting in lieu thereof "Except as

provided in subsections (b) and (c)".

(b) Section 1835 of such Act (as amended by section 129 (c) (9) (B) of this Act) is amended by redesignating subsection (c) (as redesignated) as subsection (d), and by inserting after subsection (b) the following new subsection:

"(c) Notwithstanding the provisions of this section and sections 1832, 1833, and 1866 (a) (1) (A), a hospital may, subject to such limitations as may be prescribed by regulations, collect from an individual the customary charges for services specified in subparagraphs (B) and (C) of section 1861 (s) (2) and furnished to him by such hospital, but only if such charges for such services do not exceed $50, and such customary charges shall be regarded as expenses incurred by such individual with respect to which benefits are payable in accordance with section 1833 (a) (1). Payments under this title to hospitals which have elected to make collections from individuals in accordance with the preceding sentence shall be adjusted periodically to place the hospital in the same position it would have been had it instead been reimbursed in accordance with section 1833 (a) (2)."

(c) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.

PAYMENT OF REASONABLE CHARGES FOR RADIOLOGICAL OR PATHOLOGICAL SERVICES FURNISHED BY CERTAIN PHYSICIANS TO HOSPITAL INPATIENTS

SEC. 131. (a) Section 1833 (a) (1) of the Social Security Act is amended—

(1) by striking out "except that" and inserting in lieu thereof "except that (A)", and

(2) by striking out "of subsection (b)" and inserting in lieu thereof "of subsection (b), and (B) with respect to expenses incurred for radiological or pathological services for which payment may be made under this part, furnished to an inpatient of a hospital by a physician in the field of radiology or pathology, the amounts paid shall be equal to 100 percent of the reasonable charges for such services".

(b) Section 1833 (b) of such Act (as amended by section 129 (c) (7) of this Act) is amended by inserting before the period at the end thereof the following: ", and (2) such total amount shall not include expenses incurred for radiological or pathological services furnished to such individual as an inpatient of a hospital by a physician in the field of radiology or pathology".

(c) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.

PAYMENT FOR PURCHASE OF DURABLE MEDICAL EQUIPMENT

SEC. 132. (a) Section 1861 (s) (6) of the Social Security Act is amended by striking out "rental of", and by inserting before the semicolon at the end thereof the following: ", whether furnished on a rental basis or purchased".

(b) Section 1833 of such Act is amended by adding at the end thereof the following new subsection:

"(f) In the case of the purchase of durable medical equipment included under section 1861 (s) (6), by or on behalf of an individual, payment shall be made in such amounts as the Secretary determines to be equivalent to payments that would have been made under this part had such equipment been rented and over such period of time as the Secretary finds such equipment would be used for such individual's medical treatment, except that with respect to purchases of inexpensive equipment (as determined by the Secretary) payment may be made in a lump sum if the Secretary finds that such method of payment is less costly or more practical than periodic payments."

(c) The amendments made by this section shall apply only with respect to items purchased after December 31, 1967.

PAYMENT FOR PHYSICAL THERAPY SERVICES FURNISHED BY HOSPITAL TO OUTPATIENTS

SEC. 133. (a) Subparagraph (B) of section 1861 (s) (2) of the Social Security Act (as amended by section 129 (a) (2) of this Act) is amended by striking out "; and" and inserting in lieu thereof "and physical therapy furnished to an outpatient, in a place of residence used as such outpatient's home, by a hospital or by others under arrangements with them made by such hospital if such therapy is under the supervision of such hospital; and".

(b) The amendment made by subsection (a) shall apply to services furnished after December 31, 1967.

PAYMENT FOR CERTAIN PORTABLE X-RAY SERVICES

SEC. 134. (a) Section 1861 (s) (3) of the Social Security Act is amended by striking out "diagnostic X-ray tests," and inserting in lieu thereof the following: "diagnostic X-ray tests (including tests under the supervision of a physician, furnished in a place of residence used as the patient's home, if the performance of such tests meets such conditions relating to health and safety as the Secretary may find necessary),".

(b) The amendment made by subsection (a) shall apply with respect to services furnished after December 31, 1967.

BLOOD DEDUCTIBLES

SEC. 135. (a) (1) Section 1813 (a) (2) of the Social Security Act (as redesignated by section 129 (c) (3) of this Act) is amended to read as follows:

"(2) The amount payable to any provider of services under this part for services furnished an individual during any spell of illness shall be further reduced by a deduction equal to the cost of the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to him as part of such services during such spell of illness."

(b) Section 1866 (a) (2) (C) of such Act (as amended by section 129 (c) (12) (B) of this Act) is amended—

(1) by striking out "may also charge" and inserting in lieu thereof "may in accordance with its customary practice also appropriately charge";

(2) by inserting after "whole blood" the following: "(or equivalent quantities of packed red blood cells, as defined under regulations)";

(3) by inserting after "blood" where it appears in clauses (i), (ii), and (iii) the following: "(or equivalent quantities of packed red blood cells, as so defined)"; and

(4) by adding at the end thereof the following new

sentence: "For purposes of clause (iii) of the preceding sentence, whole blood (or equivalent quantities of packed red blood cells, as so defined) furnished an individual shall be deemed replaced when the provider of services is given one pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is imposed under section 1813 (a) (2)."

(c) Section 1833 (b) of such Act (as amended by sections 129 (c) (7) and 131 (b) of this Act) is amended by adding at the end thereof the following new sentence: '"The total amount of the expenses incurred by an individual as determined under the preceding sentence shall, after the reduction specified in such sentence, be further reduced by an amount equal to the expenses incurred for the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to the individual during the calendar year, except that such deductible for such blood shall in accordance with regulations be appropriately reduced to the extent that there has been a replacement of such blood (or equivalent quantities of packed red blood cells, as so defined); and for such purposes blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual shall be

deemed replaced when the institution or other person furnishing such blood (or such equivalent quantities of packed red blood cells, as so defined) is given one pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is made under this sentence."

(d) The amendments made by this section shall apply with respect to payment for blood (or packed red blood cells) furnished an individual after December 31, 1967.

ENROLLMENT UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM BASED ON ALLEGED DATE OF ATTAINING AGE 65

SEC. 136. (a) Section 1837(d) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Where the Secretary finds that an individual who has attained age 65 failed to enroll under this part during his initial enrollment period (based on a determination by the Secretary of the month in which such individual attained age 65), because such individual (relying on documentary evidence) was mistaken as to his correct date of birth, the Secretary shall establish for such individual an initial enrollment period based on his attaining age 65 at the time shown in such documentary evidence (with a coverage

period determined under section 1838 as though he had attained such age at that time)."

(b) The amendment made by subsection (a) shall apply to individuals enrolling under part B of title XVIII in months beginning after the date of the enactment of this Act.

EXTENSION OF MAXIMUM DURATION OF BENEFITS FOR INPATIENT HOSPITAL SERVICES TO 120 DAYS

SEC. 137. (a) (1) Section 1812 (a) (1) of the Social Security Act is amended by striking out "up to 90 days" and inserting in lieu thereof "up to 120 days".

(2) Section 1812 (b) (1) of such Act is amended by striking out "for 90 days" and inserting in lieu thereof "for 120 days".

(b) The second sentence of section 1813 (a) (1) of such Act is amended to read as follows: "Such amount shall be further reduced by a coinsurance amount equal to—

"(A) one-fourth of the inpatient hospital deductible for each day (before the 91st day) on which such individual is furnished such services during such spell of illness after such services have been furnished to him for 60 days during such spell; and

"(B) one-half of the inpatient hospital deductible for each day (before the 121st day) on which such individual is furnished such services during such spell of

illness after such services have been furnished to him for 90 days during such spell;

except that the reduction under this sentence for any day shall not exceed the charges imposed for that day with respect to such individual for such services (except that, if the customary charges for such services are greater than the charges so imposed, such customary charges shall be considered to be the charges so imposed)."

(c) The amendments made by subsections (a) and (b) shall apply with respect to services furnished after December 31, 1967.

LIMITATION ON SPECIAL REDUCTION IN ALLOWABLE DAYS OF INPATIENT HOSPITAL SERVICES

SEC. 138. (a) Section 1812(c) of the Social Security Act is amended by striking out "in the 90-day period immediately before such first day shall be included in determining the 90-day limit under subsection (b)(1) (but not in determining the 190-day limit under subsection (b)(3))" and inserting in lieu thereof "in the 120-day period immediately before such first day shall be included in determining the 120-day limit under subsection (b)(1) insofar as such limit applies to (1) inpatient psychiatric hospital services and inpatient tuberculosis hospital services, or

(2) inpatient hospital services for an individual who is an inpatient primarily for the diagnosis or treatment of mental illness or tuberculosis (but shall not be included in determining such 120-day limit insofar as it applies to other inpatient hospital services or in determining the 190-day limit under subsection (b) (3))".

(b) The amendment made by subsection (a) shall apply with respect to payment for services furnished after December 31, 1967.

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

SEC. 139. Section 103 (a) (2) of the Social Security Amendments of 1965 is amended by striking out "1965" in clause (B) and inserting in lieu thereof "1966".

ADVISORY COUNCIL TO STUDY COVERAGE OF THE DISABLED UNDER TITLE XVIII OF THE SOCIAL SECURITY ACT

SEC. 140. (a) The Secretary of Health, Education, and Welfare shall appoint an Advisory Council to study the need for coverage of the disabled under the health insurance program of title XVIII of the Social Security Act.

(b) The Council shall be appointed by the Secretary during 1968 without regard to the provisions of title 5, United States Code, governing appointments in the competitive service and shall consist of 12 persons who shall, to

the extent possible, represent organizations of employers and employees in equal numbers, and represent self-employed persons and the public.

(c) The Council is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall, in addition, make available to such Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

(d) Members of the Council, while serving on the business of the Council (inclusive of travel time), shall receive compensation at rates fixed by the Secretary, but not exceeding $100 per day and, while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government employed intermittently.

(e) The Council shall make findings on the unmet need of the disabled for health insurance, on the costs involved in providing the disabled with insurance protection to cover the cost of hospital and medical services, and on the ways of financing this insurance. The Council shall submit a report of its findings to the Secretary not later than January 1, 1969, together with recommendations on how such protec-

tion should be financed and, if such financing is to be accomplished through the trust funds established under title XVIII of the Social Security Act, on the extent to which each of such trust funds should bear the cost of such financing. Such report shall thereupon be transmitted to the Congress and to the Boards of Trustees created by sections 1817 (b) and 1841 (b) of the Social Security Act. After the date of transmittal to the Congress of the report, the Council shall cease to exist.

STUDY TO DETERMINE FEASIBILITY OF INCLUSION OF CERTAIN ADDITIONAL SERVICES UNDER PART B OF TITLE XVIII OF THE SOCIAL SECURITY ACT

SEC. 141. The Secretary shall make a study relating to the inclusion under the supplementary medical insurance program (part B of title XVIII of the Social Security Act) of services of additional types of licensed practitioners performing health services in independent practice. The Secretary shall make a report to the Congress prior to January 1, 1969, of his finding with respect to the need for covering, under the supplementary medical insurance program, any of the various types of services such practitioners perform and the costs to such program of covering such additional services, and shall make recommendations as to the priority and method for covering these services and the measures that should be adopted to protect the health and

safety of the individuals to whom such services would be furnished.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

ELIGIBILITY OF ADOPTED CHILD FOR MONTHLY BENEFITS

SEC. 150. (a) The second sentence of section 216(e) of the Social Security Act is amended by striking out "before the end of two years after the day on which such individual died or the date of enactment of this Act" and inserting in lieu thereof "only if (A) proceedings for the adoption of the child had been instituted by such individual before his death, or (B) such child was adopted by such individual's surviving spouse before the end of two years after (i) the day on which such individual died or (ii) the date of enactment of the Social Security Amendments of 1958".

(b) The amendment made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of an application filed in or after the month in which this Act is enacted.

CRITERIA FOR DETERMINING CHILD'S DEPENDENCY ON MOTHER

SEC. 151. (a) Section 202(d)(3) of the Social Security Act is amended—

(1) by inserting "or his mother or adopting mother" after "his father or adopting father" in the first sentence; and

(2) by striking out ", if such individual is the child's father," in the second sentence.

(b) Section 202 (d) (4) of such Act is amended by inserting "or stepmother" after "stepfather" each place it appears.

(c) Section 202 (d) of such Act is further amended by striking out paragraph (5), and by redesignating paragraphs (6) through (10) as paragraphs (5) through (9), respectively.

(d) (1) The paragraph of section 202 (d) of such Act redesignated as paragraph (9) by subsection (c) of this section is amended by striking out "under paragraph (9)" and inserting in lieu thereof "under paragraph (8)".

(2) Paragraphs (2) and (3) of section 202 (s) of such Act are each amended by striking out "(d) (6)," and inserting in lieu thereof "(d) (5),".

(3) Section (5) (l) (1) of the Railroad Retirement Act of 1937 is amended—

(A) by striking out "(3), (4), or (5)" in the third sentence and inserting in lieu thereof "(3) or (4)"; and

(B) by striking out "paragraph (8)" in the ninth sentence and inserting in lieu thereof "paragraph (7)".

(e) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act (and annuities accruing under the Railroad Retirement Act of 1937) for and after the second month following the month in which this Act is enacted, but only on the basis of applications filed in or after the month in which this Act is enacted.

UNDERPAYMENTS

SEC. 152. (a) Section 204(d) of the Social Security Act is amended to read as follows:

"(d) Notwithstanding the provisions of subsection (a), if an individual dies before any payment due him under this title is completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(2) if there is no person who meets the requirements of paragraph (1), or if the person who meets such requirements dies before the payment due him

under this title is completed, to the child or children, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such child, in equal parts to each such child);

"(3) if there is no person who meets the requirements of paragraph (1) or (2), or if each person who meets such requirements dies before the payment due him under this title is completed, to the parent or parents, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(4) if there is no person who meets the requirements of paragraph (1), (2), or (3), or if each person who meets such requirements dies before the payment due him under this title is completed, to the legal representative of the estate of the deceased individual;

"(5) if there is no person who meets the requirements of paragraph (1) (2), (3), or (4), or if each person who meets such requirements dies before the pay-

ment due him under this title is completed, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual; or

"(6) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), or (5), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of the deceased individual (and, in case there is more than one such child, in equal parts to each such child)."

(b) The heading of section 1870 of such Act is amended by adding at the end thereof "AND SETTLEMENT OF CLAIMS FOR BENEFITS ON BEHALF OF DECEASED INDIVIDUALS".

(c) Section 1870 of such Act is amended by adding after subsection (d) the following new subsections:

"(e) If an individual who received medical and other health services for which payment may be made under section 1832(a)(1) dies, and payment for such services was made (other than under this title) and the individual died before any payment due with respect to such services was completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) if the payment for such services was made by a person other than the deceased individual, to the

person or persons determined by the Secretary under regulations to have paid for such services; or

"(2) if the payment for such services was made by the deceased individual before his death, or if there is no person to whom payment can be made under paragraph (1) (or each such person dies before such payment is completed)—

"(A) to the legal representative of the estate of such deceased individual, if any;

"(B) if there is no legal representative, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and to have been living in the same household with the deceased at the time of his death;

"(C) if there is no person who meets the requirements of subparagraph (A) or (B), or if each person who meets such requirements dies before the payment due him under this title is completed, to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit under title II on the basis of the same wages and self-employment income as was the deceased individual; or

"(D) if there is no person who meets the requirements of subparagraph (A), (B) or (C), or

if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of such deceased individual (and in case there is more than one such child, in equal parts to each such child).

"(f) If an individual who received medical and other health services for which payment may be made under section 1832(a)(1) dies, and—

"(1) no assignment of the right to payments was made by such individual before his death, and

"(2) payment for such services has not been made, payment for such services shall be made to the physician or other person who provided such services, but payment shall be made under this subsection only in such amount and subject to such conditions as would have been applicable if the individual who received the services had not died, and only if the person or persons who provided the services agrees that the reasonable charge is the full charge for the services."

(d) Section 1842(b)(3)(B) of such Act (as amended by section 128(a) of this Act) is amended by striking out "and such payment will be made" and inserting in lieu thereof "and such payment will (except as otherwise provided in section 1870(f)) be made".

SIMPLIFICATION OF COMPUTATION OF PRIMARY INSURANCE AMOUNT AND QUARTERS OF COVERAGE IN CASE OF 1937–1950 WAGES

SEC. 153. (a) (1) Section 215 (d) (1) of the Social Security Act is amended to read as follows:

"Primary Insurance Benefit Under 1939 Act

"(d) (1) For purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as follows:

"(A) The individual's average monthly wage shall be determined as provided in subsection (b) (but without regard to paragraph (4) thereof) of this section, except that for purposes of paragraph (2) (C) and (3) of such subsection, 1936 shall be used instead of 1950.

"(B) For purposes of subparagraphs (B) and (C) of subsection (b) (2), an individual whose total wages prior to 1951 (as defined in subparagraph (C) of this subsection)—

"(i) do not exceed $27,000 shall be deemed to have been paid such wages in equal parts in nine calendar years after 1936 and prior to 1951;

"(ii) exceed $27,000 and are less than $42,000 shall be deemed to have been paid (I) $3,000 in each of such number of calendar years after 1936 and prior to 1951 as is equal to the

integer derived by dividing such total wages by $3,000, and (II) the excess of such total wages over the product of $3,000 times such integer, in an additional calendar year in such period; or

"(iii) are at least $42,000 shall be deemed to have been paid $3,000 in each of the fourteen calendar years after 1936 and prior to 1951.

"(C) For the purposes of subparagraph (B), 'total wages prior to 1951' with respect to an individual means the sum of (i) remuneration credited to such individual prior to 1951 on the records of the Secretary, (ii) wages deemed paid prior to 1951 to such individual under section 217, and (iii) compensation under the Railroad Retirement Act of 1937 prior to 1951 creditable to him pursuant to this title.

"(D) The individual's primary insurance benefit shall be 45.6 per centum of the first $50 of his average monthly wage as computed under this subsection, plus 11.4 per centum of the next $200 of such average monthly wage."

(2) Section 215(d)(2) of such Act is amended to read as follows:

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

"(A) with respect to whom at least one of the quarters elapsing prior to 1951 is a quarter of coverage;

"(B) except as provided in paragraph (3), who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951; and

"(C) (i) who becomes entitled to benefits under section 202(a) or 223 after the date of the enactment of the Social Security Amendments of 1967, or

"(ii) who dies on or after such date without being entitled to benefits under section 202(a) or 223, or

"(iii) whose primary insurance amount is required to be recomputed under section 215(f)(2)."

(3) Section 215(d)(3) of such Act is amended to read as follows:

"(3) The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of 1967 shall be applicable in the case of an individual—

"(A) who attained age 21 after 1936 and prior to 1951, or

"(B) who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this

section (as amended by the Social Security Amendments of 1967) and section 220.".

(4) So much of section 215 (f) (2) of such Act as precedes subparagraph (E) is amended to read as follows:

"(2) If an individual has wages or self-employment income for a year after 1965 for any part of which he is entitled to old-age insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulations prescribe, recompute such individual's primary insurance amount with respect to each such year. Such recomputation shall be made as provided in subsection (a) (1) and (3) as though the year with respect to which such recomputation is made is the last year of the period specified in subsection (b) (2) (C). A recomputation under this paragraph with respect to any year shall be effective—"

(5) Subparagraphs (E) and (F) of such section 215 (f) (2) are redesignated as subparagraphs (A) and (B), respectively.

(6) Section 215 (f) of such Act is further amended by adding at the end thereof the following new paragraph:

"(5) In the case of a man who became entitled to old-age insurance benefits and died before the month in which he attained age 65, the Secretary shall recompute his primary insurance amount as provided in subsection (a) as though he became entitled to old-age insurance benefits

in the month in which he died; except that (i) his computation base years referred to in subsection (b) (2) shall include the year in which he died, and (ii) his elapsed years referred to in subsection (b) (3) shall not include the year in which he died or any year thereafter. Such recomputation of such primary insurance amount shall be effective for and after the month in which he died."

(7) (A) The amendments made by paragraphs (4) and (5) shall apply with respect to recomputations made under section 215 (f) (2) of the Social Security Act after the date of the enactment of this Act.

(B) The amendment made by paragraph (6) shall apply with respect to individuals who die after the date of enactment of this Act.

(8) In any case in which—

(A) any person became entitled to a monthly benefit under section 202 or 223 of the Social Security Act after the date of enactment of this Act and before the second month following the month in which this Act is enacted, and

(B) the primary insurance amount on which the amount of such benefit is based was determined by applying section 215 (d) of the Social Security Act as amended by this Act,

such primary insurance amount shall, for purposes of section

215(c) of the Social Security Act, as amended by this Act, be deemed to have been computed on the basis of the Social Security Act in effect prior to the enactment of this Act.

(9) The amendment made by paragraphs (1) and (2) shall not apply with respect to monthly benefits for any month prior to January 1967.

(b)(1) Section 213 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Alternative Method for Determining Quarters of Coverage With Respect to Wages in the Period from 1937 to 1950

"(c) For purposes of section 214(a), an individual shall be deemed to have one quarter of coverage for each $400 of his total wages prior to 1951 (as defined in section 215(d)(1)(C)), except where—

"(1) such individual is not a fully insured individual on the basis of the number of quarters of coverage so derived plus the number of quarters of coverage derived from the wages and self-employment income credited to him for periods after 1950, or

"(2) such individual's elapsed years (for purposes of section 214(a)(1)) are less than 7."

(2) The amendment made by paragraph (1) shall

apply only in the case of an individual who applies for benefits under section 202 (a) of the Social Security Act in or after the month of the enactment of this Act, or who dies in or after such month without being entitled to benefits under section 202 (a) or 223 of the Social Security Act.

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

(1) by striking out "section 302 of" and by striking out "Amendments of 1965" and inserting in lieu thereof "Amendments of 1965 and 1967" in the first sentence; and

(2) by striking out "after 1965, or dies after 1965" and inserting in lieu thereof "after the date of the enactment of the Social Security Amendments of 1967, or dies after such date", and by striking out "Amendments of 1965" and inserting in lieu thereof "Amendments of 1967", in the second sentence.

DEFINITIONS OF WIDOW, WIDOWER, AND STEPCHILD

SEC. 154. (a) Section 216 (c) of the Social Security Act is amended by striking out "not less than one year" in clause (5) and inserting in lieu thereof "not less than nine months".

(b) The first sentence of section 216 (e) of such Act is amended by striking out "the day on which such indi-

vidual died" and inserting in lieu thereof "not less than nine months immediately preceding the day on which such individual died".

(c) Section 216 (g) of such Act is amended by striking out "not less than one year" in clause (5) and inserting in lieu thereof "not less than nine months".

(d) Section 216 of such Act is further amended by adding at the end thereof the following new subsection:

"Waiver of Nine-Month Requirement for Widow, Stepchild, or Widower in Case of Accidental Death or in Case of Serviceman Dying in Line of Duty

"(k) The requirement in clause (5) of subsection (c) or clause (5) of subsection (g) that the surviving spouse of an individual have been married to such individual for a period of not less than nine months immediately prior to the day on which such individual died in order to qualify as such individual's widow or widower, and the requirement in subsection (e) that the stepchild of a deceased individual have been such stepchild for not less than nine months immediately preceding the day on which such individual died in order to qualify as such individual's child, shall be deemed to be satisfied, where such individual dies within the applicable nine-month period, if his death—

"(1) is accidental, or

"(2) occurs in line of duty while he is a member of a uniformed service serving on active duty (as defined in section 210(l)(2)),

and he would satisfy such requirement if a three-month period were substituted for the nine-month period; except that this subsection shall not apply if the Secretary determines that at the time of the marriage involved the individual could not have reasonably been expected to live for nine months. For purposes of paragraph (1) of the preceding sentence, the death of an individual is accidental if he receives bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, loses his life not later than three months after the day on which he receives such bodily injuries."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications filed in or after the month in which this Act is enacted.

HUSBAND'S AND WIDOWER'S INSURANCE BENEFITS WITHOUT REQUIREMENT OF WIFE'S CURRENTLY INSURED STATUS

SEC. 155. (a) (1) Section 202 (c) (1) of the Social Security Act is amended by striking out "a currently insured individual (as defined in section 214 (b))" in the matter preceding subparagraph (A) and inserting in lieu thereof "an individual".

(2) Section 202 (c) (2) of such Act is amended by striking out "The requirement in paragraph (1) that the individual entitled to old-age or disability insurance benefits be a currently insured individual, and the provisions of subparagraph (C) of such paragraph," and inserting in lieu thereof "The provisions of subparagraph (C) of paragraph (1)".

(b) (1) Section 202 (f) (1) of such Act is amended—

(A) by striking out "and currently" in the matter preceding subparagraph (A), and

(B) by striking out ", and she was a currently insured individual," in subparagraph (D) (ii).

(2) Section 202 (f) (2) of such Act is amended by striking out "The requirement in paragraph (1) that the

deceased fully insured individual also be a currently insured individual, and the provisions of subparagraph (D) of such paragraph," and inserting in lieu thereof "The provisions of subparagraph (D) of paragraph (1)".

(c) In the case of any husband who would not be entitled to husband's insurance benefits under section 202 (c) of the Social Security Act or any widower who would not be entitled to widower's insurance benefits under section 202 (f) of such Act except for the enactment of this section, the requirement in section 202 (c) (1) (C) or 202 (f) (1) (D) of such Act relating to the time within which proof of support must be filed shall not apply if such proof of support is filed within two years after the month following the month in which this Act is enacted.

(d) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications filed in or after the month in which this Act is enacted.

DEFINITION OF DISABILITY

SEC. 156. (a) Section 223 (c) of the Social Security Act is amended—

(1) by inserting "of Insured Status and Waiting Period" after "Definitions" in the heading;

(2) by striking out paragraph (2); and

(3) by redesignating paragraph (3) as paragraph (2).

(b) Section 223 of such Act is further amended by adding at the end thereof the following new subsection:

"Definition of Disability

"(d) (1) The term 'disability' means—

"(A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months; or

"(B) in the case of an individual who has attained the age of 55 and is blind (within the meaning of 'blindness' as defined in section 216(i)(1)), inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he has previously engaged with some regularity and over a substantial period of time.

"(2) For purposes of paragraph (1)(A)—

"(A) an individual (except a widow, surviving divorced wife, or widower for purposes of section 202(e) or (f)) shall be determined to be under a disability

only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.

"(B) A widow, surviving divorced wife, or widower shall not be determined to be under a disability (for purposes of section 202 (e) or (f)) unless his or her physical or mental impairment or impairments are of a level of severity which under regulations prescribed by the Secretary are deemed to be sufficient to preclude an individual from engaging in any gainful activity.

"(3) For purposes of this subsection, a 'physical or mental impairment' is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.

"(4) The Secretary shall by regulations prescribe the criteria for determining when services performed or earnings derived from services demonstrate an individual's ability to

engage in substantial gainful activity. Notwithstanding the provisions of paragraph (2), an individual whose services or earnings meet such criteria shall, except for purposes of section 222 (c), be found not to be disabled.

"(5) An individual shall not be considered to be under a disability unless he furnishes such medical and other evidence of the existence thereof as the Secretary may require."

(c) (1) Section 202 (d) (1) (B) of such Act is amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(2) Paragraphs (1), (2), and (3) of section 202 (s) of such Act are each amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(3) Section 221 (a) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(4) Section 221 (c) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(5) Section 222 (c) (4) (B) of such Act is amended by striking out "section 223 (c) (2)" and inserting in lieu thereof "section 223 (d)".

(6) Section 223 (a) (1) (D) of such Act is amended by striking out "subsection (c) (2)" and inserting in lieu thereof "subsection (d)".

(7) The first sentence of section 223 (a) (1) of such

Act is further amended by striking out "subsection (c) (3)" and inserting in lieu thereof "subsection (c) (2)".

(8) The last sentence of section 223 (a) (1) is amended by striking out "subsection (c) (2) except for subparagraph (B) thereof" and inserting in lieu thereof "subsection (d) except for paragraph (1) (B) thereof".

(9) Section 225 of such Act is amended by striking out "section 223 (c) (2)" and inserting in lieu thereof "section 223 (d)".

(d) Section 216 (i) (1) of such Act is amended by striking out the third sentence and inserting in lieu thereof the following: "The provisions of paragraphs (2) (A), (3), (4), and (5) of section 223 (d) shall be applied for purposes of determining whether an individual is under a disability within the meaning of the first sentence of this paragraph in the same manner as they are applied for purposes of paragraph (1) of such section."

(e) The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, and for disability determinations under section 216 (i) of such Act, filed—

(1) in or after the month in which this Act is enacted, or

(2) before the month in which this Act is enacted if the applicant has not died before such month and if—

(A) notice of the final decision of the Secretary of Health, Education, and Welfare has not been given to the applicant before such month; or

(B) the notice referred to in subparagraph (A) has been so given before such month but a civil action with respect to such final decision is commenced under section 205 (g) of the Social Security Act (whether before, in, or after such month) and the decision in such civil action has not become final before such month.

DISABILITY BENEFITS AFFECTED BY RECEIPT OF WORKMEN'S COMPENSATION

SEC. 157. (a) (1) The last sentence of section 224 (a) of the Social Security Act is amended by inserting after "his wages and self-employment income" where it first appears in clause (B) the following: "(computed without regard to the limitations specified in sections 209 (a) and 211 (b) (1))".

(2) Section 224 (a) of such Act is further amended by adding at the end thereof the following: "In any case where an individual's wages and self-employment income reported to the Secretary for a calendar year reach the limitations

specified in sections 209 (a) and 211 (b) (1), the Secretary under regulations shall estimate the total of such wages and self-employment income for purposes of clause (B) of the preceding sentence on the basis of such information as may be available to him indicating the extent (if any) by which such wages and self-employment income exceed such limitations."

(b) (1) The amendments made by subsection (a) shall apply only with respect to monthly benefits under title II of the Social Security Act for months after the month in which this Act is enacted.

(2) For purposes of any redetermination which is made under section 224 (f) of the Social Security Act in the case of benefits subject to reduction under section 224 of such Act, where such reduction as first computed was effective with respect to benefits for the month in which this Act is enacted or a prior month, the amendment made by subsection (a) of this section shall also be deemed to have applied in the initial determination of the "average current earnings" of the individual whose wages and self-employment income are involved.

EXTENSION OF TIME FOR FILING REPORTS OF EARNINGS

SEC. 158. (a) Section 203 (h) (1) (A) of the Social Security Act is amended by adding at the end thereof the following new sentence: "The Secretary may grant a reason-

able extension of time for making the report of earnings required in this paragraph if he finds that there is valid reason for a delay, but in no case may the period be extended more than three months."

(b) Section 203 (h) (2) of such Act is amended by striking out "within the time prescribed therein" and inserting in lieu thereof "within the time prescribed by or in accordance with such paragraph".

PENALTIES FOR FAILURE TO FILE TIMELY REPORTS OF EARNINGS AND OTHER EVENTS

SEC. 159. (a) Section 203 (h) (2) (A) of the Social Security Act is amended by inserting before the semicolon at the end thereof the following: ", except that if the deduction imposed under subsection (b) by reason of his earnings for such year is less than the amount of his benefit (or benefits) for the last month of such year for which he was entitled to a benefit under section 202, the additional deduction shall be equal to the amount of the deduction imposed under subsection (b) but not less than $10".

(b) Section 203 (g) of such Act is amended by striking out all that follows "shall suffer" and inserting in lieu thereof the following: "deductions in addition to those imposed under subsection (c) as follows:

"(1) if such failure is the first one with respect to which an additional deduction is imposed by this sub-

section, such additional deduction shall be equal to his benefit or benefits for the first month of the period for which there is a failure to report even though such failure is with respect to more than one month;

"(2) if such failure is the second one with respect to which an additional deduction is imposed by this subsection, such additional deduction shall be equal to two times his benefit or benefits for the first month of the period for which there is a failure to report even though such failure is with respect to more than two months; and

"(3) if such failure is the third or a subsequent one for which an additional deduction is imposed under this subsection, such additional deduction shall be equal to three times his benefit or benefits for the first month of the period for which there is a failure to report even though the failure to report is with respect to more than three months;

except that the number of additional deductions required by this subsection shall not exceed the number of months in the period for which there is a failure to report. As used in this subsection, the term 'period for which there is a failure to report' with respect to any individual means the period for which such individual received and accepted insurance benefits under section 202 without mak-

ing a timely report and for which deductions are required under subsection (c)."

(c) The amendments made by this section shall apply with respect to any deductions imposed on or after the date of the enactment of this Act under subsections (g) and (h) of section 203 of the Social Security Act on account of failure to make a report required thereby.

LIMITATION ON PAYMENT OF BENEFITS TO ALIENS OUTSIDE THE UNITED STATES

SEC. 160. (a) (1) Section 202 (t) (1) of the Social Security Act is amended by adding at the end thereof (after and below subparagraph (B)) the following new sentence: "For purposes of the preceding sentence, after an individual has been outside the United States for any period of thirty consecutive days he shall be treated as remaining outside the United States until he has been in the United States for a period of thirty consecutive days."

(2) The amendment made by paragraph (1) shall apply only with respect to six-month periods (within the meaning of section 202 (t) (1) (A) of the Social Security Act) which begin after the date of the enactment of this Act.

(b) (1) Section 202 (t) (4) of such Act is amended--

(A) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof a semicolon; and

(B) by adding at the end thereof (after and below subparagraph (E)) the following:

"except that subparagraphs (A) and (B) of this paragraph shall not apply in the case of any individual who is a citizen of a foreign country that has in effect a social insurance or pension system which is of general application in such country and which satisfies subparagraph (A) but not subparagraph (B) of paragraph (2), or who is a citizen of a foreign country that has no social insurance or pension system of general application if at any time within five years prior to the month in which the Social Security Amendments of 1967 are enacted (or the first month thereafter for which his benefits are subject to suspension under paragraph (1)) payments to individuals residing in such country were withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123)."

(2) The amendment made by paragraph (1) shall apply only with respect to monthly benefits under title II of the Social Security Act for and after the sixth month following the month in which this Act is enacted.

(c) (1) Section 202 (t) of such Act is further amended by adding at the end thereof the following new paragraph:

"(10) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section or under section 223, for any month beginning on or after the

date on which this paragraph is enacted, to an individual who is not a citizen or national of the United States and who resides during such month in a foreign country if payments for such month to individuals residing in such country are withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123)."

(2) Section 202(t)(6) of such Act is amended by striking out "by reason of paragraph (1)" and inserting in lieu thereof "by reason of paragraph (1) or (10)".

(3) Whenever benefits which an individual who is not a citizen or national of the United States was entitled to receive under title II of the Social Security Act for months beginning prior to the date of the enactment of this Act have been withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123), any such benefits, payable to such individual for months after the month in which the determination by the Treasury Department that the benefits should be so withheld was made, shall not be paid—

(A) to any person other than such individual, or, if such individual dies before such benefits can be paid, to any person other than an individual who was entitled for the month in which the deceased individual died (with the application of section 202(j)(1) of the

Social Security Act) to a monthly benefit under title II of such Act on the basis of the same wages and self-employment income as such deceased individual, or

(B) in excess of the equivalent of the last twelve months' benefits that would have been payable to such individual.

RESIDUAL PAYMENTS TO CERTAIN CHILDREN

SEC. 161. (a) The last sentence of section 203 (a) of the Social Security Act is amended to read as follows: "Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased; except that if such total of benefits for such month includes any benefit or benefits under section 202 (d) which are payable solely by reason of section 216 (h) (3), the reduction shall be first applied to reduce (proportionately where there is more than one benefit so payable) the benefits so payable (but not below zero)."

(b) The amendment made by subsection (a) of this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for and after the second month after the month in which this Act is enacted.

TRANSFER TO HEALTH INSURANCE BENEFITS ADVISORY COUNCIL OF NATIONAL MEDICAL REVIEW COMMITTEE FUNCTIONS; INCREASE IN COUNCIL'S MEMBERSHIP

SEC. 162. (a) Section 1867 of the Social Security Act is amended to read as follows:

"HEALTH INSURANCE BENEFITS ADVISORY COUNCIL

"SEC. 1867. (a) There is hereby created a Health Insurance Benefits Advisory Council which shall consist of 19 persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include persons who are outstanding in fields related to hospital, medical, and other health activities, persons who are representative of organizations and associations of professional personnel in the field of medicine, and at least one person who is representative of the general public. Each member shall hold office for a term of 4 years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term. A member shall not be eligible to serve continuously for more than 2 terms. The Secretary may, at the request of the Ad-

visory Council or otherwise, appoint such special advisory professional or technical committees as may be useful in carrying out this title. Members of the Advisory Council and members of any such advisory or technical committee, while attending meetings or conferences thereof or otherwise serving on business of the Advisory Council or of such committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of 5 or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council.

"(b) It shall be the function of the Advisory Council (1) to advise the Secretary on matters of general policy in the administration of this title and in the formulation of regulations under this title, and (2) to study the utilization of hospital and other medical care and services for which payment may be made under this title with a view to recommending any changes which may seem desirable in the way in which such care and services are utilized or in the ad-

ministration of the programs established by this title, or in the provisions of this title. The Advisory Council shall make an annual report to the Secretary on the performance of its functions, including any recommendations it may have with respect thereto, and such report shall be transmitted promptly by the Secretary to the Congress.

"(c) The Advisory Council is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Advisory Council such secretarial, clerical, and other assistance and such pertinent data obtained and prepared by the Department of Health, Education, and Welfare as the Advisory Council may require to carry out its functions."

(b) The amendment made by subsection (a) shall not be construed as affecting the terms of office of the members of the Health Insurance Benefits Advisory Council in office on the date of the enactment of this Act or their successors. The terms of office of the three additional members of the Health Insurance Benefits Advisory Council first appointed pursuant to the increase in the membership of such Council provided by such amendment shall expire, as designated by the Secretary at the time of appointment, one at the end of the first year, one at the end of the second year, and one at the end of the third year after the date of appointment.

(c) Section 1868 of the Social Security Act is repealed.

ADVISORY COUNCIL ON SOCIAL SECURITY

SEC. 163. (a) (1) Section 706 (a) of the Social Security Act is amended by striking out "During 1968 and every fifth year thereafter" and inserting in lieu thereof "During February 1969 and during February of every fourth year thereafter".

(2) The first sentence of section 706 (d) of such Act is amended by striking out "second".

(b) Section 706 (b) of such Act is amended by striking out "shall consist of the Commissioner of Social Security, as Chairman, and 12 other persons, appointed by the Secretary" and inserting in lieu thereof "shall consist of a Chairman and 12 other persons, appointed by the Secretary".

REIMBURSEMENT OF CIVIL SERVICE RETIREMENT ANNUITANTS FOR CERTAIN PREMIUM PAYMENTS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 164. Section 1840 (e) (1) of the Social Security Act is amended by adding at the end thereof the following new sentence: "A plan described in section 8903 of title 5, United States Code, may reimburse each annuitant enrolled in such plan an amount equal to the premiums paid by him under this part if such reimbursement is paid entirely from funds of such plan which are derived from sources other than the contributions described in section 8906 of such title."

APPROPRIATIONS TO SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

SEC. 165. (a) Section 1844 (a) of the Social Security Act is amended to read as follows:

"(a) There are authorized to be appropriated from time to time, out of any moneys in the Treasury not otherwise appropriated, to the Federal Supplementary Medical Insurance Trust Fund—

"(1) a Government contribution equal to the aggregate premiums payable under this part and deposited in the Trust Fund, and

"(2) such sums as the Secretary deems necessary to place the Trust Fund, at the end of any fiscal year occurring after June 30, 1967, in the same position in which it would have been at the end of such fiscal year if (A) a Government contribution representing the excess of the premiums deposited in the Trust Fund during the fiscal year ending June 30, 1967, over the Government contribution actually appropriated to the Trust Fund during such fiscal year had been appropriated to it on June 30, 1967, and (B) the Government contribution for premiums deposited in the Trust Fund after June 30, 1967, had been appropriated to it when such premiums were deposited."

(b) Section 1844 (b) of such Act is amended by striking out "1967" and inserting in lieu thereof "1969".

DISCLOSURE TO COURTS OF WHEREABOUTS OF CERTAIN INDIVIDUALS

SEC. 166. (a) Section 1106 (c) (1) of the Social Security Act is amended by inserting "(A)" after "(c) (1)", by redesignating subparagraphs (A) through (D) as clauses (i) through (iv), respectively, and by adding at the end thereof the following new subparagraph:

"(B) If a request for the most recent address of any individual so included is filed (in accordance with paragraph (2) of this subsection) by a court having jurisdiction to issue orders against individuals for the support and maintenance of their children, the Secretary shall furnish such address, or the address of the individual's most recent employer, or both, for the court's own use in issuing or determining whether to issue such an order against such individual (and for no other purpose), if the court certifies that the information is requested for such use."

(b) (1) Section 1106 (c) (2) of such Act is amended by striking out ", and shall be accompanied" and all that follows and inserting in lieu thereof "(and, in the case of a request under paragraph (1) (A), shall be accompanied by

a certified copy of the order referred to in clauses (i) and (iv) thereof)."

(2) Section 1106(c)(3) of such Act is amended by striking out "authorized by subparagraph (D) thereof" and inserting in lieu thereof "authorized by subparagraph (A)(iv) or (B) thereof".

REPORTS OF BOARDS OF TRUSTEES TO CONGRESS

SEC. 167. (a) Sections 201(c)(2), 1817(b)(2), and 1841(b)(2) of the Social Security Act are each amended by striking out "March" and inserting in lieu thereof "April".

(b) Section 201(c) of such Act is amended by inserting immediately before the last sentence the following new sentence: "Such report shall also include an actuarial analysis of the benefit disbursements made from the Federal Old-Age and Survivors Insurance Trust Fund with respect to disabled beneficiaries."

GENERAL SAVINGS PROVISION

SEC. 168. (a) Where—

(1) one or more persons were entitled (without the application of section 202(j)(1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for the effective month on the basis of

the wages and self-employment income of an individual, and

(2) one or more persons (not included in paragraph (1)) become entitled to monthly benefits under such section 202 for the first month after the effective month on the basis of such wages and self-employment by reason of the amendments made to such Act by sections 104, 150, 151, 154, and 155 of this Act, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment for such first month are reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after the effective month shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph.

(b) For purposes of subsection (a), the term "effective month" means the month after the month in which this Act is enacted.

TITLE II—PUBLIC WELFARE AMENDMENTS

PART 1—PUBLIC ASSISTANCE AMENDMENTS

PROGRAMS OF SERVICES FURNISHED TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 201. (a) (1) Section 402 (a) of the Social Security Act (as amended by section 202 (a) of this Act) is amended by striking out "and" at the end of clause (13); by striking out ", and provide for coordination of such programs" and all that follows in clause (14); by striking out the period at the end of clause (14) and inserting in lieu thereof a semicolon; and by adding after clause (14) the following new clauses: "(15) provide—

"(A) for the development of a program for each appropriate relative and dependent child receiving aid under the plan, and each appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under clause (7), with the objective of—

"(i) assuring, to the maximum extent possible, that such relative, child, and individual will enter the labor force and accept employment so that they will become self-sufficient, and

"(ii) preventing or reducing the incidence of

illegitimate births, and otherwise strengthening family life,

"(B) for the implementation of such programs by assuring that—

"(i) the employment potential of such relatives, children, and individuals is evaluated and they are furnished such services as child-care services and testing, counseling, basic education, vocational training, and special job development to assist them in securing and retaining employment or in raising the level of their skills to secure advancement in their employment, and

"(ii) in all appropriate cases family planning services are offered to them,

and in appropriate cases by providing aid to families with dependent children in the form of payments of the types described in section 406(b)(2),

"(C) for such review of each such program as may be necessary (as frequently as may be necessary, but at least once a year) to insure that it is being effectively implemented,

"(D) for furnishing the Secretary with such reports as he may specify showing the results of such programs, and

"(E) to the extent that such programs are de-

veloped and implemented by services furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;

(16) provide that where the State agency has reason to believe that the home in which a relative and child receiving aid reside is unsuitable for the child because of the neglect, abuse, or exploitation of such child it shall bring such condition to the attention of the appropriate court or law enforcement agencies in the State, providing such data with respect to the situation it may have; (17) provide—

"(A) for the development and implementation of a program under which the State agency will undertake—

"(i) in the case of an illegitimate child receiving aid to families with dependent children, to establish the paternity of such child and secure support for him, and

"(ii) in the case of any child receiving such aid who has been deserted or abandoned by his parent, to secure support for such child from such parent (or from any other person legally liable for such support), utilizing any reciprocal arrangements

adopted with other States to obtain or enforce court orders for support, and

"(B) for the establishment of a single organizational unit in the State agency or local agency administering the State plan in each political subdivision which will be responsible for the administration of the program referred to in clause (A);

(18) provide for entering into cooperative arrangements with appropriate courts and law enforcement officials (A) to assist the State agency in administering the program referred to in clause (17) (A), including the entering into of financial arrangements with such courts and officials in order to assure optimum results under such program, and (B) with respect to any other matters of common concern to such courts or officials and the State agency or local agency administering the State plan."

(2) Section 402 (a) (13) of such Act (as redesignated by section 202 (a) of this Act) is amended by striking out "(if any)".

(b) Section 402 of such Act is amended by adding at the end thereof the following new subsection:

"(c) The Secretary shall, on the basis of his review of the reports received from the States under clause (15) of subsection (a), compile such data as he believes necessary

and from time to time publish his findings as to the effectiveness of the programs developed and administered by the States under such clause. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the programs developed and administered by each State under such clause (15)."

(c) Section 403 (a) (3) of such Act is amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) 75 per centum of so much of such expenditures as are for—

"(i) services which are furnished pursuant to clause (15) of section 402 (a) and which are provided to any relative or child who is receiving aid under the plan or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section, or

"(ii) any of the services specified in or under subsection (c) and provided to any relative or dependent child who is applying for or receiving aid under the plan, or any other individual (living in the same home as such rel-

ative and child) whose needs are taken into account in making the determination under clause (7) of section 402 (a), or

"(iii) any of the services specified in clause (15) of section 402 (a), or specified in or under subsection (c), which are provided to any child who is applying for aid under the plan or who, within such period or periods as the Secretary may prescribe, has been or is likely to become an applicant for or recipient of such aid, or to any relative with whom any such child is living, or to any other individual (living in the same home as such relative and child) whose needs are or would be taken into account in making the determination under clause (7) of section 402 (a), or

"(iv) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus".

(d) Section 403 (a) (3) of such Act is further amended—

(1) by striking out "subparagraphs (A) and (B)" in the sentence following subparagraph (C) and inserting in lieu thereof "subparagraph (A)";

(2) by inserting before the period at the end of the sentence following subparagraph (C) the following: "; and except that, to the extent specified by the Secretary, child-welfare services, family planning services, and family services may be provided from sources other than those referred to in subparagraphs (D) and (E)"; and

(3) by striking out "subparagraphs (B) and (C) apply" in the last sentence and inserting in lieu thereof "subparagraph (C) applies".

(e) (1) Section 403 (c) of such Act is amended to read as follows:

"(c) For purposes of paragraphs (3) (A) (ii) and (3) (A) (iii) of subsection (a), the services referred to in such paragraphs as specified in or under this subsection include—

"(1) child-welfare services as defined in section 425,

"(2) family services as defined in section 406 (d), and

"(3) other services to maintain and strengthen family life for children, and to help relatives with whom children are living and other individuals (living in the same home as a relative and child) whose needs are or would be taken into account in making the determination under clause (7) of section 402 (a) to attain or retain

capability for self-support or self-care, which are specified by the Secretary.

but only with respect to a State whose State plan approved under section 402 provides that when such services are furnished by the staff of the State agency or local agency administering such plan, the organizational unit referred to in section 402 (a) (15) (E) will be responsible for furnishing such services."

(2) Section 403 (a) (3) of such Act is amended by striking out "whose State plan approved under section 402 meets the requirements of subsection (c) (1)", and by striking out "; and" at the end and inserting in lieu thereof a period.

(3) Section 403 (a) (4) of such Act is repealed.

(4) Section 408 (d) of such Act is amended by striking out "and (4)".

(f) Section 406 of such Act is amended by adding at the end thereof the following new subsection:

"(d) The term 'family services' means services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence."

(g) (1) The amendments made by subsection (a) of

this section shall be effective October 1, 1967; except that a State shall not be deemed to have failed to comply with such amendments prior to July 1, 1969, because its plan approved under section 402 of the Social Security Act has not been modified to comply with such amendments.

(2) The amendments made by subsections (c), (d), and (e) of this section shall apply in the case of any State with respect to services and training furnished on or after the date as of which the modification of the State plan to comply with the amendments made by subsection (a) is approved.

(h) Notwithstanding subparagraph (A) of section 403(a)(3) of the Social Security Act (as amended by subsection (c) of this section), the rate specified in such subparagraph in the case of any State shall be 85 per centum (rather than 75 per centum) with respect to expenditures, for services furnished pursuant to clause (15) of section 402(a) of such Act, made on or after October 1, 1967, and prior to July 1, 1969.

EARNINGS EXEMPTION FOR RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 202. (a) Clauses (8) through (13) of section 402(a) of the Social Security Act are redesignated as clauses (9) through (14), respectively.

(b) Effective July 1, 1969, section 402(a) of such Act

is amended by striking out clause (7) and inserting in lieu thereof the following: "(7) except as may be otherwise provided in clause (8), provide that the State agency shall, in determining need, take into consideration any other income and resources of any child or relative claiming aid to families with dependent children, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid, as well as any expenses reasonably attributable to the earning of any such income; (8) provide that, in making the determination under clause (7), the State agency—

"(A) shall with respect to any month disregard—

"(i) all of the earned income of each dependent child receiving aid to families with dependent children for any month in which such child (I) is under age 16, or (II) if age 16 or over but under age 21, is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment, and

"(ii) in the case of earned income of a dependent child not included under clause (i), a relative

receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $30 of the total of such earned income for such month plus one-third of the remainder of such income for such month; and

"(B) (i) may, subject to the limitations prescribed by the Secretary, permit all or any portion of the earned or other income to be set aside for future identifiable needs of a dependent child, and (ii) may, before disregarding the amounts referred to in subparagraph (A) and clause (i) of this subparagraph, disregard not more than $5 per month of any income;

except that, with respect to any month, the State agency shall not disregard any earned income (other than income referred to in subparagraph (B)) of—

"(C) any one of the persons specified in clause (ii) of subparagraph (A) if such person—

"(i) terminated his employment or reduced his earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary; or

"(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which

he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment; or

"(D) any of such persons specified in clause (ii) of subparagraph (A) if with respect to such month the income of the persons so specified (within the meaning of clause (7)) was in excess of their need as determined by the State agency pursuant to clause (7) (without regard to clause (8)), unless, for any one of the four months preceding such month, the needs of such persons were met by the furnishing of aid under the plan;".

(c) A State whose plan under section 402 of the Social Security Act has been approved by the Secretary shall not be deemed to have failed to comply substantially with the requirements of section 402 (a) (7) of such Act (as in effect prior to July 1, 1969) for any period beginning after September 30, 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income of the individuals involved in accordance with the requirements specified in section 402 (a) (7) and (8) of such Act as amended by this section.

(d) In determining the need of individuals claiming aid to families with dependent children under a State plan approved under section 402 of the Social Security Act which provides for the determination of such need under the provisions of section 402 (a) (7) and (8) of such Act as amended by this section, the State shall apply such provisions notwithstanding any provision of law (other than such Act) requiring the State to disregard earned income of such individual in determining need under such State plan.

DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

SEC. 203. (a) Section 407 of the Social Security Act is amended to read as follows:

"DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

"SEC. 407. (a) The term 'dependent child' shall, notwithstanding section 406 (a), include a needy child who meets the requirements of section 406 (a) (2), who has been deprived of parental support or care by reason of the unemployment (as determined in accordance with standards prescribed by the Secretary) of his father, and who is living with any of the relatives specified in section 406 (a) (1) in a place of residence maintained by one or more of such relatives as his (or their) own home.

"(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—

"(1) requires the payment of aid to families with dependent children with respect to a dependent child as defined in subsection (a) when—

"(A) such child's father has not been employed (as determined in accordance with standards prescribed by the Secretary) for at least 30 days prior to the receipt of such aid,

"(B) such father has not without good cause, within such period (of not less than 30 days) as may be prescribed by the Secretary, refused a bona fide offer of employment or training for employment, and

"(C) (i) such father has 6 or more quarters of work (as defined in subsection (d) (1)) in any 13-calendar-quarter period ending within one year prior to the application for such aid or (ii) he received unemployment compensation under an unemployment compensation law of a State or of the United States, or he was qualified (within the meaning of subsection (d) (3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and

"(2) provides—

"(A) (i) for the establishment of a work and

training program in accordance with section 409, and (ii) for such assurances as will satisfy the Secretary that fathers of dependent children as defined in subsection (a) are assigned as participants to projects under such program within 30 days after receipt of aid with respect to such children;

"(B) that the services of the public employment offices in the State shall be utilized in order to assist fathers of dependent children as defined in subsection (a) to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such fathers and for maximum utilization of the job placement services and other services and facilities of such offices;

"(C) for entering into cooperative arrangements with the State agency responsible for administering or supervising the administration of vocational education in the State, designed to assure maximum utilization of available public vocational education services and facilities in the State in order to encourage the retraining of individuals capable of being retrained; and

"(D) for the denial of aid to families with dependent children to any child or relative specified

in subsection (a) if, and for as long as, such child's father—

"(i) is not currently registered with the public employment offices in the State,

"(ii) refuses without good cause to undertake, or continue to undertake, work or training in the program referred to in subparagraph (A),

"(iii) refuses without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment,

"(iv) refuses without good cause to undergo the retraining referred to in subparagraph (C), or

"(v) receives unemployment compensation under an unemployment compensation law of a State or of the United States.

"(c) Notwithstanding any other provision of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children—

"(1) where such expenditures are made with respect to any dependent child as defined in subsection (a)—

"(A) for any part of the 30-day period referred to in subparagraph (A) of subsection (b) (1), or

"(B) for any period prior to the time when the father satisfies subparagraphs (B) and (C) of subsection (b) (1), and

"(2) if, and for as long as, no action is taken under the program specified in subparagraph (A) of subsection (b) (2) (after the 30-day period referred to therein) to assign such child's father to a project under such program, unless the State agency or local agency administering the plan determines, in accordance with standards prescribed by the Secretary, that any such assignment would be detrimental to the health of such father or that no such project is available.

"(d) For purposes of this section—

"(1) the term 'quarter of work' with respect to any individual means a calendar quarter in which such individual received earned income of not less than $50 (or which is a 'quarter of coverage' as defined in section 213 (a) (2)), or in which such individual participated in a community work and training program under section

409 or any other work and training program subject to the limitations in section 409;

"(2) the term 'calendar quarter' means a period of 3 consecutive calendar months ending on March 31, June 30, September 30, or December 31; and

"(3) an individual shall be deemed qualified for unemployment compensation under the State's unemployment compensation law if—

"(A) he would have been eligible to receive such unemployment compensation upon filing application, or

"(B) he performed work not covered under such law and such work, if it had been covered, would (together with any covered work he performed) have made him eligible to receive such unemployment compensation upon filing application.".

(b) In the case of an application for aid to families with dependent children under a State plan approved under section 402 of such Act with respect to a dependent child as defined in section 407 (a) of such Act (as amended by this section) within 6 months after the effective date of the modification of such State plan which provides for payments in accordance with section 407 of such Act as so amended, the father of such child shall be deemed to meet the requirements

of subparagraph (C) of section 407 (b) (1) of such Act (as so amended) if at any time after April 1961 and prior to the date of application such father met the requirements of such subparagraph (C). For purposes of the preceding sentence, an individual receiving aid to families with dependent children (under section 407 of the Social Security Act as in effect before the enactment of this Act) for the last month ending before the effective date of the modification referred to in such sentence shall be deemed to have filed application for such aid under such section 407 (as amended by this section) on the day after such effective date.

(c) The amendment made by subsection (a) shall be effective October 1, 1967; except that (1) no State which had in operation a program of aid with respect to children of unemployed parents under section 407 of the Social Security Act (as in effect prior to such amendment) in the calendar quarter commencing July 1, 1967, shall be required to include any additional child or family under its State plan approved under section 402 of such Act, by reason of the enactment of such amendment, prior to July 1, 1969; and (2) no such State shall be required to deny aid under such State plan to any individual, because the plan does not establish a community work and training program in accordance with section 409 of such Act, prior to July 1, 1969.

COMMUNITY WORK AND TRAINING PROGRAMS

SEC. 204. (a) Section 409 of the Social Security Act is amended to read as follows:

"COMMUNITY WORK AND TRAINING PROGRAMS

"SEC. 409. For the purpose of assisting the States in encouraging, through community work and training programs of a constructive nature, the conservation of work skills and the development of new skills in appropriate cases for children and relatives receiving aid to families with dependent children, and other individuals (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under section 402(a)(7), under conditions which are designed to assure protection of the health and welfare of such persons, expenditures (other than for medical or any other type of remedial care) for any month with respect to a dependent child under a State plan approved under section 402 shall be included in the term 'aid to families with dependent children' (as defined in section 406(b)) where such expenditures are made in the form of payments for work performed in such month by such child, relative, or other individual if—

"(1) such child, relative, or other individual has attained age 16,

"(2) such work is performed under a work and

training program administered or supervised by the State agency and maintained and operated by that agency or another public or nonprofit agency for the purpose of preparing individuals for, or restoring them to, employability,

"(3) there is State financial participation in such expenditures,

"(4) the State plan includes provisions which, in the judgment of the Secretary, provide reasonable assurance that—

"(A) such work and training program conforms to standards prescribed by the Secretary;

"(B) such program is in effect in those political subdivisions of the State in which there is a significant number (determined in accordance with standards prescribed by the Secretary) of individuals who have attained age 16 and are receiving aid to families with dependent children;

"(C) (i) the vocational needs and potential of each appropriate child and each relative (applying for or receiving aid to families with dependent children), and of each other appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are (or would but for clause (iii) (III) be) taken into account in making

the determination under section 402(a)(7), are evaluated, and (ii) the program is made available to any such child, relative, or other individual who is determined to have the capability for employment;

"(D) appropriate standards for health, safety, and other conditions applicable to the performance of such work are established and maintained (except that if State law establishes standards for health and safety which are applicable to the performance of such work in the State, the requirements of this subparagraph shall be deemed to be satisfied);

"(E) payments for such work are at rates not less than the minimum rate (if any) provided by or under applicable Federal or State law for the same type of work and not less than the rates prevailing for similar work in the community (except that in the case of work by individuals who under such law are considered learners or handicapped persons, payments may be at any special minimum rates established for them by or under such law);

"(F) such work is performed on projects which serve a useful public purpose and do not result in displacement of regular workers, with provision in appropriate cases for the performance of such work (pursuant to agreement entered into by the State

or local agency administering the State plan) for Federal, State, or local agencies or for private employers, organizations, agencies, or institutions;

"(G) in determining the needs of any such child, relative, or other individual, any additional expenses reasonably attributable to such work will be considered;

"(H) any such child, relative, or other individual shall have reasonable opportunities to seek regular employment and to secure any appropriate training or retraining which may be available; and

"(I) any such child, relative, or other individual will, with respect to the work so performed, be covered under the State workmen's compensation law or be provided comparable protection; and

"(5) the State plan includes—

"(A) provision for entering into cooperative arrangements with the public employment offices in the State for the utilization of such offices to assist such child, relative, or other individual performing such work under such program to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such individuals and for maximum utilization of

the job placement, vocational evaluation, testing, counseling, and other services and facilities of such offices;

"(B) provision that the services and facilities under title II of the Manpower Development and Training Act of 1962, and the services and facilities under any other Federal and State programs for manpower training, retraining, and work experience, shall, to the extent available, be utilized for the training, retraining, and work experience of the persons accepted for participation under such work and training program;

"(C) provision for entering into cooperative arrangements with the Federal and State agencies responsible for administering or supervising the administration of vocational education and adult education in the State, designed to assure maximum utilization of available public vocational or adult education services and facilities in the State in order to encourage the training or retraining of any such child, relative, or other individual performing work under such program and otherwise assist them in preparing for regular employment;

"(D) provision for assuring appropriate arrangements for the care and protection of children

during the absence from the home of any such relative performing work or receiving training under such program; and

"(E) provision that there will be no adjustment or recovery by the State or any political subdivision thereof on account of any payments which are correctly made for such work."

(b) Section 402(a) of such Act (as amended by sections 201(a) and 202(a) of this Act) is amended by inserting before the period at the end thereof the following new clauses: "; (19) include provisions to assure that all appropriate children and relatives receiving aid to families with dependent children, and all other appropriate individuals (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under clause (7), register and periodically reregister with the public employment offices of the State; (20) provide that (A) if and for as long as any such appropriate child or relative refuses without good cause to so register or reregister, or refuses without good cause to accept employment in which he is able to engage and which is offered through the public employment offices of the State or is otherwise offered by an employer (and the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to

be a bona fide offer of employment), or refuses without good cause to participate in a work and training program under section 409 or undergo any other training for employment, then—

"(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under clause (7), and aid for any dependent child in the family in any form other than payments of the type described in section 406(b)(2) (which may be made in such a case without regard to clauses (A) through (E) thereof) or section 408 will be denied,

"(ii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal, and

"(iii) if there is more than one child receiving aid in the family, aid for any such child will be denied if that child makes such refusal;

and (B) if and for as long as any such other appropriate individual makes such a refusal, such individual's needs shall not be taken into account in making the determination under clause (7); (21) effective July 1, 1969, provide for (A) a work and training program meeting the requirements of section 409 for appropriate individuals who have attained age 16 and are receiving aid to families with depend-

ent children, and for other appropriate individuals living in the same home whose needs are taken into account in making the determination under clause (7), with the objective that a maximum number of such individuals will be benefited through the conservation of their work skills and the development of new skills, and (B) expenditures in the form of payments described in such section 409".

(c) Section 403 (a) (3) of such Act (as amended by section 201 (c) of this Act) is amended by inserting after subparagraph (A) the following new subparagraph:

"(B) 75 per centum of so much of such expenditures as are for—

"(i) training, supervision, materials, and such other items as are authorized by the Secretary, in connection with a work and training program described in section 409, and

"(ii) other services (not included in clause (i)), specified by the Secretary, which are related to the purposes of such a program and are provided to individuals who are participants in such a program; plus".

(d) Section 403 (a) of such Act is further amended by adding at the end thereof the following new sentence: "For purposes of subparagraph (B) of paragraph (3), subject to limitations prescribed by the Secretary, the

services and items referred to in clauses (i) and (ii) of such subparagraph may be furnished, pursuant to agreement entered into by the State or local agency administering the State plan, by employers, organizations, agencies, and institutions equipped to furnish such services and items."

(e) Notwithstanding subparagraph (B) of section 403 (a) (3) of the Social Security Act (as added by subsection (c) of this section), the rate specified in such subparagraph in the case of any State shall be 85 per centum (rather than 75 per centum) with respect to expenditures, for services and training furnished, made on or after October 1, 1967, and prior to July 1, 1969.

(f) (1) Title III of the Social Security Act is amended by adding at the end thereof the following new section:

"SERVICES FURNISHED BY PUBLIC EMPLOYMENT OFFICES OF THE STATE

"SEC. 304. The Secretary of Health, Education, and Welfare shall enter into cooperative agreements with the Secretary of Labor for the provision through the public employment offices in each State of such services as the Secretary of Health, Education, and Welfare shall specify as necessary to assure that individuals receiving or applying for aid to families with dependent children under a plan approved under part A of title IV of this Act (1) are registered and periodically reregistered at such offices, (2) are

receiving testing and counseling services and such other services as such offices make available to individuals to assist them in securing and retaining employment, and (3) are, in appropriate cases, referred to employers who have requested such offices to furnish applicants for job placement. The State agency administering or supervising the administration of the plan of any State approved under section 402 of this Act shall pay the Secretary of Labor (as expenses subject to section 403 (a) (3) (B) of this Act) for any costs incurred in providing the services described in clause (2) of the preceding sentence with respect to individuals who are receiving or applying for aid (or whose needs are taken into account) under such plan."

(2) Section 402 (a) of such Act (as amended by the preceding provisions of this Act) is amended by inserting before the period at the end thereof the following new clause: "; (22) providing for payment to the Secretary of Labor for any costs incurred in providing the services described in clause (2) of the first sentence of section 304 with respect to individuals who are receiving or applying for aid (or whose needs are taken into account) under the plan".

(g) The amendments made by subsections (a), (c), and (f) (2) shall be effective on July 1, 1969, or, if earlier (in the case of any State), on the date as of which the modification of the State plan to comply with such amendments

is approved. Except as otherwise specifically indicated therein, the amendment made by subsection (b) shall be effective April 1, 1968.

FEDERAL PARTICIPATION IN PAYMENTS FOR FOSTER CARE OF CERTAIN DEPENDENT CHILDREN

SEC. 205. (a) Section 402 (a) of the Social Security Act (as amended by the preceding provisions of this Act) is amended by inserting before the period at the end thereof the following new clause: "; and (23) effective July 1, 1969, provide for aid to families with dependent children in the form of foster care in accordance with section 408".

(b) Section 403 (a) (1) (B) of such Act is amended by striking out "as exceeds" and all that follows and inserting in lieu thereof the following: "as exceeds (i) the product of $32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of $100 multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and".

(c) Section 408 (a) of such Act is amended by inserting "(A)" after "and (4) who", and by inserting before the semicolon at the end thereof the following: ", or (B) (i) would have received such aid in or for such month if application had been made therefor, or (ii) in the case of a

child who had been living with a relative specified in section 406(a) within 6 months prior to the month in which such proceedings were initiated, would have received such aid in or for such month if in such month he had been living with (and removed from the home of) such a relative and application had been made therefor".

(d) Sections 135(e) and 155(b) of the Public Welfare Amendments of 1962 are each amended by striking out ", and ending with the close of June 30, 1968".

(e) The amendments made by subsections (b) and (c) shall apply only with respect to foster care provided after September 1967.

EMERGENCY ASSISTANCE FOR CERTAIN NEEDY FAMILIES WITH DEPENDENT CHILDREN

SEC. 206. (a) Section 403(a) of the Social Security Act (as amended by section 201(e) of this Act) is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and", and by inserting after paragraph (3) the following new paragraph:

"(4) in the case of any State, an amount equal to the sum of—

"(A) 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with chil-

dren in the form of payments or care specified in paragraph (1) of section 406 (e), and

"(B) 75 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children in the form of services specified in paragraph (2) of section 406 (e)."

(b) Section 406 of such Act (as amended by section 201 (f) of this Act) is amended by adding at the end thereof the following new subsection:

"(e) The term 'emergency assistance to needy families with children' means any of the following, furnished for a period not in excess of 30 days in any 12-month period, in the case of a needy child under the age of 21 who is (or, within such period as may be specified by the Secretary, has been) living with any of the relatives specified in subsection (a) (1) in a place of residence maintained by one or more of such relatives as his or their own home, but only where such child is without available resources and the payments, care, or services involved are necessary to avoid destitution of such child or to provide suitable living arrangements in a home for such child—

"(1) money payments, payments in kind, or such other payments as the State agency may specify with respect to, or medical care or any other type of remedial

care recognized under State law on behalf of, such child or any other member of the household in which he is living, and

"(2) such services as may be specified by the Secretary;

but only with respect to a State whose State plan approved under section 402 includes provision for such assistance."

PROTECTIVE PAYMENTS AND VENDOR PAYMENTS WITH RESPECT TO DEPENDENT CHILDREN

SEC. 207. (a) (1) Section 406 (b) (2) of the Social Security Act is amended by striking out all that follows "(2)" and precedes "but only", and inserting in lieu thereof the following: "payments with respect to any dependent child (including payments to meet the needs of the relative, and the relative's spouse, with whom such child is living, and the needs of any other individual living in the same home if such needs are taken into account in making the determination under section 402 (a) (7)) which do not meet the preceding requirements of this subsection, but which would meet such requirements except that such payments are made to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such child or relative, or are made on behalf of such child or relative directly to a person furnishing food, living accommodations, or other

goods, services, or items to or for such child, relative, or other individual,".

(2) Section 406 (b) (2) of such Act is further amended by striking out clause (B), and redesignating clauses (C) through (F) as clauses (B) through (E), respectively.

(3) Section 406 (b) of such Act is further amended by adding at the end thereof (after and below clause (E) (as redesignated by paragraph (2) of this subsection)) the following: "except that payments made under this clause (2) shall be included in aid to families with dependent children without regard to clauses (A) through (E) in the case of a refusal described in section 402 (a) (20);".

(b) Section 403 (a) of such Act (as amended by the preceding provisions of this Act) is amended by striking out the sentence immediately following paragraph (4).

(c) Section 202 (e) of the Public Welfare Amendments of 1962 is amended by striking out ", and ending with the close of June 30, 1968".

LIMITATION ON NUMBER OF CHILDREN WITH RESPECT TO WHOM FEDERAL PAYMENTS MAY BE MADE

SEC. 208. (a) Section 403 (a) of the Social Security Act is amended by striking out "shall pay" in the matter preceding paragraph (1) and inserting in lieu thereof the following: "shall (subject to subsection (d)) pay".

(b) Section 403 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding any other provision of this Act, the number of dependent children who have been deprived of parental support or care by reason of the continued absence from the home of a parent with respect to whom payments under this section may be made to a State for any calendar quarter after 1967 shall not exceed the number which bears the same ratio to the total population of such State under the age of 21 on the first day of the year in which such quarter falls as the number of such dependent children with respect to whom payments under this section were made to such State for the calendar quarter beginning January 1, 1967, bore to the total population of such State under the age of 21 on that date."

FEDERAL PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

SEC. 209. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"FEDERAL PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

"SEC. 1119. In the case of an expenditure for repairing the home owned by an individual who is receiving aid or assistance, other than medical assistance to the aged, under a State plan approved under title I, X, XIV, or XVI, if—

"(1) the State agency or local agency administering the plan approved under such title has made a

finding (prior to making such expenditure) that (A) such home is so defective that continued occupancy is unwarranted, (B) unless repairs are made to such home, rental quarters will be necessary for such individual, and (C) the cost of rental quarters to take care of the needs of such individual (including his spouse living with him in such home and any other person whose needs were taken into account in determining the need of such individual) would exceed (over such time as the Secretary may specify) the cost of repairs needed to make such home habitable together with other costs attributable to continued occupancy of such home, and

"(2) no such expenditures were made for repairing such home pursuant to any prior finding under this section,

the amount paid to any such State for any quarter under section 3(a), 1003(a), 1403(a), or 1603(a) shall be increased by 50 per centum of such expenditures, except that the excess above $500 expended with respect to any one home shall not be included in determining such expenditures."

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after September 30, 1967.

PART 2—MEDICAL ASSISTANCE AMENDMENTS

LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

SEC. 220. (a) Section 1903 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(f) (1) (A) Payment under the preceding provisions of this section shall not be made with respect to any amount expended as medical assistance in a calendar quarter, in any State, for any member of a family the annual income of which exceeds the applicable income limitation determined under this paragraph.

"(B) (i) Except as provided in subparagraph (C) and in clause (ii) of this subparagraph, the applicable income limitation with respect to any family is the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 133⅓ percent of the highest amount which would ordinarily be paid to a family of the same size without any income or resources, in the form of money payments, under the plan of the State approved under section 402 of this Act.

"(ii) If the Secretary finds that the operation of a uniform maximum limits payments to families of more than

one size, he may adjust the amount otherwise determined under clause (i) to take account of families of different sizes.

"(C) If 133⅓ percent of the average per capita income of the State is lower, by any percentage, than the amount that would be determined under subparagraph (B) in the case of a family consisting of four individuals—

"(i) the applicable income limitation for such a family shall be 133⅓ percent of such average per capita income, and

"(ii) the applicable income limitation as otherwise determined under subparagraph (B) for a family of any other size shall be reduced by the same percentage.

"(D) The total amount of any applicable income limitation determined under subparagraph (B) or (C) shall, if it is not a multiple of $100 or such other amount as the Secretary may prescribe, be rounded by the next higher multiple of $100 or such other amount, as the case may be.

"(2) In computing a family's income for purposes of paragraph (1), there shall be excluded any costs (whether in the form of insurance premiums or otherwise) incurred by such family for medical care or for any other type of remedial care recognized under State law.

"(3) For purposes of paragraph (1) (B), in the case of a family consisting of only one individual, the 'highest

amount which would ordinarily be paid' to such family under the State's plan approved under section 402 of this Act shall be the amount determined by the State agency (on the basis of reasonable relationship to the amounts payable under such plan to families consisting of two or more persons) to be the amount of the aid which would ordinarily be payable under such plan to a family (without any income or resources) consisting of one person if such plan (without regard to section 408) provided for aid to such a family.

"(4) For purposes of paragraph (1) (C), the per capita income of each State shall be promulgated by the Secretary between July 1 and August 31 of each year, on the basis of the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the four quarters in the calendar year next succeeding such promulgation: *Provided,* That the Secretary shall make the promulgation which is effective for quarters in the calendar year 1968 as soon as possible after the enactment of the Social Security Amendments of 1967."

(b) (1) In the case of any State whose plan under title XIX of the Social Security Act is approved by the Secretary of Health, Education, and Welfare under section

1902 after July 25, 1967, the amendments made by subsection (a) shall apply with respect to calendar quarters beginning after the date of enactment of this Act.

(2) In the case of any State whose plan under title XIX of the Social Security Act was approved by the Secretary of Health, Education, and Welfare under section 1902 of the Social Security Act prior to July 26, 1967, the amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1968, except that—

(A) with respect to the third and fourth calendar quarters of 1968, such subsection shall be applied by substituting in subsection (f) of section 1903 of the Social Security Act 150 percent for 133⅓ percent each time such latter figure appears in such subsection (f), and

(B) with respect to all calendar quarters during 1969, such subsection shall be applied by substituting in subsection (f) of section 1903 of such Act 140 percent for 133⅓ percent each time such latter figure appears in such subsection (f).

MAINTENANCE OF STATE EFFORT

SEC. 221. (a) Section 1117 (a) of the Social Security Act is amended by adding at the end thereof the following new sentence: "For any fiscal year ending on or after

June 30, 1967, and before July 1, 1969, in lieu of the substitution provided by paragraph (3) or (4), at the option of the State (i) paragraphs (1) and (2) of this subsection shall be applied on a fiscal year basis (rather than on a quarterly basis), and (ii) the base period fiscal year shall be either the fiscal year ending June 30, 1965, or the fiscal year ending June 30, 1964 (whichever is chosen by the State).

(b) Section 1117 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) (1) In the case of the quarters in any fiscal year ending before July 1, 1969, the reduction (if any) under this section shall, at the option of the State, be determined under paragraph (2), (3), or (4) of this subsection instead of under the preceding provisions of this section.

"(2) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account only money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX, and

"(C) subsection (c) shall be applied by eliminating the reference to section 1903, and by substituting

a reference to this paragraph for the reference to subsections (a) and (b).

"(3) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account payments under section 523 and section 422,

"(B) subsection (b) shall be applied by adding a reference to section 523 and section 422 after each reference to title XIX, and

"(C) subsection (c) shall be applied by adding a reference to section 523 and section 422 after the reference to section 1903, and by substituting a reference to this paragraph for the reference to subsections (a) and (b).

"(4) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account only (i) money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV, and (ii) payments under section 523 and section 422,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX and substituting a reference to section 523 and section 422, and

"(C) subsection (c) shall be applied by eliminating the reference to section 1903 and substituting a reference to section 523 and section 422, and by substituting a reference to this paragraph for the reference to subsections (a) and (b)."

COORDINATION OF TITLE XIX AND THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 222. (a) Section 1843 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(h) (1) The Secretary shall, at the request of a State made before January 1, 1970, enter into a modification of an agreement entered into with such State pursuant to subsection (a) under which the coverage group described in subsection (b) and specified in such agreement is broadened to include individuals who are eligible to receive medical assistance under the plan of such State approved under title XIX.

"(2) For purposes of this section, an individual shall be treated as eligible to receive medical assistance under the plan of the State approved under title XIX if, for the month in which the modification is entered into under this subsection or for any month thereafter, he has been determined to be eligible to receive medical assistance under such plan. In the case of any individual who would (but for this subsec-

tion) be excluded from the agreement, subsections (c) and (d) (2) shall be applied as if they referred to the modification under this subsection (in lieu of the agreement under subsection (a)), and subsection (d) (2) (C) shall be applied by substituting 'second month following the first month' for 'first month'."

(b) (1) Section 1843 (d) (3) (A) of such Act is amended by striking out "ineligible for money payments of a kind specified in the agreement" and inserting in lieu thereof the following: "ineligible both for money payments of a kind specified in the agreement and (if there is in effect a modification entered into under subsection (h)) for medical assistance".

(2) Section 1843 (f) of such Act is amended—

(A) by inserting after "or XVI" the following: "or eligible to receive medical assistance under the plan of such State approved under title XIX"; and

(B) by inserting after "and XVI" the following: "and individuals eligible to receive medical assistance under the plan of the State approved under title XIX".

(3) The heading of section 1843 of such Act is amended by adding at the end thereof the following: "(OR ARE ELIGIBLE FOR MEDICAL ASSISTANCE)".

(c) Section 1903 (b) of such Act is amended by insert-

ing "(1)" after "(b)", and by adding at the end thereof the following new paragraph:

"(2) Notwithstanding the preceding provisions of this section, the amount determined under subsection (a) (1) for any State for any quarter beginning after December 31, 1967, shall not take into account any amounts expended as medical assistance with respect to individuals aged 65 or over which would not have been so expended if the individuals involved had been enrolled in the insurance program established by part B of title XVIII."

(d) Effective with respect to calendar quarters beginning after December 31, 1967, section 1903 (a) (1) of such Act is amended by striking out "and other insurance premiums" and inserting in lieu thereof "and, except in the case of individuals sixty-five years of age or older who are not enrolled under part B of title XVIII, other insurance premiums".

(e) (1) Section 1843 (a) of such Act is amended by striking out "1968" and inserting in lieu thereof "1970".

(2) Section 1843 (c) of such Act is amended—

(A) by striking out "and before January 1, 1968"; and

(B) by striking out "thereafter before January 1968"; and inserting in lieu thereof "thereafter".

(3) Section 1843(d)(2)(D) of such Act is amended by striking out "(not later than January 1, 1968)".

MODIFICATION OF COMPARABILITY PROVISIONS

SEC. 223. (a) Section 1902(a)(10) of the Social Security Act is amended—

(1) by inserting "(I)" after "except that" in the matter following subparagraph (B), and

(2) by inserting before the semicolon at the end the following: ", and (II) the making available of supplementary medical insurance benefits under part B of title XVIII to individuals eligible therefor (either pursuant to an agreement entered into under section 1843 or by reason of the payment of premiums under such title by the State agency on behalf of such individuals), or provision for meeting part or all of the cost of the deductibles, cost sharing, or similar charges under part B of title XVIII for individuals eligible for benefits under such part, shall not, by reason of this paragraph (10), require the making available of any such benefits, or the making available of services of the same amount, duration, and scope, to any other individuals".

(b) The amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1967.

REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PLAN

SEC. 224. Section 1902 (a) (13) of the Social Security Act is amended by striking out "provide (A) for inclusion of at least the care and services listed in clauses (1) through (5) of section 1905 (a), and (B)" and inserting in lieu thereof the following: "provide (A) for inclusion of at least—

"(i) the care and services listed in clauses (1) through (5) of section 1905 (a), or

"(ii) the care and services listed in any seven of the clauses numbered (1) through (14) of such section,

and (B)".

EXTENT OF FEDERAL FINANCIAL PARTICIPATION IN CERTAIN ADMINISTRATIVE EXPENSES

SEC. 225. (a) Section 1903 (a) (2) of the Social Security Act is amended by striking out "of the State agency (or of the local agency administering the State plan in the political subdivision)" and inserting in lieu thereof "of the State agency or any other public agency".

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after December 31, 1967.

ADVISORY COUNCIL ON MEDICAL ASSISTANCE

SEC. 226. Title XIX of the Social Security Act is amended by adding at the end thereof the following new section:

"ADVISORY COUNCIL ON MEDICAL ASSISTANCE

"SEC. 1906. For the purpose of advising the Secretary on matters of general policy in the administration of this title (including the relationship of this title and title XVIII) and making recommendations for improvements in such administration, there is hereby created a Medical Assistance Advisory Council which shall consist of twenty-one persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include representatives of State and local agencies and nongovernmental organizations and groups concerned with health, and of consumers of health services, and a majority of the membership of the Advisory Council shall consist of representatives of consumers of health services. Each member shall hold office for a term of four years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term,

and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, five at the end of the first year, five at the end of the second year, five at the end of the third year, and six at the end of the fourth year after the date of appointment. A member shall not be eligible to serve continuously for more than two terms. The Secretary may, at the request of the Council or otherwise, appoint such special advisory professional or technical committees as may be useful in carrying out this title. Members of the Advisory Council and members of any such advisory or technical committee, while attending meetings or conferences thereof or otherwise serving on business of the Advisory Council or of such committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of five or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council."

FREE CHOICE BY INDIVIDUALS ELIGIBLE FOR MEDICAL ASSISTANCE

SEC. 227. (a) Section 1902 (a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (21);

(2) by striking out the period at the end of paragraph (22) and inserting in lieu thereof "; and "; and

(3) by adding after paragraph (22) the following new paragraph;

"(23) provide that any individual eligible for medical assistance may obtain such assistance from any institution, agency, or person, qualified to perform the service or services required (including an organization which provides such services, or arranges for their availability, on a prepayment basis), who undertakes to provide him such services."

(b) The amendments made by this section shall apply with respect to calendar quarters beginning after June 30, 1969; except that such amendments shall apply in the case of Puerto Rico, the Virgin Islands, and Guam only with respect to calendar quarters beginning after June 30, 1972.

UTILIZATION OF STATE FACILITIES TO PROVIDE CONSULTATIVE SERVICES TO INSTITUTIONS FURNISHING MEDICAL CARE

SEC. 228. (a) Section 1902 (a) of the Social Security Act (as amended by section 227 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (22);

(2) by striking out the period at the end of paragraph (23) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (23) the following new paragraph:

"(24) effective July 1, 1969, provide for consultative services by health agencies and other appropriate agencies of the State to hospitals, nursing homes, home health agencies, clinics, laboratories, and such other institutions as the Secretary may specify in order to assist them (A) to qualify for payments under this Act, (B) to establish and maintain such fiscal records as may be necessary for the proper and efficient administration of this Act, and (C) to provide information needed to determine payments due under this Act on account of care and services furnished to individuals."

(b) Effective July 1, 1969, the last sentence of section 1864(a) of such Act is repealed.

PAYMENTS FOR SERVICES AND CARE BY A THIRD PARTY

SEC. 229. (a) Section 1902(a) of the Social Security Act (as amended by section 228 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (23);

(2) by striking out the period at the end of paragraph (24) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (24) the following new paragraph:

"(25) provide (A) that the State or local agency administering such plan will take all reasonable measures to ascertain the legal liability of third parties to pay for care and services (available under the plan) arising out of injury, disease, or disability, (B) that where the State or local agency knows that a third party has such a legal liability such agency will treat such legal liability as a resource of the individual on whose behalf the care and services are made available for purposes of paragraph (17) (B), and (C) that in any case where such a legal liability is found to exist after medical assistance has been made available on behalf of the individual, the

State or local agency will seek reimbursement for such assistance to the extent of such legal liability."

(b) The amendment made by subsection (a) shall apply with respect to legal liabilities of third parties arising after March 31, 1968.

(c) Section 1903(d)(2) of such Act is amended by adding at the end thereof the following new sentence: "Expenditures for which payments were made to the State under subsection (a) shall be treated as an overpayment to the extent that the State or local agency administering such plan has been reimbursed for such expenditures by a third party pursuant to the provisions of its plan in compliance with section 1902(a)(25)."

DIRECT PAYMENTS TO CERTAIN RECIPIENTS OF MEDICAL ASSISTANCE

SEC. 230. Section 1905(a) of the Social Security Act is amended by inserting after "for individuals" in the matter preceding clause (i) the following: ", and, with respect to physicians' services, at the option of the State, to individuals not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV,".

DATE ON WHICH STATE PLANS UNDER TITLE XIX MUST MEET CERTAIN FINANCIAL PARTICIPATION REQUIREMENTS

SEC. 231. Section 1902 (a) (2) of the Social Security Act is amended by striking out "July 1, 1970" and inserting in lieu thereof "July 1, 1969".

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

INCLUSION OF CHILD-WELFARE SERVICES IN TITLE IV

SEC. 235. (a) The heading of title IV of the Social Security Act is amended to read as follows:

"TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES"

(b) Title IV of such Act is further amended by inserting immediately after the heading of the title the following:

"PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN"

(c) Title IV of such Act is further amended by adding at the end thereof the following new part:

"PART B—CHILD-WELFARE SERVICES

"APPROPRIATION

"SEC. 420. For the purpose of enabling the United States, through the Secretary, to cooperate with State public welfare agencies in establishing, extending, and strengthening child-welfare services, the following sums are hereby

authorized to be appropriated: $55,000,000 for the fiscal year ending June 30, 1968, $100,000,000 for the fiscal year ending June 30, 1969, and $110,000,000 for each fiscal year thereafter.

"ALLOTMENTS TO STATES

"SEC. 421. The sum appropriated pursuant to section 420 for each fiscal year shall be allotted by the Secretary for use by cooperating State public welfare agencies which have plans developed jointly by the State agency and the Secretary, as follows: He shall allot $70,000 to each State, and shall allot to each State an amount which bears the same ratio to the remainder of the sum so appropriated for such year as the product of (1) the population of such State under the age of 21 and (2) the allotment percentage of such State (as determined under section 423) bears to the sum of the corresponding products of all the States.

"PAYMENT TO STATES

"SEC. 422. (a) From the sums appropriated therefor and the allotment available under this part, the Secretary shall from time to time pay to each State—

"(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

"(A) provides for coordination between the

services provided under such plan and the services provided for dependent children under the State plan approved under part A of this title, with a view to provision of welfare and related services which will best promote the welfare of such children and their families, and

"(B) provides, with respect to day care services (including the provision of such care) provided under the plan—

"(i) for cooperative arrangements with the State health authority and the State agency primarily responsible for State supervision of public schools to assure maximum utilization of such agencies in the provision of necessary health services and education for children receiving day care,

"(ii) for an advisory committee, to advise the State public welfare agency on the general policy involved in the provision of day care services under the plan, which shall include among its members representatives of other State agencies concerned with day care or services related thereto and persons representative of professional or civic or other public or nonprofit private agencies, organizations, or

groups concerned with the provision of day care,

"(iii) for such safeguards as may be necessary to assure provision of day care under the plan only in cases in which it is in the best interest of the child and the mother and only in cases in which it is determined, under criteria established by the State, that a need for such care exists; and, in cases in which the family is able to pay part or all of the costs of such care, for payment of such fees as may be reasonable in the light of such ability,

"(iv) for giving priority, in determining the existence of need for such day care, to members of low-income or other groups in the population, and to geographical areas, which have the greatest relative need for extension of such day care, and

"(v) that day care provided under the plan will be provided only in facilities (including private homes) which are licensed by the State, or approved (as meeting the standards established for such licensing) by the State agency responsible for licensing facilities of this type, and

"(2) that makes a satisfactory showing that the State is extending the provision of child-welfare services in the State, with priority being given to communities with the greatest need for such services after giving consideration to their relative financial need, and with a view to making available by July 1, 1975, in all political subdivisions of the State, for all children in need thereof, child-welfare services provided by the staff (which shall to the extent feasible be composed of trained child-welfare personnel) of the State public welfare agency or of the local agency participating in the administration of the plan in the political subdivision,

an amount equal to the Federal share (as determined under section 423) of the total sum expended under such plan (including the cost of administration of the plan) in meeting the costs of State, district, county, or other local child-welfare services, in developing State services for the encouragement and assistance of adequate methods of community child-welfare organization, in paying the costs of returning any runaway child who has not attained the age of eighteen to his own community in another State, and of maintaining such child until such return (for a period not exceeding fifteen days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child. In develop-

ing such services for children, the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the State and local communities as may be authorized by the State.

"(b) The method of computing and paying such amounts shall be as follows:

"(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of subsection (a).

"(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this section was greater or less than the amount which should have been paid to the State for such prior period under this section.

"ALLOTMENT PERCENTAGE AND FEDERAL SHARE

"SEC. 423. (a) The 'allotment percentage' for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States; except that (1) the allotment percentage

shall in no case be less than 30 per centum or more than 70 per centum, and (2) the allotment percentage shall be 70 per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(b) The 'Federal share' for any State for any fiscal year shall be 100 per centum less that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States, except that (1) in no case shall the Federal share be less than $33\frac{1}{3}$ per centum or more than $66\frac{2}{3}$ per centum, and (2) the Federal share shall be $66\frac{2}{3}$ per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(c) The Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the United States for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation: *Provided*, That the Federal shares and allotment percentages promulgated under section 524(c) of the Social Security Act in 1966 shall be effective for purposes of this section for the fiscal years ending June 30, 1968, and June 30, 1969.

"(d) For purposes of this section, the term 'United States' means the fifty States and the District of Columbia.

"REALLOTMENT

"SEC. 424. The amount of any allotment to a State under section 421 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in such section shall be available for reallotment from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them under that section and (2) will be able to use such excess amounts during such fiscal year. Such reallotments shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallotted to a State shall be deemed part of its allotment under section 421.

"DEFINITION

"SEC. 425. For purposes of this title, the term 'child-welfare services' means public social services which supplement, or substitute for, parental care and supervision for

the purpose of (1) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent, or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, including the strengthening of their own homes where possible or, where needed, the provision of adequate care of children away from their homes in foster family homes or day-care or other child-care facilities.

"RESEARCH, TRAINING, OR DEMONSTRATION PROJECTS

"SEC. 426. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine—

"(1) for grants by the Secretary—

"(A) to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child-welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare;

"(B) to State or local public agencies responsible for administering, or supervising the administration of, the plan under this part, for projects for the demonstration of the utilization of research (including findings resulting therefrom) in the field of child welfare in order to encourage experimental and special types of welfare services; and

"(C) to public or other nonprofit institutions of higher learning for special projects for training personnel for work in the field of child welfare, including traineeships with such stipends and allowances as may be permitted by the Secretary; and

"(2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters.

"(b) Payments of grants or under contracts or cooperative arrangements under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants, contracts, or other arrangements."

(d) (1) Subparagraphs (A) and (B) of section 422

(a) (1) of the Social Security Act (as added by subsection (c) of this section) are redesignated as (B) and (C).

(2) So much of paragraph (1) of section 422 (a) of such Act (as added by subsection (c) of this section) as precedes subparagraph (B) (as redesignated) is amended to read as follows:

"(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

"(A) provides that (i) the State agency designated pursuant to section 402 (a) (3) to administer or supervise the administration of the plan of the State approved under part A of this title will administer or supervise the administration of such plan for child-welfare services and (ii) to the extent that child-welfare services are furnished by the staff of the State agency or local agency administering such plan for child-welfare services, the organizational unit in such State or local agency established pursuant to section 402 (a) (15) will be responsible for furnishing such child-welfare services,".

(e) (1) Part 3 of title V of the Social Security Act is repealed on the date this Act is enacted.

(2) Part B of title IV of the Social Security Act (as added by subsection (c) of this section), and the amend-

ments made by subsections (a) and (b) of this section, shall become effective on the date this Act is enacted.

(3) The amendments made by subsection (d) shall become effective July 1, 1969.

(f) In the case of any State which has a plan developed as provided in part 3 of title V of the Social Security Act as in effect prior to the enactment of this Act—

(1) such plan shall be treated as a plan developed, as provided in part B of title IV of such Act, on the date this Act is enacted;

(2) any sums appropriated, allotted, or reallotted pursuant to part 3 of title V for the fiscal year ending June 30, 1968, shall be deemed appropriated, allotted, or reallotted (as the case may be) under part B of title IV of such Act for such fiscal year; and

(3) any overpayment or underpayment which the Secretary determines was made to the State under section 523 of the Social Security Act and with respect to which adjustment has not then already been made under subsection (b) of such section shall, for purposes of section 422 of such Act, be considered an overpayment or underpayment (as the case may be) made under section 422 of such Act.

(g) Any sums appropriated or grants made pursuant to section 526 of the Social Security Act (as in effect prior

to the enactment of this Act) shall be deemed to have been appropriated or made (as the case may be) under section 426 of the Social Security Act (as added by subsection (c) of this section).

CONFORMING AMENDMENTS

SEC. 236. (a) Section 228(d)(1) of the Social Security Act is amended by striking out "IV,", and by inserting after "XVI," the following: "or part A of title IV,".

(b)(1) The first sentence of section 401 of the Social Security Act is amended by striking out "title" and inserting in lieu thereof "part".

(2) The proviso in section 403(a)(3)(D) of such Act is amended by striking out "title" and inserting in lieu thereof "part".

(3) The last sentence of section 403(c)(2) of such Act is amended by striking out "title" and inserting in lieu thereof "part".

(4) Section 404(b) of such Act is amended by striking out "title" and inserting in lieu thereof "part".

(5) Section 406 of such Act is amended by striking out "title" in the matter preceding subsection (a) and inserting in lieu thereof "part".

(c)(1) Section 1106(c)(1) of such Act is amended by striking out "IV,", and by inserting after "XIX," the following: "or part A of title IV,".

(2) Section 1109 of such Act is amended by striking out "IV,", and by inserting after "XIX" the following: ", or part A of title IV,".

(3) Section 1111 of such Act is amended by striking out "IV,", and by inserting after "XVI," the following: "and part A of title IV,".

(4) Section 1115 of such Act is amended by striking out "IV,", and by inserting after "XIX" the following: ", or part A of title IV,".

(5) Section 1116 of such Act is amended—

(A) by striking out "IV," in subsection (a) (1), and by inserting after "XIX," in such subsection the following: "or part A of title IV,"; and

(B) by striking out "IV," in subsections (b) and (d), and by inserting after "XIX" in such subsections the following: ", or part A of title IV,".

(6) Section 1117 of such Act is amended—

(A) by striking out "IV," in clause (A) of subsection (a) (2), and by inserting after "XIX" in such clause the following: ", and part A of title IV,";

(B) by striking out "IV," each place it appears in subsection (b);

(C) by inserting after "and XIX" in subsection (b) the following: ", and part A of title IV,";

(D) by inserting after "or XIX" in subsection (b) the following: ", or part A of title IV".

(7) Section 1118 of such Act is amended by striking out "IV,", and by inserting after "XVI," the following: "and part A of title IV,".

(d) Section 1602 (a) (11) of such Act is amended by striking out "title IV, X, or XIV" and inserting in lieu thereof "part A of title IV or under title X or XIV".

(e) (1) Section 1843 (b) (2) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", and part A of title IV".

(2) Section 1843 (f) of such Act is amended—

(A) by striking out "IV," in the first sentence, and by inserting after "XVI," the first place it appears in such sentence the following: "or part A of title IV,", and

(B) by striking out "IV," in the second sentence, and by inserting after "XVI" in such sentence the following: ", and part A of title IV".

(f) (1) Section 1902 (a) (10) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", and part A of title IV".

(2) Section 1902 (a) (17) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", or part A of title IV".

(3) Section 1902(b)(2) of such Act is amended by striking out "title IV" and inserting in lieu thereof "part A of title IV".

(4) Section 1902(c) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", or part A of title IV".

(5) Section 1903(a)(1) of such Act is amended by striking out "IV,", and by inserting after "XVI," the following: "or part A of title IV,".

(6) Section 1905(a)(ii) of such Act is amended by striking out "title IV" and inserting in lieu thereof "part A of title IV".

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

PARTIAL PAYMENTS TO STATES

SEC. 245. Sections 4, 404(a), 1004, and 1404 of the Social Security Act are each amended—

(1) by striking out "further payments will not be made to the State" and inserting in lieu thereof "further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure)"; and

(2) by striking out the last sentence and inserting in lieu thereof the following: "Until he is so satisfied he shall make no further payments to such State (or

shall limit payments to categories under or parts of the State plan not affected by such failure)."

CONTRACTS FOR COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

SEC. 246. Section 1110(a)(2) of the Social Security Act is amended by striking out "nonprofit".

PERMANENT AUTHORITY TO SUPPORT DEMONSTRATION PROJECTS

SEC. 247. Section 1115 of the Social Security Act is amended—

(1) by striking out "$2,000,000" and inserting in lieu thereof "$4,000,000"; and

(2) by striking out "ending prior to July 1, 1968" and inserting in lieu thereof "beginning after June 30, 1967".

SPECIAL PROVISIONS RELATING TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 248. (a)(1) Section 1108 of the Social Security Act is amended to read as follows:

"LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

"SEC. 1108. (a) The total amount certified by the Secretary of Health, Education, and Welfare under title I, X, XIV, and XVI, and under part A of title IV (exclu-

sive of any amounts on account of services and items to which subsection (b) applies)—

"(1) for payment to Puerto Rico shall not exceed—

"(A) $12,500,000 with respect to the fiscal year 1968,

"(B) $15,000,000 with respect to the fiscal year 1969,

"(C) $18,000,000 with respect to the fiscal year 1970,

"(D) $21,000,000 with respect to the fiscal year 1971, or

"(E) $24,000,000 with respect to the fiscal year 1972 and each fiscal year thereafter;

"(2) for payment to the Virgin Islands shall not exceed—

"(A) $425,000 with respect to the fiscal year 1968,

"(B) $500,000 with respect to the fiscal year 1969,

"(C) $600,000 with respect to the fiscal year 1970,

"(D) $700,000 with respect to the fiscal year 1971, or

"(E) $800,000 with respect to the fiscal year 1972 and each fiscal year thereafter; and

"(3) for payment to Guam shall not exceed—

"(A) $575,000 with respect to the fiscal year 1968,

"(B) $690,000 with respect to the fiscal year 1969,

"(C) $825,000 with respect to the fiscal year 1970,

"(D) $960,000 with respect to the fiscal year 1971, or

"(E) $1,100,000 with respect to the fiscal year 1972 and each fiscal year thereafter.

"(b) The total amount certified by the Secretary under part A of title IV, on account of family planning services and services and items referred to in sections 403(a)(3)(B) and 304(2) with respect to any fiscal year—

"(1) for payment to Puerto Rico shall not exceed $2,000,000,

"(2) for payment to the Virgin Islands shall not exceed $65,000, and

"(3) for payment to Guam shall not exceed $90,000.

"(c) The total amount certified by the Secretary under title XIX with respect to any fiscal year—

"(1) for payment to Puerto Rico shall not exceed $20,000,000,

"(2) for payment to the Virgin Islands shall not exceed $650,000, and

"(3) for payment to Guam shall not exceed $900,000.

"(d) Notwithstanding the provisions of sections 502 (a) and 512 (a) of this Act, and the provisions of sections 421, 503 (1), and 504 (1) of this Act as amended by the Social Security Amendments of 1967, and until such time as the Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the initial allotment specified in such sections, allot such smaller amounts to Guam as he may deem appropriate."

(2) The amendment made by paragraph (1) shall apply with respect to fiscal years beginning after June 30, 1967.

(b) Notwithstanding subparagraphs (A) and (B) of section 403 (a) (3) of such Act (as amended by this Act), the rate specified in such subparagraphs in the case of Puerto Rico, the Virgin Islands, and Guam shall be 60 per centum (rather than 75 or 85 per centum).

(c) Effective July 1, 1969, neither the provisions of clauses (A) through (C) of section 402 (a) (7) of such Act as in effect before the enactment of this Act nor the

provisions of section 402 (a) (8) of such Act as amended by section 202 (b) of this Act shall apply in the case of Puerto Rico, the Virgin Islands, or Guam. Effective no later than July 1, 1972, the State plans of Puerto Rico, the Virgin Islands, and Guam approved under section 402 of such Act shall provide for the disregarding of income in making the determination under section 402 (a) (7) of such Act in amounts (agreed to between the Secretary and the State agencies involved) sufficiently lower than the amounts specified in section 402 (a) (8) of such Act to reflect appropriately the applicable differences in income levels.

(d) The amendment made by section 220 (a) of this Act shall not apply in the case of Puerto Rico, the Virgin Islands, or Guam.

(e) Effective with respect to quarters after 1967, section 1905 (b) of such Act is amended by striking out "55 per centum" and inserting in lieu thereof "50 per centum".

APPROVAL OF CERTAIN PROJECTS

SEC. 249. Title XI of the Social Security Act is amended by adding at the end thereof (after the new section added by section 209 of this Act) the following new section:

"APPROVAL OF CERTAIN PROJECTS

"SEC. 1120. (a) No payment shall be made under this Act with respect to any experimental, pilot, demonstration,

or other project all or any part of which is wholly financed with Federal funds made available under this Act (without any State, local, or other non-Federal financial participation) unless such project shall have been personally approved by the Secretary or Under Secretary of Health, Education, and Welfare.

"(b) As soon as possible after the approval of any project under subsection (a), the Secretary shall submit to the Congress a description of such project including a statement of its purpose, probable cost, and expected duration."

TITLE III—IMPROVEMENT OF CHILD HEALTH

CONSOLIDATION OF SEPARATE PROGRAMS UNDER TITLE V OF THE SOCIAL SECURITY ACT

SEC. 301. Effective with respect to fiscal years beginning after June 30, 1968, title V of the Social Security Act (as otherwise amended by this Act) is amended to read as follows:

"TITLE V—MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN'S SERVICES

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 501. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State,

"(1) services for reducing infant mortality and otherwise promoting the health of mothers and children; and

"(2) services for locating, and for medical, surgical, corrective, and other services and care for and facilities for diagnosis, hospitalization, and aftercare for, children who are crippled or who are suffering from conditions leading to crippling,

there are authorized to be appropriated $250,000,000 for the fiscal year ending June 30, 1969, $275,000,000 for the fiscal year ending June 30, 1970, $300,000,000 for the fiscal year ending June 30, 1971, $325,000,000 for the fiscal year ending June 30, 1972, and $350,000,000 for the fiscal year ending June 30, 1973, and each fiscal year thereafter.

"PURPOSES FOR WHICH FUNDS ARE AVAILABLE

"SEC. 502. (a) Appropriations pursuant to section 501 shall be available for the following purposes in the following proportions:

"(1) In the case of the fiscal year ending June 30, 1969, and each of the next 3 fiscal years, (A) 50 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; (B) 40 percent thereof shall be for grants pursuant to sections 508, 509, and 510; and (C) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512,

"(2) In the case of the fiscal year ending June 30, 1973, and each fiscal year thereafter, (A) 90 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; and (B) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.

Not to exceed 5 percent of the appropriation for any fiscal year under this section shall be transferred, at the request of the Secretary, from one of the purposes specified in paragraph (1) or (2) to another purpose or purposes so specified. For each fiscal year, the Secretary shall determine the portion of the appropriation, within the percentage determined above to be available for sections 503 and 504, which shall be available for allotment pursuant to section 503 and the portion thereof which shall be available for allotment pursuant to section 504.

"ALLOTMENTS TO STATES FOR MATERNAL AND CHILD HEALTH SERVICES

"SEC. 503. The amount determined to be available pursuant to section 502 for allotments under this section shall be allotted for payments for maternal and child health services as follows:

"(1) One-half of such amount shall be allotted by allotting to each State $70,000 plus such part of the remainder of such one-half as he finds that the number

of live births in such State bore to the total number of live births in the United States in the latest calendar year for which he has statistics.

"(2) The remaining one-half of such amount shall (in addition to the allotments under paragraph (1)) be allotted to the States from time to time according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of live births in such State; except that not more than 25 percent of such one-half shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 505), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of maternal and child health.

"ALLOTMENTS TO STATES FOR CRIPPLED CHILDREN'S SERVICES

"SEC. 504. The amount determined to be available pursuant to section 502 for allotments under this section shall be allotted for payments for crippled children's services as follows:

"(1) One-half of such amount shall be allotted by allotting to each State $70,000 and allotting the re-

mainder of such one-half according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in paragraph (2) of section 501 and the cost of furnishing such services to them.

"(2) The remaining one-half of such amount shall (in addition to the allotments under paragraph (1)) be allotted to the States from time to time according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of crippled children in each State in need of the services referred to in paragraph (2) of section 501 and the cost of furnishing such services to them; except that not more than 25 percent of such one-half shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 505), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of services for crippled children.

"APPROVAL OF STATE PLANS

"SEC. 505. (a) In order to be entitled to payments from allotments under section 502, a State must have a

State plan for maternal and child health services and services for crippled children which—

"(1) provides for financial participation by the State;

"(2) provides for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; except that in the case of those States which on July 1, 1967, provided for administration (or supervision thereof) of the State plan approved under section 513 (as in effect on such date) by a State agency other than the State health agency, the plan of such State may be approved under this section if it would meet the requirements of this subsection except for provision of administration (or supervision thereof) by such other agency for the portion of the plan relating to services for crippled children, and, in each such case, the portion of such plan which each such agency administers, or the administration of which each such agency supervises, shall be regarded as a separate plan for purposes of this title;

"(3) provides such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation

of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan;

"(4) provides that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports;

"(5) provides for cooperation with medical, health, nursing, educational, and welfare groups and organizations and, with respect to the portion of the plan relating to services for crippled children, with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children;

"(6) provides for payment of the reasonable cost (as determined in accordance with standards approved by the Secretary and included in the plan) of inpatient hospital services provided under the plan;

"(7) provides, with respect to the portion of the plan relating to services for crippled children, for early identification of children in need of health care and services, and for health care and treatment needed to correct or ameliorate defects or chronic conditions discovered

thereby, through provision of such periodic screening and diagnostic services, and such treatment, care and other measures to correct or ameliorate defects or chronic conditions, as may be provided in regulations of the Secretary;

"(8) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 508 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily helping to reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with child bearing and of satisfactorily helping to reduce infant and maternal mortality;

"(9) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 509 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the health of children and youth of school or preschool age;

"(10) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 510 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the

dental health of children and youth of school or preschool age;

"(11) provides for carrying out the purposes specified in section 501; and

"(12) provides for the development of demonstration services (with special attention to dental care for children and family planning services for mothers) in needy areas and among groups in special need.

"(b) The Secretary shall approve any plan which meets the requirements of subsection (a).

"PAYMENTS

"SEC. 506. (a) From the sums appropriated therefor and the allotments available under section 503(1) or 504 (1), as the case may be, the Secretary shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing July 1, 1968, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan with respect to maternal and child health services and services for crippled children, respectively.

"(b) (1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsection (a) for such quarter, such esti-

mates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such other investigation as the Secretary may find necessary.

"(2) The Secretary shall then pay to the State, in such installments as he may determine, the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to such State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

"(3) Upon the making of an estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.

"(c) The Secretary shall also from time to time make payments to the States from their respective allotments pursuant to section 503(2) or 504(2). Payments of grants under sections 503(2), 504(2), 508, 509, 510, and 511, and of grants, contracts, or other arrangements under section

512, may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the section involved.

"(d) The total amount determined under subsections (a) and (b) and the first sentence of subsection (c) for any fiscal year ending after June 30, 1968, shall be reduced by the amount by which the sum expended (as determined by the Secretary) from non-Federal sources for maternal and child health services and services for crippled children for such year is less than the sum expended from such sources for such services for the fiscal year ending June 30, 1968. In the case of any such reduction, the Secretary shall determine the portion thereof which shall be applied, and the manner of applying such reduction, to the amounts otherwise payable from allotments under section 503 or section 504.

"(e) Notwithstanding the preceding provisions of this section, no payment shall be made to any State thereunder from the allotments under section 503 or section 504 for any period after June 30, 1968, unless the State makes a satisfactory showing that it is extending the provision of services, including services for dental care for children and family planning for mothers, to which such State's plan applies in

the State with a view to making such services available by July 1, 1975, to children and mothers in all parts of the State.

"OPERATION OF STATE PLANS

"SEC. 507. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this title, finds—

"(1) that the plan has been so changed that it no longer complies with the provisions of section 505; or

"(2) that in the administration of the plan there is a failure to comply substantially with any such provision;

the Secretary shall notify such State agency that further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure), until the Secretary is satisfied that there will no longer be any such failure to comply. Until he is so satisfied he shall make no further payments to such State (or shall limit payments to categories under or parts of the State plan not affected by such failure).

"SPECIAL PROJECT GRANTS FOR MATERNITY AND INFANT CARE

"SEC. 508. (a) In order to help reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing and to help reduce infant and maternal mortality, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, grants to the State health agency of any State and, with the consent of such agency, to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost (exclusive of general agency overhead) of any project for the provision of—

"(1) necessary health care to prospective mothers (including, after childbirth, health care to mothers and their infants) who have or are likely to have conditions associated with childbearing or are in circumstances which increase the hazards to the health of the mothers or their infants (including those which may cause physical or mental defects in the infants), or

"(2) necessary health care to infants during their

first year of life who have any condition or are in circumstances which increase the hazards to their health, or

"(3) family planning services,

but only if the State or local agency determines that the recipient will not otherwise receive such necessary health care or services because he is from a low-income family or for other reasons beyond his control.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN

"SEC. 509. (a) In order to promote the health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, grants to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, to the State agency of the State administering or supervising the administration of the State plan approved under section 505, to any school of medicine (with appropriate participation by a school of dentistry), and to any teaching hospital affiliated with such a school, to pay

not to exceed 75 percent of the cost of projects of a comprehensive nature for health care and services for children and youth of school age or for preschool children (to help them prepare to start school). No project shall be eligible for a grant under this section unless it provides (1) for the coordination of health care and services provided under it with, and utilization (to the extent feasible) of, other State or local health, welfare, and education programs for such children, (2) for payment of the reasonable cost (as determined in accordance with standards approved by the Secretary) of inpatient hospital services provided under the project, and (3) that any treatment, correction of defects, or aftercare provided under the project is available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control; and no such project for children and youth of school age shall be considered to be of a comprehensive nature for purposes of this section unless it includes (subject to the limitation in the preceding provisions of this sentence) at least such screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, both medical and dental, as may be provided for in regulations of the Secretary.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"SPECIAL PROJECT GRANTS FOR DENTAL HEALTH OF CHILDREN

"SEC. 510. (a) In order to promote the dental health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make grants, from the sums available under clause (B) of paragraph (1) of section 502, to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for dental care and services for children and youth of school age or for preschool children. No project shall be eligible for a grant under this section unless it provides that any treatment, correction of defects, or aftercare provided under the project is available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control, and unless it includes (subject to the limitation in the foregoing provisions of this sentence) at least such preventive services, treatment, correction of defects, and after care, for such age groups, as may be provided in regulations of the Secretary. Such projects may also include research looking toward the development of new

methods of diagnosis or treatment, or demonstration of the utilization of dental personnel with various levels of training.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"TRAINING OF PERSONNEL

"SEC. 511. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to public or nonprofit private institutions of higher learning for training personnel for health care and related services for mothers and children, particularly mentally retarded children and children with multiple handicaps. In making such grants, the Secretary shall give priority to programs providing training at the undergraduate level.

"RESEARCH PROJECTS RELATING TO MATERNAL AND CHILD HEALTH SERVICES AND CRIPPLED CHILDREN'S SERVICES

"SEC. 512. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to or jointly financed cooperative arrangements with public or other nonprofit institutions of higher learning, and public or nonprofit private agencies and organizations engaged in research or in maternal and child health or crippled children's programs, and contracts with public or nonprofit private agencies and organizations engaged in research or in such programs, for research projects relating to maternal and child health

services or crippled children's services which show promise of substantial contribution to the advancement thereof. Effective with respect to grants made and arrangements entered into after June 30, 1968, (1) special emphasis shall be accorded to projects which will help in studying the need for, and the feasibility, costs, and effectiveness of, comprehensive health care programs in which maximum use is made of health personnel with varying levels of training, and in studying methods of training for such programs, and (2) grants under this section may also include funds for the training of health personnel for work in such projects.

"ADMINISTRATION

"SEC. 513. (a) The Secretary of Health, Education, and Welfare shall make such studies and investigations as will promote the efficient administration of this title.

"(b) Such portion of the appropriations for grants under section 501 as the Secretary may determine, but not exceeding one-half of 1 percent thereof, shall be available for evaluation by the Secretary (directly or by grants or contracts) of the programs for which such appropriations are made and, in the case of allotments from any such appropriation, the amount available for allotments shall be reduced accordingly.

"(c) Any agency, institution, or organization shall, if and to the extent prescribed by the Secretary, as a condition to receipt of grants under this title, cooperate with the State agency administering or supervising the administration of the State plan approved under title XIX in the provision of care

and services, available under a plan or project under this title, for children eligible therefor under such plan approved under title XIX.

"DEFINITION

"SEC. 514. For purposes of this title, a crippled child is an individual under the age of 21 who has an organic disease, defect, or condition which may hinder the achievement of normal growth and development."

CONFORMING AMENDMENTS

SEC. 302. (a) Section 1905(a)(4) of the Social Security Act is amended by inserting "(A)" after "(4)", and by inserting before the semicolon at the end thereof the following: "(B) effective July 1, 1969, such early and periodic screening and diagnosis of individuals who are eligible under the plan and are under the age of 21 to ascertain their physical or mental defects, and such health care, treatment, and other measures to correct or ameliorate defects and chronic conditions discovered thereby, as may be provided in regulations of the Secretary".

(b) Section 1902(a)(11) of such Act is amended by inserting "(A)" after "(11)", and by inserting before the semicolon at the end thereof the following: ", and (B) effective July 1, 1969, provide, to the extent prescribed by the Secretary, for entering into agreements, with any agency, institution, or organization receiving payments for part or all of the cost of plans or projects under title V, (i) providing for utilizing such agency, institution, or organiza-

tion in furnishing care and services which are available under such plan or project under title V and which are included in the State plan approved under this section and (ii) making such provision as may be appropriate for reimbursing such agency, institution, or organization for the cost of any such care and services furnished any individual for which payment would otherwise be made to the State with respect to him under section 1903".

1968 AUTHORIZATION FOR MATERNITY AND INFANT CARE PROJECTS

SEC. 303. Section 531 (a) of the Social Security Act is amended by striking out "and $30,000,000 for each of the next three fiscal years" and inserting in lieu thereof "$30,000,000 for each of the next 2 fiscal years, and $35,000,000 for the fiscal year ending June 30, 1968".

SHORT TITLE

SEC. 304. This title may be cited as the "Child Health Act of 1967".

TITLE IV—GENERAL PROVISIONS

SOCIAL WORK MANPOWER AND TRAINING

SEC. 401. Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"GRANTS FOR EXPANSION AND DEVELOPMENT OF UNDERGRADUATE AND GRADUATE PROGRAMS

"SEC. 707. (a) There is authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1969,

and $5,000,000 for each of the three succeeding fiscal years, for grants by the Secretary to public or nonprofit private colleges and universities and to accredited graduate schools of social work or an association of such schools to meet part of the costs of development, expansion, or improvement of (respectively) undergraduate programs in social work and programs for the graduate training of professional social work personnel, including the costs of compensation of additional faculty and administrative personnel and minor improvements of existing facilities. Not less than one-half of the sums appropriated for any fiscal year under the authority of this subsection shall be used by the Secretary for grants with respect to undergraduate programs.

"(b) In considering applications for grants under this section, the Secretary shall take into account the relative need in the States for personnel trained in social work and the effect of the grants thereon.

"(c) Payment of grants under this section may be made (after necessary adjustments on account of previously made overpayments or underpayments) in advance or by way of reimbursement, and on such terms and conditions and in such installments, as the Secretary may determine.

"(d) For purposes of this section—

"(1) the term 'graduate school of social work' means a department, school, division, or other administrative unit, in a public or nonprofit private college or university, which provides, primarily or exclusively, a

program of education in social work and allied subjects leading to a graduate degree in social work;

"(2) the term 'accredited' as applied to a graduate school of social work refers to a school which is accredited by a body or bodies approved for the purpose by the Commissioner of Education or with respect to which there is evidence satisfactory to the Secretary that it will be so accredited within a reasonable time; and

"(3) the term 'nonprofit' as applied to any college or university refers to a college or university which is a corporation or association, or is owned and operated by one or more corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual."

INCENTIVE FOR LOWERING COSTS WHILE MAINTAINING QUALITY AND INCREASING EFFICIENCY IN THE PROVISION OF HEALTH SERVICES

SEC. 402. (a) The Secretary of Health, Education, and Welfare is authorized to develop and engage in experiments under which organizations and institutions which would otherwise be entitled to reimbursement or payment on the basis of reasonable cost for services provided—

(1) under title XVIII of the Social Security Act

(2) under a State plan approved under title XIX of such Act, or

(3) under a plan developed under title V of such Act,

and which are selected by the Secretary in accordance with regulations established by the Secretary, would be reimbursed or paid in any manner mutually agreed upon by the Secretary and the organization or institution. The method of reimbursement which may be applied in such experiments shall be such as the Secretary may select and may be based on charges or costs adjusted by incentive factors and may include specific incentive payments or reductions of payments for the performance of specific actions but in any case shall be such as he determines may, through experiment, be demonstrated to have the effect of increasing the efficiency and economy of health services through the creation of additional incentives to these ends without adversely affecting the quality of such services.

(b) In the case of any experiment under subsection (a), the Secretary may waive compliance with the requirements of titles XVIII, XIX, and V of the Social Security Act insofar as such requirements relate to reimbursement or payment on the basis of reasonable cost; and costs incurred in such experiment in excess of the costs which would otherwise be reimbursed or paid under such titles may be reimbursed or paid to the extent that such waiver applies to them (with such excess being borne by the Secretary).

(c) Section 1875(b) of the Social Security Act is amended by inserting after "under parts A and B" the fol-

lowing: "(including the experimentation authorized by section 402 of the Social Security Amendments of 1967)".

CHANGES TO REFLECT CODIFICATION OF TITLE 5, UNITED STATES CODE

SEC. 403. (a) (1) Section 210(a) (6) (C) (iv) of the Social Security Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(2) Section 210(a) (6) (C) (vi) of such Act is amended by striking out "the Civil Service Retirement Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(3) Section 210(a) (7) (D) (ii) of such Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C. 1052".

(b) Section 215(h) (1) of such Act is amended—

(1) by striking out "of the Civil Service Retirement Act," and inserting in lieu thereof "of subchapter III of chapter 83 of title 5, United States Code,"; and

(2) by striking out "under the Civil Service Retirement Act" and inserting in lieu thereof "under subchapter III of chapter 83 of title 5, United States Code,".

(c) (1) Section 217(f) (1) of such Act is amended—

(A) by striking out "the Civil Service Retirement Act of May 29, 1930, as amended," and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,"; and

(B) by striking out "such Act of May 29, 1930, as amended," and inserting in lieu thereof "such subchapter III".

(2) Section 217(f)(2) of such Act is amended by striking out "the Civil Service Retirement Act of May 29, 1930, as amended," and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(d)(1) Section 706(b) of such Act is amended by striking out "the civil service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".

(2) Section 706(c)(2) of such Act is amended by striking out "section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2)" and inserting in lieu thereof "section 5703 of title 5, United States Code,".

(e)(1) Section 1114(b) of such Act is amended by striking out "the civil-service laws" and inserting in lieu thereof "the provisions of title 5, United States Code. governing appointments in the competitive service".

(2) Section 1114(f) of such Act is amended by striking out "the civil-service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".

(3) Section 1114 (g) of such Act is amended by striking out "section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2)" and inserting in lieu thereof "section 5703 of title 5, United States Code.".

(f) (1) Section 1501 (a) (6) of such Act is amended by striking out "the Civil Service Retirement Act of 1930" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(2) Section 1501 (a) (9) of such Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(g) (1) Section 1840 (e) (1) of such Act is amended by striking out "the Civil Service Retirement Act, or other Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code, or any other law".

(2) Section 1840 (e) (2) of such Act is amended by striking out "such other Act" and inserting in lieu thereof "such other law".

(h) Section 103 (b) (3) of the Social Security Amendments of 1965 is amended—

(1) by striking out "the Federal Employees Health Benefits Act of 1959" in subparagraph (A) and inserting in lieu thereof "chapter 89 of title 5, United States Code"; and

(2) by striking out "such Act" in subparagraph (C) and inserting in lieu thereof "such chapter".

(i) (1) Section 3121 (b) (6) (C) (iv) of the Internal Revenue Code of 1954 is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(2) Section 3121 (b) (6) (C) (vi) of such Code is amended by striking out "the Civil Service Retirement Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(3) Section 3121 (b) (7) (C) (ii) of such Code is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out ": 5 U.S.C. 1052".

MEANING OF SECRETARY

SEC. 404. As used in the amendments made by this Act (unless the context otherwise requires), the term "Secretary" means the Secretary of Health, Education, and Welfare.

Union Calendar No. 207

90TH CONGRESS
1ST SESSION

H. R. 12080

[Report No. 544]

A BILL

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

By Mr. MILLS and Mr. BYRNES of Wisconsin

AUGUST 3, 1967

Referred to the Committee on Ways and Means

AUGUST 7, 1967

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 59 August 2, 1967

SOCIAL SECURITY AMENDMENTS OF 1967

To Administrative, Supervisory,
and Technical Employees

The Committee on Ways and Means has completed its consideration of the President's social security proposals that were contained in H. R. 5710. A new bill, reflecting the Committee's decisions on these proposals, will be introduced tomorrow in the House of Representatives by Wilbur D. Mills, Chairman of the Committee, and by John W. Byrnes, the ranking minority member of the Committee.

The Committee's bill will result in additional cash benefit payments of $3.2 billion in 1968--an overall increase of 14-1/2 percent. All people on the benefit rolls will get an increase of at least 12-1/2 percent, with a minimum benefit of $50. H. R. 5710 would have resulted in additional cash benefit payments of $4.5 billion in 1968--an overall increase of 20 percent. All people on the rolls would have gotten an increase of at least 15 percent, with a minimum benefit of $70. The benefit increases will be effective for the second month after the month of enactment rather than for June 1967, as in H. R. 5710.

The Committee's bill will also provide for a lower annual contribution and benefit base than H. R. 5710. Under the Committee's bill the base would increase to $7,600 in 1968; under H. R. 5710 the base would have increased, in three steps, to $10,800 in 1974.

A number of proposals that were in H. R. 5710 will not be in the Committee's bill. Among these are the proposals for health insurance for the disabled, the special minimum benefit, and transfer of Federal employment credits.

The contribution rate increases approved by the Committee are also different from those in H. R. 5710. Both bills provide for an ultimate OASDI rate of 5.0 percent each for employees and employers in 1973 and thereafter. For 1969 and 1970 the rates will be somewhat lower under the Committee's bill than they would have been under H. R. 5710 (and under present law), and for 1971 and 1972 somewhat higher. The same is true for the OASDI rates for the self-employed.

The Committee also approved increases of 0.1 percent beginning in 1969 in the HI tax rates scheduled under present law for employees, employers, and the self-employed. You will recall that H. R. 5710 proposed no changes in these rates.

Enclosed is a summary of the major provisions of the Committee's bill. It is expected that the bill will be debated and voted on by the House next week. We will, of course, keep you informed.

Robert M. Ball
Commissioner

Enclosure

SUMMARY OF PRINCIPAL OLD-AGE, SURVIVORS, DISABILITY, AND HEALTH INSURANCE PROVISIONS OF THE SOCIAL SECURITY BILL AS APPROVED BY THE COMMITTEE ON WAYS AND MEANS OF THE HOUSE OF REPRESENTATIVES

1. CASH BENEFIT CHANGES

(a) Benefit increase for current and future beneficiaries

The bill would provide an across-the-board benefit increase of 12 1/2 percent, with a minimum monthly benefit of $50. The increases would be effective with benefits for the second month after the month of enactment.

The $168 ultimate maximum benefit payable under present law would be increased to $189. In the future, higher creditable earnings would result from an increase in the contribution and benefit base to $7600 a year, also included in the Committee bill, and these higher earnings would make possible higher benefit amounts up to an ultimate maximum benefit of $212, based on average monthly earnings of $633. The ultimate maximum family benefit would be $423.60, as compared with $368 under present law.

(b) Increase in special payments to certain people age 72 and older

The bill would increase from $35 to $40 for a single person, and from $52.50 to $60 for an eligible couple, the amount of the special payments made to people age 72 and older who did not work long enough in covered employment to be insured for regular retirement benefit.

(c) Liberalization of the retirement test

The present $1500 annual exempt amount would be increased to $1680, and the present $125 monthly exempt amount would be raised to $140. The $1200 span above the exempt amount over which $1 in benefits is withheld for each $2 of earnings would be retained; it would be from $1680 to $2880 under the bill.

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

Under the bill a child's dependency on his mother would be determined in the same way as dependency on the father is

determined under present law. Thus a child would always be eligible for benefits on his mother's earnings record if she were insured, unless the child was legally adopted by another person.

This provision would be effective for the second month following the month of enactment, at which time an estimated 175,000 children would be immediately eligible for benefits as a result of the change.

(e) Amendments to the disability program

(1) Benefits for disabled widows and widowers

Disabled widows (including surviving divorced wives) and disabled dependent widowers would be eligible after attainment of age 50 for reduced benefits--amounting to from 50 percent to 82 1/2 percent of the spouse's primary insurance amount, depending on the age at which entitlement begins. To be eligible, the widow or widower must have become totally disabled before or within 7 years after the spouse's death, or, in the case of a widow, before or within 7 years after the end of her entitlement to benefits as a mother. The disabling impairment must be such as to make the widow or widower unable to engage in any gainful activity, rather than unable to engage in any substantial gainful activity as is the case in the requirements for the disabled worker.

(2) Insured status for younger disabled workers

The bill would extend to all workers disabled before age 31--regardless of the nature of their disability--the alternative insured-status requirement provided in present law for workers disabled before age 31 because of blindness.

(3) Definition of disability

While the bill would retain the present definition of disability for workers and adults disabled since childhood, it would add language to the statute that would clarify and amplify the definition, specifying the requirements that must be met to establish the existence of disability.

(4) Disability benefits affected by receipt of workmen's compensation

The bill would modify one of the provisions for determining the amount of disability benefits that can be paid when a worker is also eligible for workmen's compensation. Present law permits the disabled worker and his family to receive combined benefits of as much as 80 percent of the worker's average earnings, within the limits of the earnings base, based on the highest five-consecutive-year period after 1950. Under the bill, such average earnings would be determined on the basis of earnings in covered work without regard to the earnings base. For this purpose, wages in excess of the earnings base will generally be projected from posted quarterly earnings.

2. COVERAGE CHANGES

(a) Ministers and members of religious orders

The coverage provisions for clergymen would be modified to provide that the services a clergyman performs in the exercise of the ministry would be covered unless he elects to have such services excluded because he is conscientiously opposed to the acceptance of social security benefits or other public insurance payments based on his services in the ministry. Under the bill services performed by a member of a religious order who has taken a vow of poverty would be covered on the same basis as services performed by clergymen.

(b) Military-service wage credits

Servicemen would be provided noncontributory wage credits of $100 for each month of active duty after December 31, 1967, in addition to social security credits earned through present coverage of their basic pay. The new credits would take account of the fact that servicemen do not receive contributory credits for the substantial value of food, shelter, and various allowances. The social security trust funds would be reimbursed from general revenues for the cost of the additional benefits that would be payable as a result of the noncontributory credits.

3. HEALTH INSURANCE CHANGES

(a) Method of payment for physicians' services

The bill would make available a new procedure for requesting payment for services for which payment under the medical insurance program is made on the basis of reasonable charges which would serve as an alternative to the assignment and receipted bill payment procedures provided for under present law. The new procedure would permit physicians (and others who furnish services for which payment under the medical insurance program is made on the basis of reasonable charges) to receive medical insurance payments on the basis of an itemized bill without having to agree, as under the assignment method, to accept the program's allowable charges as payment in full if the bill is submitted in an acceptable manner and if the total charges do not, in fact, exceed the program's allowable charges. Where these conditions are not met or where the physician requests that the benefits be paid to the patient, payment would be made to the beneficiary on the basis of an acceptable itemized bill.

(b) Elimination of certain physician certification requirements

The bill would restrict the hospital insurance program requirement that there be a physician's certification of medical necessity with respect to each admission to a hospital so that the requirement would apply only to admissions to psychiatric and tuberculosis institutions. The requirement for a physician's certification for outpatient hospital services would also be eliminated. The requirement in present law that there be a physician certification with respect to stays of extended duration in all participating hospitals would be retained.

(c) Additional days of hospital care

The bill provides for an additional 30 days of coverage of inpatient hospital services in a spell of illness (up to 120 days in total) with a coinsurance amount equal to one-half the inpatient hospital deductible ($20 initially) applicable to each of such 30 days.

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

The requirements for entitlement to hospital insurance protection after 1967 would be increased more gradually than under present law. Under the bill, the minimum number of quarters of coverage required for hospital insurance protection would be reduced from the present 6 quarters of coverage to 3 quarters for persons who

attain age 65 in 1968, and who are not insured for social security or railroad retirement cash benefits. Comparable reductions would be made in the number of quarters of coverage that present law requires in the case of people who attain age 65 in subsequent years.

(e) Simplification of reimbursement to hospitals for certain services

The bill would: (1) provide that the full reasonable charges (no deductible or coinsurance) will be paid under the medical insurance program for covered radiological and pathological services furnished by physicians to hospital inpatients; (2) consolidate all coverage of outpatient hospital services under the medical insurance program by transferring coverage of outpatient hospital diagnostic services from the hospital insurance program to that program, and (3) allow hospitals to bill medicare patients directly for small outpatient charges (subject to final settlement in accordance with present cost-reimbursement provisions). These changes would simplify beneficiary understanding and facilitate hospital and intermediary handling of medicare claims by bringing the requirements of the medicare program more closely into line with the usual billing practices of hospitals and the payment methods of private insurance organizations.

(f) Inclusion of podiatrists' services

The bill would cover the nonroutine services of doctors of podiatry or surgical chiropody under the medical insurance program. In addition, the bill would exclude routine foot care from coverage whether performed by a podiatrist or a medical doctor.

(g) Enrollment under the supplementary medical insurance plan on basis of an alleged date of attainment of age 65

The bill would provide that a person who has attained age 65 but who failed to enroll in the supplementary medical insurance plan during his "initial enrollment period" because he was mistaken about his correct age could enroll in the medical insurance plan, provided his mistake resulted from his reliance on documentary evidence which proved to be incorrect. Such a person would use the date of attainment of age 65 shown on the erroneous documentary evidence as a basis for his enrollment.

(h) Reimbursement experimentation to provide incentive to lower costs while maintaining quality in the provision of health services

The bill would authorize the Secretary to experiment in reimbursing on a basis other than that of reasonable costs a limited number of organizations and institutions for services of types that are paid

for on a reasonable cost basis under title V, XVIII, and XIX. The other reimbursement bases which would be used in the experiment would be those which might prove useful in increasing the efficiency and economy of providing health services while maintaining quality of care.

(i) Advisory council study of health insurance for disabled

The bill would establish an advisory council, to be appointed in 1968, to study the question of providing health insurance protection for the disabled under title XVIII, and to report its findings to the Secretary of Health, Education, and Welfare not later than January 1, 1969, along with its recommendations on how such protection should be financed.

4. MISCELLANEOUS AND TECHNICAL AMENDMENTS

The bill contains a number of miscellaneous and technical amendments, including:

(a) Eligibility of adopted child for monthly benefits

Under the bill benefits would be payable to a child adopted by the surviving spouse of a worker after the worker died if before his death the worker had initiated proceedings to adopt the child or the child had been placed in the worker's home for adoption, even if the adoption was not completed within 2 years after his death, as now required.

(b) Underpayments

The bill would provide that cash benefits due a beneficiary at the time of his death are to be paid in the following order of priority: (1) to the surviving spouse entitled to benefits on the same earnings record as the deceased beneficiary; (2) to the entitled child or children; (3) to the entitled parent or parents; (4) to the legal representative of the estate; (5) to the surviving spouse not entitled to benefits on the same earnings record; (6) to the child or children not entitled to benefits on the same earnings record.

The bill would also provide for settlement of claims for unpaid medical insurance benefits in cases where the beneficiary dies after receiving covered services for which reimbursement is due but before reimbursement has been made to the beneficiary or an assignment of the benefits has been effected. Where the bill for the services has been paid, the benefits would be paid in the following order of priority: (1) to the person who paid the bill (if someone other than the beneficiary); (2) to the legal representative of the beneficiary's estate, if any; (3) to the

surviving spouse living with the deceased beneficiary at the time of his death; (4) to a surviving spouse entitled to a monthly social security benefit based on the earnings of the deceased beneficiary; (5) to the child or children of the deceased beneficiary (in equal parts).

Where the bill has not been paid, the benefits could be paid to the physician (or other supplier of services) who provided the services, but only if the physician (or other supplier) agrees to accept the reasonable charge for the services as his full charge.

(c) Simplification of certain benefit computations using pre-1951 earnings

The bill would simplify the method of computing benefits when earnings before 1951 are included in the computation and of determining quarters of coverage for the period before 1951 when quarters of coverage in this period are needed to establish insured status. By prescribing a formula for converting the aggregate of pre-1951 earnings into deemed annual earnings and quarters of coverage, the bill makes it possible to determine insured status and the benefit amounts through electronic data processes in many cases in which manual processes are now required.

(d) Duration-of-relationship requirements

The bill would reduce from one year to 9 months the duration-of-relationship requirements that a widow, widower, and stepchild of a deceased worker must meet in order to qualify for benefits based on that worker's earnings. It would further modify the duration-of-relationship requirements for widows, widowers, and stepchildren of deceased workers so that in place of the 9-month provision a 3-month period would apply to the widow, widower, or stepchild of a member of the uniformed services of the United States whose death occurs in line of duty, or of an individual whose death was accidental, unless the Secretary determines that at the time of the marriage the member of the uniformed services or person who suffered an accidental death could not reasonably have been expected to live for 9 months.

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

The bill would eliminate the present requirement that a woman must have had at least 1 1/2 years of covered work within the 3-year period prior to her retirement, disability, or death in order for her dependent husband or widower to qualify for benefits based on her earnings. It is estimated that about 5,000 husbands and widowers would immediately qualify for benefits under this provision.

5. FINANCING OF SOCIAL SECURITY BILL

The favorable actuarial balance of 0.74 percent of payroll that the program has is sufficient to finance about three-fifths of the cost of the cash benefit provisions in the bill. The remaining cost of the cash benefit provisions and the cost of the health insurance provisions would be financed by: (1) An increase in the contribution and benefit base from $6600 to $7600 (effective January 1, 1968), and (2) revised contribution rate schedules for the cash benefits and hospital insurance parts of the program. There would be no increases in the contribution rates for 1968. The ultimate contribution rate for hospital insurance would be increased from 0.80 percent to 0.90 percent beginning in 1987.

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

Period	OASDI		HI		Total	
	Present Law	Committee Bill	Present Law	Committee Bill	Present Law	Committee Bill
			Employer-Employee, Each			
1967	3.9%	3.9%	0.5%	0.5%	4.4%	4.4%
1968	3.9	3.9	0.5	0.5	4.4	4.4
1969-70	4.4	4.2	0.5	0.6	4.9	4.8
1971-72	4.4	4.6	0.5	0.6	4.9	5.2
1973-75	4.85	5.0	0.55	0.65	5.4	5.65
1987 and after	4.85	5.0	0.8	0.9	5.65	5.9
			Self-Employed			
1967	5.9%	5.9%	0.5%	0.5%	6.4%	6.4%
1968	5.9	5.9	0.5	0.5	6.4	6.4
1969-70	6.6	6.3	0.5	0.6	7.1	6.9
1971-72	6.6	6.9	0.5	0.6	7.1	7.5
1973-75	7.0	7.0	0.55	0.65	7.55	7.65
1987 and after	7.0	7.0	0.8	0.9	7.8	7.9

Estimated Number of People Who Will Get Additional Cash Benefits or Cash Benefits for the First Time under the Bill and Amount of Additional Benefits Payable in 1968

Provision	Number of People	Additional Benefits (In millions)
12 1/2-percent benefit increase ($50 minimum benefit)	22,900,000	$2,812
Increase in benefits for certain people age 72 and over	902,000	59
Disabled widows and widowers who have reached age 50	65,000	60
Workers disabled before age 31 and their dependents	100,000	70
Liberalized provisions for dependents of women workers	180,000	85
Modification of the earnings test	760,000	140
Total additional benefits		$3,226

90th Congress
1st Session

COMMITTEE PRINT

SUMMARY OF PROVISIONS

OF

H.R. 12080
THE "SOCIAL SECURITY AMENDMENTS OF 1967"

As Introduced on August 3, 1967

by Chairman WILBUR D. MILLS

and Co-Sponsored by

Honorable JOHN W. BYRNES

AND REPORTED TO THE

HOUSE OF REPRESENTATIVES

BY THE

COMMITTEE ON WAYS AND MEANS

on August 7, 1967

(House Report No. 544, 90th Congress)

Prepared by the staff of the Committee on Ways and Means for the information and use of the Committee and the interested public

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CONTENTS

I. Old-Age, Survivors, and Disability and Health Insurance Programs

A. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

B. HEALTH INSURANCE

C. FINANCING OF SOCIAL INSURANCE PROGRAMS

II. Public Assistance Amendments

A. CHANGES IN PROGRAMS OF AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) AND CHILD WELFARE

B. TITLE XIX AMENDMENTS

C. OTHER PUBLIC ASSISTANCE AMENDMENTS

III. Child Health Amendments

IV. Major Provisions of H.R. 1570 Not Included in H.R. 12080

V. Tables

SUMMARY OF PRINCIPAL PROVISIONS OF H.R. 12080, THE "SOCIAL SECURITY AMENDMENTS OF 1967"

I. Old-Age, Survivors, and Disability and Health Insurance Programs

A. OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Increase in social security benefits

The bill would provide a general benefit increase of 12½ percent for people on the rolls. As a result, the average monthly benefit paid to retired workers and their wives now on the rolls would increase from $145 to $164. The minimum benefit would be increased from $44 to $50 a month. Under the bill monthly benefits would range from $50 to $159.80 for retired workers now on the social security rolls who began to draw benefits at age 65 or later. Under existing law, the benefit range for such retired people now receiving old-age benefits is $44 to $142 a month.

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

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

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

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

Effective date: The increased benefits would be first payable for the second month after the month in which the bill is enacted. It is estimated that 23.8 million people would be paid increased benefits for the effective month and, as a result of the benefit increase, $2.9 billion in additional benefits would be paid out in 1968. Of this amount, $52 million would be paid out of general revenues as benefits for 778,000 people over 72 who have not worked long enough to be insured under the social security program.

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

Average monthly earnings	Worker [1]		Man and wife [1 2]		Widow, widower, or parent, age 62		Widow and 2 children	
	Present law	Bill	Present law	Bill	Present law	Bill	Present law	Bill [3]
$67	$44.00	$50.00	$66.00	$75.00	$44.00	$50.00	$66.00	$75.00
150	78.20	88.00	117.30	132.00	64.60	72.60	120.00	132.00
250	101.70	114.50	152.60	171.80	84.00	94.50	202.40	202.40
300	112.40	126.50	168.60	189.80	92.80	104.40	240.00	240.00
350	124.20	139.80	186.30	209.70	102.50	115.40	279.60	280.80
400	135.90	152.90	203.90	229.40	112.20	126.20	306.00	322.40
550	168.00	189.00	252.00	283.50	138.60	156.00	368.00	391.20
633	[4]	212.00	[4]	317.00	[4]	174.90	[4]	423.60

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

[2] Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as the benefits for a man and wife, except that the total benefits would always equal 150 percent of the worker's primary insurance amount; it would not be limited to $317.

[3] For families already on the benefit rolls who are affected by the maximum benefit provisions, the amounts payable under the bill would in some cases be somewhat higher than those shown here.

[4] Not applicable, since the highest possible average earnings amount is $550.

Benefits to disabled widows and widowers

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

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

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

Earnings limitation

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

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

The dependency of the child on his mother

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

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

Definition of "disability"

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

Insured status for workers disabled while young

The bill would allow a worker who becomes disabled before the age of 31 to qualify for disability insurance if he worked in one-half of the quarters between the time he is 21 and the time he is disabled, with a minimum of six quarters of coverage. This requirement would be an alternative to the present requirement that the worker must have had a total of 5 years out of the last 10 years in covered employment.

Effective date: Benefits under this provision would be payable for the second month after the month in which the bill is enacted.

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

Additional wage credits for servicemen

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

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

Coverage of clergymen

Under the present law (beginning with the 1954 amendments) clergymen and members of religious orders (except those who have taken a vow of poverty) can become covered under the social security program at their own option if the option is exercised within the first 2 years of their ministry. The bill would change this provision so

that the services a clergyman performs in the exercise of his ministry would be covered automatically unless, within 2 years after becoming a clergyman or 2 years after the enactment of the bill, he states that he is conscientiously opposed to social security coverage of such services. The services performed by a member of a religious order who has taken a vow of poverty would be covered or excluded on the same basis as services performed by clergymen.

Coverage of State and local employees

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

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

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

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

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

Definition of "widow," "widower," and "stepchild"

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

Limitation on wife's benefit

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

Requirements for husband's and widower's insurance benefits

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

Disability benefits affected by the receipt of workmen's compensation

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

Retirement income of retired partners

Under the bill, certain partnership income of retired partners would not be taxed or credited for social security purposes.

Effective date: Taxable years beginning after 1967.

Underpayments

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

A somewhat different procedure would be followed in the case of claims for benefits on behalf of deceased individuals under the supplementary medical insurance program. For claims where the bill for services had been paid, the benefit would be payable, first, to the person who paid for the services; second, to the estate of the person; and third, to the widow, or, if none, children of the individual. Where the bill for services had not been paid, the benefit would be payable to the person who provided the services if he agreed to accept the amount determined to be the reasonable charge as the full charge for his services.

Effective date: The provision would apply to both past and future payments.

Simplification of benefit computation

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

Extension of time for filing reports of earnings

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

Penalties for failure to file timely reports of earnings

Under the present law, it is possible for a person to be penalized, because of his failure to file a timely report of earnings under the retirement test, in an amount in excess of the benefit that must be withheld. The amendments would eliminate the possibility of this occurring in the future.

Limitation on payment of benefits to aliens outside the United States

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

returns to the United States for 30 consecutive days within 6 months after he leaves the country.

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

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

Disclosure to courts of whereabouts of certain individuals

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

Report of Board of Trustees

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

Advisory Council on Social Security

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

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

General saving provision

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

Number of people affected by the bill and additional benefit payments

ESTIMATED ADDITIONAL OASDI BENEFIT PAYMENTS IN CALENDAR YEARS 1968 AND 1972 UNDER H.R. 12080

[In millions]

Item	1968	1972
12½-percent benefit increase	$2,812	$3,324
Benefit increase for transitional insured	7	5
Benefit increase for transitional noninsured	52	25
Liberalized benefits with respect to women workers	85	100
Special disability insured status under age 31	70	77
Disabled widow's benefits at age 50	60	72
Earnings test liberalization	140	244
Total	3,226	3,847

The estimated numbers of persons who will either receive additional benefits or receive benefits for the first time and estimated benefits are shown below:

I. Beneficiaries in current-payment status on Dec. 31, 1967, whose benefits for December (assumed to be the effective month) will be increased		23,750,000
II. Estimated number of persons who can receive a benefit for December 1967 (assumed to be the effective month) under the OASDI program as modified by the bill but who cannot receive a benefit for December 1967 under present law		415,000
Dependents of women workers fully but not currently insured at time of death, disability, or retirement, total		180,000
Children	175,000	
Husbands and widowers	5,000	
Workers disabled before attaining age 31, and their dependents		100,000
Disabled widows and widowers who have reached age 50		65,000
Noninsured persons aged 72 and over:		
Persons, now public assistance recipients, who can receive a full payment		20,000
Persons, receiving a governmental pension, who can receive a reduced payment not exceeding $5 per month		50,000
III. Estimated number of persons affected in 1968 by the modification of the earnings test		760,000
Persons who can receive no benefits for 1968 under the earnings test in present law but who will receive some benefits for 1968 under the test as modified by the bill		50,000
Persons who can receive some benefits for 1968 under the earnings test in present law but who will receive more benefits under the test as modified by the bill		710,000

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

	Present law	H.R. 12080
Family groups:		
Retired worker	$82	$92
Male retired worker	93	105
Retired worker and aged wife	145	164
Aged widow only	75	84
Widowed mother and 2 children	223	251
Disabled worker, wife, and 1 or more children	212	239
Beneficiary group: All retired workers	85	96

B. HEALTH INSURANCE

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

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

Increase in number of covered hospital days

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

Effective date: January 1, 1968.

Payment to physicians under the supplementary medical insurance program

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

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

Transfer of outpatient hospital services to the supplementary medical insurance program

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

Effective date: January 1, 1968.

Requirement that a physician certify the need for hospital services

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

Experimentation with hospital reimbursement methods

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

Payment for purchase of durable medical equipment

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

Effective date: January 1, 1968.

Blood deductibles

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

Effective date: January 1, 1968.

Enrollment under supplementary medical insurance program

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

Effective date: Enrollments after month of enactment.

Transitional provisions for uninsured individuals under the hospital insurance program

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

Reimbursement for civil service retirement annuitants for premium payments under the supplementary medical insurance program

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

Effective: Upon enactment.

Appropriation to supplementary medical insurance trust fund

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

Health Insurance Benefits Advisory Council

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

Podiatry services

The definition of a physician would be amended to include a doctor of podiatry with respect to the functions he is authorized to perform

under the laws of the State in which he works. However, no payment would be made for routine foot care whether performed by a podiatrist or a medical doctor.

Effective date: January 1, 1968.

Payment for certain radiological or pathological services

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

Effective date: January 1, 1968.

Payment for physical therapy

Coverage under the supplementary medical insurance program of physical therapy that is furnished to an outpatient in his home or in a nursing home would be extended to include such services provided under the supervision of a hospital.

Effective date: January 1, 1968.

Payment for portable X-ray services

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

Effective date: January 1, 1968.

Study of coverage of services of health practitioners

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

Limitation on special reduction in allowable days of inpatient hospital services

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

Simplified billing for outpatient hospital services

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

Effective date: January 1, 1968.

C. FINANCING OF SOCIAL INSURANCE PROGRAMS

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

[In percent]

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

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

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

The supplementary medical insurance trust fund is now provided with a contingency fund for 1966 and 1967. This fund is provided as a safety measure in the early years before the trust fund has had time to build up a surplus, and it would be continued for an additional 2 years.

II. Public Assistance Amendments

A. CHANGES IN PROGRAMS OF AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) AND CHILD WELFARE

Family employment and other services

Under the bill, States would be required to develop a program for each appropriate relative and dependent child which would assure, to the maximum extent possible, that each individual would enter the labor force in order to become self-sufficient. To accomplish this, the States would have to assure that each adult in the family and each child over age 16 who is not attending school is given, when appropriate, employment counseling, testing, and job training. The States would also have to provide day care services needed for the children

of mothers who are determined to be able to work or take training, and to provide such other services for children which would contribute toward making the family self-sustaining.

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

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

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

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

Community work and training programs

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

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

Work incentives

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

Needy children of unemployed fathers

Under present law, the States can establish programs for families with dependent children based on the unemployment of a parent and receive Federal matching. The definition of unemployment is left up

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

Federal payments for foster home care of dependent children

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

Emergency assistance for needy children

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

Child welfare services

Under the bill, child welfare services would be moved to the section of the law which provides for the AFDC program and States would be required to furnish such services to AFDC children through a single organizational unit in the State and local agency which

handles the AFDC program. The Federal Government would provide 75 percent of the cost of such services to AFDC children. The non-AFDC child welfare program would be moved from title V to title IV of the Social Security Act, and the authorization increased to $100 million for fiscal year 1969 ($45 million over the $55 million in present law) and to $110 million for each year thereafter ($60 million in present law). Research, training, or demonstration projects would be funded at levels determined by later Congresses.

Limitation on aid to families with dependent children

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

B. TITLE XIX AMENDMENTS

Limitation on Federal participation in medical assistance

Under the bill, States would be limited in setting income levels for eligibility to medicaid for which Federal matching funds would be available. The family income level for medicaid could not be higher than either (1) 133⅓ percent of the highest amount ordinarily paid to a family of the same size under the AFDC program, or (2) 133⅓ percent of the State per capita income for a family with four members (and comparable amounts for families of different size). The 133⅓ percent proportions would go into effect on July 1, 1968, except that for States which now have title XIX plans, for the period from July 1, 1968, to January 1, 1969, the proportion would be 150 percent rather than 133⅓ percent and for the period from January 1, 1969, to January 1, 1970, the proportion would be 140 percent.

Maintenance of State effort

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

Coordination of title XIX and the supplementary medical insurance program

Under the bill, States would have until January 1, 1970 (rather than Jan. 1, 1968, as under present law), to buy-in title XVIII supplementary medical insurance for persons eligible for medicaid. Also, the

bill would allow people who are eligible for medicaid but who do not receive cash assistance to be included in the group for which the State can purchase such coverage and would make persons who first go on the medicaid rolls after 1967 eligible to be bought in for. There would be no Federal matching toward the State's share of the premium in such cases. The bill would provide that Federal matching amounts would not be available to States for services which could have been covered under the supplementary medical insurance programs but were not.

Modification of comparability provisions

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

Required services under State medicaid programs

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

Extent of Federal financial participation in State administrative expenses

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

Advisory Council on Medical Assistance

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

Free choice for persons eligible for medicaid

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

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

Under the bill, States could receive 75-percent Federal matching for the services which State health agencies perform in helping health facilities to qualify for participation in the various health programs under the Social Security Act (including medicare, medicaid, and the child health programs) and to improve their fiscal records for payment purposes. Similar provisions in the medicare program (which finances

such services on a 100-percent basis from the Federal hospital insurance trust fund) would be repealed effective July 1, 1969, when this provision would go into effect.

Payments for services and care by a third party

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

Effective date: January 1, 1968.

Payments to patients under medicaid

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

Effective date: Upon enactment.

C. OTHER PUBLIC ASSISTANCE AMENDMENTS

Federal payments for repairs to homes of assistance recipients

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

Effective date: October 1, 1967.

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

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

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

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

Social work manpower and training

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

Permanent authority to support demonstration projects

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

Detail of public welfare costs

[Dollars in millions]

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

	Fiscal year 1968	Fiscal year 1972
Public assistance:		
AFDC costs under present law [1]	$1,462	$1,837
Title XIX costs under present law [2]	1,391	3,118
All other public assistance costs under present law [3]	1,647	1,776
Subtotal, present law	4,500	6,731
Increases in the committee bill:		
Day care	(4)	470
Other social services	(4)	125
Earnings exemptions	(4)	35
Work-training	(4)	225
Foster care under AFDC	(4)	40
Emergency assistance	(4)	35
Puerto Rico et al	(4)	17.5
Demonstration projects	(4)	2
Additional child health requirements in title XIX		50
Subtotal, increases	[4] 25	999.5
Decreases in the committee bill:		
AFDC limitation	−18	
AFDC reduction for persons trained who become self-sufficient		−130
Restrictions on title XIX		−1,434
Decrease in public assistance due to social security benefit increase [5]	−85	−210
Subtotal, decreases	−103	−1,774
Net effect of public assistance amendments	−78	−773.5
Total, public assistance as amended by committee bill	4,422	5,957.5
Child welfare:		
Present law	[6] 55	60
Increase for child welfare services		50
Increases for child welfare research		15
Subtotal, increases		65
Social work manpower		5
Net effect of committee bill in public welfare	−78	−703.5

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

III. Child Health Amendments

Consolidation of earmarked authorizations

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

Additional requirements on the States under the formula grant program

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

Project grants

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

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

Research and training

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

IV. Major Provisions of H.R. 5710 Not Included in H.R. 12080

The following provisions of H.R. 5710, the bill embodying the administration's proposals, are not contained in the committee bill, H.R. 12080:

	H.R. 5710 Sec. No.
Elimination of provisions denying benefits to individuals because of membership in certain organizations. (Under H.R. 12080, such persons would continue to be barred from coverage as under existing law.)	110
Coverage of agricultural labor	115
Transfer of Federal employment credits	116
Health insurance for the disabled. (Secretary of Health, Education, and Welfare to establish a Special Advisory Council to study the problems involved and report by Jan. 1, 1969.)	125
Health insurance payments to Federal facilities	126
Funding of depreciation allowance and requirement of health facilities planning	129
Requirement for meeting full need under public assistance	202
Tax treatment of the aged (title V). (No changes in the income tax provisions of existing law are included in the bill.)	501–507

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SOCIAL SECURITY AMENDMENTS OF 1967

Mr. O'NEILL of Massachusetts. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 902, and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 902

Resolved, That upon the adoption of this resolution is shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes, and all points of order against said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed eight hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but said amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from Massachusetts [Mr. O'NEILL] is recognized for 1 hour.

(Mr. O'NEILL of Massachusetts asked and was given permission to revise and extend his remarks.)

Mr. O'NEILL of Massachussetts. Mr. Speaker, House Resolution 902 provides a closed rule waiving points of order, with 8 hours of general debate for consideration of H.R. 12080 to amend the Social Security Act. The request to waive points of order was made due to the fact that the Ramseyer Rule was not complied with.

H.R. 12080 would provide a general benefit increase of 12½ percent for people on the rolls. As a result, the average monthly benefit paid to retired workers and their wives now on the rolls would increase from $145 to $164. The minimum benefit would be increased from $44 to $50 a month. Under the bill monthly benefits would range from $50 to $159.80 for retired workers now on the social security rolls who began to draw benefits at age 65 or later. Under existing law, the benefit range for those now receiving old age benefits is $44 a month to $142.

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

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

The $168 maximum benefit eventually payable under present law would be increased to $189 on the basis of the same monthly earnings. The increase in the amount of earnings that can be used in the benefit computation would result in a maximum benefit of $212 in the future. The maximum benefits payable to a family on a single earnings record would be increased to $423.60, rather than $368 as under present law. Of course to qualify for the maximum benefits, a wage earner must have earned the maximum under the new wage base for a number of years in the future.

The increased benefits would be payable beginning with the second month after the month in which the bill is enacted. It is estimated that 23.7 million people would be paid new or increased benefits in December 1968 and as a result of the benefit increase $2.9 billion in additional benefits would be paid out in 1968. Of this amount, $52 million would be paid out of general revenues as benefits for 708,000 people over 72 who have not worked long enough to be insured under the social security program.

Mr. Speaker, as you know the President urged and asked for a 20-percent increase. The Committee has seen fit to give an increase of 12.5 percent. During the Committee on Rules' hearings there was opposition to this bill with regard to title II, and the gentleman from New York [Mr. GILBERT] wanted us to have a modified open rule to allow an amendment to the bill to place medicaid as it is in the present law.

Mr. Speaker, title II of this bill in itself is regressive and it turns back the present medicaid program that we have.

Mr. Speaker, I have here a letter from Dr. William M. Schmidt from the School of Public Health of Harvard University which was written to me with regard to this bill.

The letter reads in part as follows:

Section 208, "Limitation of number of children with respect to whom Federal payments may be made": This Section provides a ceiling on the percent of children with respect to whom payments may be made to a State. The ceiling is established as of January 1, 1967, and may not exceed the percent as of that date in any year after 1967. There is reason to believe that despite efforts to the contrary, there will be an increase of the number and percent of children of families eligible to receive AFDC.

Mr. CAREY. Mr. Speaker, will the gentleman yield?

Mr. O'NEILL of Massachusetts. I yield to the gentleman from New York, who, by the way, appeared before the Rules Committee and obtained a complete open rule for title II of the bill.

Mr. CAREY. I thank the gentleman. With reference to the gentleman's statement of my appearance before the Rules Committee, I pointed out that this particular section of the bill would not result in a true saving. It simply shifts the burden of paying the cost of aid to dependent children from the Federal Government, which initiated this program, back to the States. I thank the gentleman for yielding for the purpose of enabling me to inform the House at this time that I have checked some of the data with the distinguished social service commissioner of New York, Mr. Ginsburg, and he has confirmed by his estimate that it will cost the State of New York some $35 million to $40 million for the operation of this coming year. That is why I think this section of the bill should be open, so the House can work its will.

Mr. O'NEILL of Massachusetts. I am in agreement with the gentleman from New York in part.

I have also in the letter from Dr. William M. Schmidt a breakdown of section 201. In that letter Dr. Schmidt gives his report on the question. The complete letter is as follows:

HARVARD UNIVERSITY,
SCHOOL OF PUBLIC HEALTH,
Boston, Mass., August 8, 1967.

Hon. THOMAS P. O'NEILL, Jr.,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN O'NEILL: I am writing to call your attention to certain provisions of H.R. 12080—"A Bill to Amend the Social Security Act . . ." which, if enacted, are likely to have an adverse effect upon the welfare of children and the strength and integrity of families.

There are especially two Sections which in my judgment would be bad at any time. Coming at this point of tension in our cities, these provisions, I am convinced, are deplorable.

1. *Section 208*, "Limitation of number of children with respect to whom Federal payments may be made": This Section provides a ceiling on the percent of children with respect to whom payments may be made to a State. The ceiling is established as of January 1, 1967, and may not exceed the percent as of that date in any year after 1967. There is reason to believe that despite efforts to the contrary, there will be an increase of the number and percent of children of families eligible to receive AFDC. Even the best of preventive measures designed to reduce the need for AFDC cannot be immediately effective. If a ceiling of this type is imposed, each State will be obliged to increase its own appropriations for AFDC or failing that to resort to denial of assistance. In many areas this will tend to encourage discriminatory practices to the detriment of needy families with children if the families are deemed to be "unworthy" by State or local public welfare officials.

2. *Section 201*, "Programs of services furnished to families with dependent children", provides as one new clause (15)(A), for the development of a program for each appropriate relative and dependent child receiving aid under the plan which will assure (1) "to the maximum extent possible, that such relative . . . will enter the labor force and accept employment so that they will become self-sufficient . . .". This clause, with emphasis on the phrase *"to the maximum extent possible"*, encourage State and local welfare agencies to put pressure on mothers of dependent children to leave home and go to work. The aim of AFDC, however, is to provide for the best interests of children. In many families the interests of infants and very young children, and sometimes older children, are best served by enabling the mother to remain at home in order to provide care for them.

Extensive provision should be made for day care services for the care of preschool age children and after-school care of school age children of mothers who choose to work and for whom this appears to be the best plan and for mothers who are seeking work or for other reasons require day time care of their children. However, safeguards should be provided so that *no pressure is put upon mothers to leave their children in order to go to work.*

There are other elements in the Bill which I think need close examination, but these two are especially bad.

I don't know whether amendments can be offered on the floor. If so, would it be at all possible to strike out Section 208 and modify Section 201?

If this is not possible, I do hope you will speak against these Sections, so that the record will show that the House did not enact these harsh provisions without opposition.

Yours sincerely,

WILLIAM M. SCHMIDT, M.D.

As I said with regard to medicaid, the measure is definitely regressive, as I look at it.

I also have a statement by Gov. John A. Volpe, of Massachusetts, in opposition to title II. That statement is as follows:

STATEMENT BY GOV. JOHN A. VOLPE, OF MASSACHUSETTS

(Meeting of the National Governors' Conference Advisory Committee on Federal-State-Local Relations with the Honorable John Gardner, Secretary of Health, Education, and Welfare, Aug. 8, 1967)

I should like to emphasize that the comments I shall make on HR 12080 will be my personal views. Although my remarks have been cleared with Governor Dempsey, the Chairman of our Federal-State Relations Committee of the National Governors' Conference and with the staff of the Washington Office of the National Governors' Conference, the bill was not reported until last Thursday so that most Governors have not had an opportunity to familiarize themselves with the provisions of the clean bill.

Personally, I had hoped the Committee would consider tying Social Security benefits to the cost of living index, but I am sure all Governors will support the recommendations of the House Ways and Means Committee to increase the level and scope of Social Security benefits.

First, I think we must object to the two ceilings proposed by HR 12080.

1. No state could increase the proportion of children of broken homes under 21 who will receive Aid for Dependent Children (AFDC) after 1967. Of course, it is in the interest of all the states financially to develop programs which would cutback the number of poor families receiving AFDC. I think all of the Governors would support those programs which would encourage AFDC recipients to find employment and to keep that employment through the proposed wage incentives. This amendment makes no provision for local, statewide, or even federal economic emergencies. What would be the effect in America's cities which had gone through a catastrophic summer if the unemployment rate were suddenly to increase and AFDC was legally tied to the 1967 proportion? Would we not encourage heads of families unable to find employment to abandon those families?

Obviously through past experiences all levels of government are trying to avoid an economic cutback when a solution is found to the Vietnam dilemma. We must expect some drastic changes when millions of dollars are no longer going every day into a war economy. To box ourselves in as this section would do is simply ignoring the economic facts of life. The federal government in effect would be penalizing those states with the greatest need and in many areas would tend to encourage discriminatory practices to the detriment of needy families with children if the family is determined to be "un-worthy" by state or local public welfare officials.

2. The 133⅓% of income level for eligibility for programs under AFDC applied to Title XIX, Medicaide is another ceiling which would eventually require those states with forward-thinking programs to make additional moral judgments. Will the states, already overburdened financially, be forced to assume that portion of the cost which would exceed the proposed ceiling or will they be forced to retrench a program which is so vitally needed by the poor and the underprivileged? A program which has been undertaken by the states in good faith with the understanding that the federal government would support its part of the costs. I feel we should give careful consideration to retaining the present 150% figure.

The original concept of AFDC was to keep families together. Section 201 by requiring that mothers enter the labor force would negate this original concept. While mothers of school aged children should be encouraged to find employment, this need not be a requirement of AFDC and by no means should be required by mothers of pre-school aged children.

Adequate provisions should be made for day care services for the care of pre-school aged children and after school care for school aged children for mothers who *choose* to work. This appears to be the best plan for mothers who are seeking work or for some other reason require daytime care for their children. However, safeguards should be provided so that no pressure is put upon mothers to leave their children in order to go to work.

While many states, including the Commonwealth of Massachusets, are moving forward by placing control of welfare programs at the statewide level this bill would reemphasize the role of the local agencies by requiring that they be responsible for such moral judgments as the limiting of illegitimate births, provision for family planning, and the determining of what constitutes a "suitable" family home life. Once again the federal government is pointing the finger of moral justice (a justice to be determined by local welfare boards) at one class of our population.

Section 223 by eliminating comparability may be a step backward towards separate and unequal care by downgrading the level of health and medical care for AFCD children, their caretakers, the disabled and the blind, even though much needed additional funds are recommended by the Committee. These children are the neediest in the country and they should have not less but more in standards of quality, amount, duration and scope of programs of assistance. While medical care for the aged is a long overdue program, we must not forget that a far better investment is that in the health of our young people. Certainly, those eligible for Medicaid should be recipients of the same care as the aged receive under Medicare.

If the section is adopted eliminating the five presently named types of coverage, and instead the states could have any seven out of fourteen named benefits, many states will obviously choose the seven cheapest benefits.

Under section 201, most of the proposed changes would encourage AFDC recipients to seek and retain employment. However, the

section should be amended so that the wages of children under 21 who are going to school *part-time* would also be included since most of these young people are unable to attend school on a full time basis.

Section 235, which would move the existing Child Welfare programs from Part 3 of Title V, providing that Child Welfare Services be as fully available to children and families receiving AFDC as they are to all other children. It looks good on paper. It would be a progressive step if the program will assure the establishment and maintenance of standards and the extension and improvement of services such as have been developed by the Children's Bureau. The Children's Bureau, established 55 years ago, has developed an approach to the total problems of the individual and provided the first grant in aid to the states in 1921. It was the original plan of the Congress to put AFDC under the Children's Bureau. Does the Department of HEW intend to assure the continued administration of Child Welfare services by the Children's Bureau after the transfer of Part 3 of Title V into Title IV, or under the continued reorganization of the Department, will it establish an Assistant Secretary removing Child Welfare from the Children's Bureau.

Again on the favorable side, the proposed increase of the Federal contribution for training in Social Welfare will help to resolve the most pressing problem of the states. In the past five years recipients of Child Welfare, for example, have more than re-doubled; but we have been unable to increase staff resources, thereby diluting the quality of the service.

Yesterday I was of the belief that title II should be subject to an open rule, but my position did not prevail in the Rules Committee. A closed rule was reported. But after considering it during the course of the night, in my opinion there are so many inequities in title II of the bill in regard to needy children, Medicaid, and half a dozen other provisions in the bill, I do not think we honestly could write this bill on the floor of the House.

Mr. Speaker, between now and the next time this bill is reported great consideration should be given to this question. If there is anything wrong in our system of government, it certainly is in relation to our welfare problems. I have talked to the mayors of three or four different cities in my district. Each one complains about what is happening.

For example, a man might be working as a car washer and making about $80 a week. He supports five children. Because he cannot get by on $80 a week, he goes completely into debt. The first thing you know he leaves his family and runs away. Why? Because he cannot meet his obligations and because his wife can draw $120 to $130 per week under the aid to dependent children program. He would rather have his family on relief than to live up to his moral obligation of taking care of his own family. Personally I believe we should help in cases like that to keep the family together. If we spent money under the aid to dependent children to help the father who is making $80 a week, we might even save that much and we would also be keeping a family together.

I believe the welfare section of this bill is riddled with inequities. Something should be done about them. I hope the chairman of the Ways and Means Committee will make a thorough investigation of this entire program. It is obsolete. Let us see if we can bring in some new ideas. But I do not believe we can write the measure on the floor of the House.

Mr. Speaker, I urge the adoption of House Resolution 902 in order that immediate consideration may be given to H.R. 12080.

Mr. BINGHAM. Mr. Speaker, I am opposed to a closed rule in this case because H.R. 12080 represents one of the most comprehensive and important bills to come before this House, and I believe it is wrong that no amendments can be debated or considered. I intend therefore to vote against the motion for the previous question on the resolution and, if that motion is defeated, I shall offer an amendment to the resolution to provide that amendments to the bill may be taken up and considered in the normal way.

This social security bill—with provisions on social security benefits, disability payments, aid-to-dependent children, State medical assistance programs—is one of the most significant pieces of social legislation which will come before the 90th Congress. In addition to committing the Federal Government to the expenditure of over $3 billion during the first full year after enactment, this bill will lay down basic policy guidelines affecting millions of elderly, of children without an employable parent, of the medically indigent, of disabled—in short the policies established in this legislation will affect the lives of a vast number of citizens at all stages of their lives.

And, yet we in the House are being asked to vote this bill up or down, as it comes from committee, with absolutely no opportunity to consider amendments to it or to make any constructive changes on the floor. Mr. Speaker, I submit that the 409 Members of this body who did not participate in the committee deliberations on the bill are being asked to abdicate their role as responsible legislators.

I do not for one moment underestimate the job which the Ways and Means Committee has done, under its superbly able chairman [Mr. MILLS] in working out the details of this legislation and in separating the wheat from the chaff of the many, many amendments to the social security program which my colleagues introduce each year. But the Members of this House also have a responsibility—to their constituents—to take part in some of the fundamental policy decisions embodied in this legislation.

For example, the bill provides for an across-the-board general increase in social security benefits of 12½ percent. A number of my colleagues, myself included, had introduced legislation calling for a 50-percent increase; the administration asked for a 20-percent increase. Many different factors would affect the size of the increase but surely any decision of this magnitude—affecting the existence of many of our elderly—deserves the attention of the entire House.

As a New Yorker, I was particularly dismayed by the amendments to title XIX which represent a major step backward from what was accomplished in 1965 to provide medical care for those who cannot afford it. This amendment would severely penalize those States which went ahead in good faith reliance on the 1965 provisions, and instituted far-reaching programs for the care of the medically indigent within their borders. Surely such a reversal ought to be considered separately by the House.

There are several other items in the bill which clearly merit separate attention and debate. Many of my constituents have written asking that the outside-earnings limit for social security be raised above the $1,680 figure so that they could earn a bit more to make their lives more comfortable. A very restrictive and unfair definition of "disability" has been written into the law which would allow those seeking disability payments to obtain them only if they were unable to secure gainful employment anywhere in the entire country, regardless of where they lived or what personal hardships would be entailed by such a move.

Immensely significant changes have also been made in the AFDC program. These amendments would require States to set up programs for job training and counseling, family planning, and day care centers to apply to every adult and child over 16 who is himself receiving or whose family is receiving AFDC payments. Now some of these provisions carry great potential—such as the day care and family planning requirements—and some raise very disturbing policy questions—such as the implicit requirement that mothers of young children should deposit them in day care centers and spend their days working, even though it might be far better for both children and mother if she were at home caring for these children.

Finally, the bill contains the extremely restrictive provision freezing all State payments under the AFDC program at the current levels. In other words, no State will be allowed to give subsistence payments to a greater percentage of dependent children than are now being aided. This, I find, the most truly regressive limitation of all.

Mr. Speaker, I merely raise these issues to indicate some of the major items included in this bill. We should not be forced to cast only a yea or nay vote on this legislation. At the very least, we should be allowed the opportunity to approve or disapprove a few selected floor amendments raising the most important policy questions contained in this bill.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield a half hour to the gentleman from Tennessee [Mr. QUILLEN].

(Mr. QUILLEN asked and was given permission to revise and extend his remarks.)

Mr. QUILLEN. Mr. Speaker, I yield myself such time as I may consume.

As the gentleman from Massachusetts [Mr. O'NEILL] has stated, House Resolution 902 makes in order the consideration of H.R. 12080 under a closed rule which also waives points of order. Eight hours of general debate are provided for H.R. 12080, the Social Security Amendments for 1967.

The chairman of the Ways and Means Committee requested the waiver of points of order because the committee

report does not include the entire text of the Social Security Act. In the interest of clarity and expense, it includes only those parts of the act that are amended.

Mr. Speaker, I have long been a champion of the social security program feeling that it means so much to our people. At the same time, I have been concerned about whether the program was sound financially, and I have been assured by the distinguished chairman of the House Ways and Means Committee that this bill is actuarially sound.

H.R. 12080 makes major changes in old-age, survivors, and disability insurance and health insurance programs, and many minor revisions. I will mention only the most important ones briefly here.

Under these amendments, a general benefit increase of 12½ percent would be provided for people on the rolls. As a result, the average monthly benefit paid to retired workers and their wives now on the rolls would increase from $145 to $164. The minimum benefit would be increased from $44 to $50 a month. Under the bill monthly benefits would range from $50 to $159.80 for retired workers now on the social security rolls who began to draw benefits at age 65 or later.

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

The $168 maximum benefit eventually payable under present law would be increased to $189 on the basis of the same monthly earnings.

The maximum benefits payable to a family on a single earnings record would be increased to $423.60 rather than $368 as under the present law. Of course, to qualify for the maximum benefits just mentioned, a wage earner must have earned the maximum under the new wage base for a number of years in the future.

Monthly social security benefits would be payable between ages 50 and 62 to disabled widows and widowers of covered deceased workers. If benefit is first payable at age 50, the benefit would be 50 percent of the primary insurance amount. The amount would increase depending on the age at which benefits begin, up to 82½ percent of the primary insurance amount at age 62.

Also in regard to disability, a worker who becomes disabled before the age of 31 could qualify for disability insurance if he worked in one-half of the quarters between the time he is 21 and the time he is disabled, with a minimum of six quarters of coverage. This requirement would be an alternative to the present requirement that the worker must have had a total of 5 years out of the last 10 years in covered employment.

All of the above amendments would become effective the second month after the month in which the bill is enacted.

The amount a person can earn and not lose any of his social security benefits is increased from the current $1,500 to $1,680. Over this figure, a beneficiary loses $1 in benefits for each $2 he earns, up to a total of $2,880 when all his benefits would cease. The provision would be effective for earnings in 1968.

This legislation also redefines disability for workers to mean that a person could be determined to be disabled only if he is unable to engage in any kind of substantial gainful work which exists in the national economy even though such work does not exist in the general area in which he lives.

This proposed new definition of disability places additional burdens to the attainment of a disability benefit by a physically or mentally handicapped individual. He not only must prove that his physical or mental impairment is of such severity that he is not only unable to do his previous work, but that he cannot, considering his age, education, and work experience, engage in any other kind of gainful work which exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied to work.

It was my hope that this bill would relax the requirements to establish eligibility for an individual to draw disability benefits.

If an individual is disabled by medical evidence, he is disabled under the social security law and should draw disability benefits. This law should not create new burdens to the attainment of just benefits.

I have seen disabled individuals denied their just benefits because they were caught in the cobweb of regulations.

It would appear to me that the Social Security Administration has the responsibility for improving further additional methods for developing evidence of disability as well as more effective ways of assessing the total impact of an individual's impairment on his ability to work. There is accumulating evidence that many individuals, already drawing disability benefits, can benefit from rehabilitation and can be placed back in the work force over a period of time.

Only time will tell the impact of this new definition of disability if it becomes law. Let us hope that it will not deny anyone their just and lawful benefits.

Both taxable wage base and the tax rate will be increased to cover the increased costs to the social security trust fund, estimated at $3,200,000,000 in 1968. Currently the wage base is $6,600. This will be increased to $7,600. The combined employer-employee tax rate is currently 8.8 percent; it will be 8.8 percent in 1968, rise to 9.6 percent in 1969–70, to 10.4 percent in 1971–82, and to 11.3 percent in 1973.

Another amendment is in the dependency of the child on his mother. A child would be deemed dependent on his mother under the same conditions that, under present law, a child is deemed dependent on his father. As a result, a child could become entitled to benefits if at the time his mother dies, or retires, or becomes disabled, she was either fully or currently insured.

Also included in the bill are additional wage credits for servicemen. For social security benefit purposes, the pay of a person in the Armed Forces would be deemed to be $100 a month more than he is actually paid. The additional cost of paying the benefits resulting from this provision would be paid out of general revenues.

Amendments have also been made to the hospitalization insurance title of current law. The number of days of paid hospital care are increased from 90 to 120, but the patient will be required to pay $20 per day for each day over 90.

The bill attempts to speed up reimbursement to patients of doctor's bills they have paid themselves for covered illness, and a modification of the enrollment provisions for those over 65 who want to participate in the supplementary medical insurance program. New medical charges are included among those covered: podiatry services, additional radiological and pathological services, and physical therapy services.

In the area of programs of aid to families with dependent children and child welfare, aid to families with dependent children and for foster families caring for such children is increased from $55,000,000 to $100,000,000 for fiscal 1969 and to $110,000,000 for each year thereafter.

I am not sure what the new language affecting the States' welfare programs will have on the benefits to individuals and families. No one should be denied just and lawful benefits and the overall welfare program should be improved.

It is my hope that our older citizens, those disabled, dependent children, and all those eligible for welfare benefits will not be neglected, rather their station in life improved financially and otherwise.

Under the bill, States would be required to establish community work and training programs in every area of the State where a significant number of AFDC families live. Every adult member and child over 16 not attending school for whom it was determined that work or training is appropriate would be required to participate or face the loss of assistance. All States would be required to have such programs by July 1, 1969. The bill also deals with work incentives, family services, emergency assistance for needy children, needy children of unemployed fathers, and limitation on aid to families with dependent children eligibles.

Finally, I would like to point out that title XIX of the current act, the medicaid program, is amended to remove the problem pointed up last year by events in New York. There, the State set the income ceiling so high that many more people were permitted to participate in the program than was expected, and the Federal Government had to pick up most of the tab. The amendment basically provides that the income level for participation in the program cannot be higher than 133.5 percent of the income level for eligibility for the ADC program. This ceiling will go into effect on January 1, 1970.

There are no minority views, although Mr. CURTIS has submitted supplemental views. He supports the bill, but believes the real problems in the health field are not met by the bill. He points out that Congress must be careful not to accept the argument that social security benefits are not the sole retirement income for most Americans and that Congress

should not operate from this position when amending the law.

Mr. Speaker, I repeat that I think this is basically a very good bill, with the exception of a few minor reservations which I have mentioned, and I know of no objection to a rule being granted. I urge the adoption of the rule.

The SPEAKER. I have no further requests for time, but I reserve the balance of my time.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. CAREY].

(Mr. CAREY asked and was given permission to revise and extend his remarks.)

Mr. CAREY. Mr. Speaker, I shall confine my remarks just as much as I can and be as brief as possible. At this stage let me indicate I commend and pay my respects to the distinguished chairman and the members of the Ways and Means Committee for the bulk of the bill as it comes to the floor for debate.

Certainly, I would be the last to attempt to open this bill to amendments as related to the old age and social security section, which, as the chairman has stated, is in delicate actuarial balance and should not be written on the floor. It would run the risk of tinkering with the mechanism which is very finely engineered in the committee, and might throw it out of balance.

Recent articles on this system have shown the social security system is working well, that it is sound, and that in every way it is responding to the need for which it was designed. But as far as using this system as protective cover to bring to the floor the public assistance program at this stage and run it through the House without the possibility of amendment, I believe flies in the face of good policy in the House of Representatives.

We know—many of us who have been involved in poverty work—who have been close to this, that an awful lot is wrong with it. We know certain things that can be done, and there have been some worthy revisions of this program which have been addressed in the Committee on Ways and Means. The child welfare amendments, which had been proposed by the distinguished gentleman from Massachusetts [Mr. BURKE] and the gentleman from New York [Mr. GILBERT], have been incorporated in the bill, and this means we will have some adequate professional day care services and institutional care for children who badly need it. That provision goes in the right direction.

But insofar as some of the revisions they have made as to the northern urban areas, where a great many of the recipients of welfare are located, I suggest that some of these appear to be punitive measures which are not reasonable and practical. The gentleman from Massachusetts has already well stated that the change in the limitation on aid to dependent children is going to cost us money in the northern cities and the areas where the children are located. We are not in a position to undertake any gerater burden in this field. My city is the most taxed city in the country today; and $900 million of the budget of my city is being paid to 660,000 welfare recipients. Yet, under this bill, with no additional Federal support, we will be forced to take on additional burden insofar as aid to dependent children is concerned. This is why I have opposed granting this closed rule.

This bill has new work training provisions which duplicate and overlap other acts. There are some measures in the Economic Opportunity Act where we have put in work training, and there is an amendment I sponsored to the Economic Opportunity Act in which we set forth a provision under which the Director of OEO is to encourage compulsory work training and compulsory basic literacy training in the programs in public assistance. We have been working in this direction in the Committee on Education.

There is hidden danger in this bill. I understand the committee's interpretations of its new language requires in all cases of public assistance from age 16 on up, in families who receive public assistance, where there are 16-year-olds or over, who are not in school and where the father or mother is in the home and receiving public assistance, that if they are able to work they must accept employment. This seems to be a good thing, and I say anything which will make recipients of welfare self-supporting appears to be good, but we have tried some of these things, and if we go too far, we will defeat our own purpose.

Let me illustrate what I mean. If we consider the case of a mother with two children who are infants, and if we force her to accept employment because she is receiving public assistance, we run into the question of what will happen to the infants. If they are turned over to a public shelter, if one is available, that may not be the best thing for them. In the case of handicapped children it is less expensive to have the mother care for them than have the mother go to work as a scrubwoman and have the locality pay a public nurse or institution run for the children at a cost per day that totals as high as the mother's earnings or benefits.

Mr. MILLS. Mr. Speaker, will the gentleman yield?

Mr. CAREY. I yield to the gentleman from Arkansas.

Mr. MILLS. Let me assure the gentleman that there is no intention here, in the administration of this program, and it is clearly understood, to take any mother away from her small children, because we say that if she has good cause—and that is listed as a good cause—then she is excused from this requirement.

Mr. CAREY. I am pleased to hear the chairman of the committee state this. This is one of the reasons why I had hoped to get into a discussion of this matter, because if we can get a legislative history that this bill will not do that, it probably is a worthy amendment. This was my only purpose in coming to the floor at this time, because this may be the only time we can address ourselves to consideration of very vital programs and get a legislative history, to save this from becoming a punitive measure which would work a disadvantage to the families.

Mr. Speaker, I came to the well to indicate the dissatisfaction which I have with respect to the closed rule, as to this provision of the bill, but it is not my purpose at this time in any way to unhinge the legislative machinery by requiring a vote in opposition to this rule.

I agree with the gentleman from Massachusetts that there is much to be done in this field. This is a program which requires a great deal of consideration, and I believe we should begin right now in an attempt to rewrite this program from top to bottom.

The poor do not like the program. They are not happy over the indignities they endure under this program.

Those who administer the program, such as Commissioner Ginsberg of New York, have indicated it is an unworkable, unmanageable program, which should be refined from top to bottom.

I am sure the taxpayers do not like the program, wihch has now reached the astronomical figure of $4.1 billion. As predicted by the committee, this will go up to $4.5 billion next year. Ten years ago it was only $1.7 billion, and it has gone up $2.5 billion in 10 years.

There will be more persons added to the roll next year, even though we are in an unparalleled prosperity. This program is betting so large it rivals all other major programs of the Federal Government.

The programs we address in this field in the Economic Opportunity Act do not seem to be able to cope with this program, and cannot thus far contain this program. It is getting out of hand. Something must be done. We need to do something to stop attracting the poor to the ghettos and the unlivable conditions of the cities which this program does. And these things need to be done without delay.

I will yield to the counsel, judgment, prudence, and wisdom of the gentleman from Massachusetts, who stated, and I believe quite correctly, that we had better get to work and start rewriting this program from top to bottom, because, so far as I am concerned, the people of the great cities have had it. This is not the answer to our problems. It creates more havoc than it is curing.

For that reason, I will oppose in the future the granting of any closed rule on the public assistance provisions of this bill, and I hope that the Ways and Means Committee members, in their judgment and their wisdom—and I admire every member of the committee—will see their way clear the next time around to bring this out as a separate measure, not to be hooked up to social security amendments, where it does not belong.

I thank the gentleman from Massachusetts for yielding to me.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. GILBERT].

Mr. GILBERT. Mr. Speaker, I take this opportunity merely to advise the House that I appeared before the Rules Committee to ask for a modified rule, to

the extent that the rule be modified so that amendments could be offered with respect to the medicaid provisions, which I believe act very unfairly so far as the bill is concerned in respect to the largest States. Unfortunately, a closed rule was granted.

(Mr. GILBERT asked and was given permission to revise and extend his remarks.)

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from New York [Mr. OTTINGER].

(Mr. OTTINGER asked and was given permission to revise and extend his remarks.)

Mr. OTTINGER. Mr. Speaker, I do not know that I can add much to the very excellent remarks of my friend, the gentleman from Massachusetts [Mr. O'NEILL], and my colleagues, the gentlemen from New York [Mr. CAREY and Mr. GILBERT]. I wholeheartedly support their views.

I suppose we from New York are speaking out most against this rule because New York stands to be hurt worst by some of the changes made to the welfare and aid to dependent children provisions in title II.

In spite of the fact that I have a tremendous amount of respect for the chairman of the Ways and Means Committee, the gentleman from Arkansas [Mr. MILLS], and his colleagues on that committee, I think the committee adopted some very controversial measures in title II concerning welfare that deserve discussion by the House.

Therefore, acting as the fool who walks in where angels fear to tread, I propose that the House vote down the previous question on this rule. If that is successful, I propose to offer an amendment which would open only title II to amendment.

The most grave problem with title II, in my opinion, is the adoption of a freeze on welfare recipients. This would work grave inequities because of the tremendous population shifts throughout the country into and out of cities.

I think penalizing children for the failure of their parents to take work is completely wrong. Although I entirely favor compulsive measures to require those parents to take work and training where they are available and, in the case of mothers, where adequate day care facilities are available, I feel that to penalize the innocent children in these situations is an unfortunate mistake.

Another controversial change made by the committee that deserves discussion is the drastic limitation on medicaid. This will cause particular disruption in New York.

Therefore, I urge my colleagues in the House to vote down the previous question and to adopt an amendment to the rule which would permit amendments to title II relating to the welfare provisions of this bill.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from New York [Mr. RYAN].

(Mr. RYAN asked and was given permission to revise and extend his remarks.)

Mr. RYAN. Mr. Speaker, I join with my colleagues from New York in expressing my concern about the fact that the Social Security Amendments of 1967 are to be brought to the floor of the House under a closed rule which precludes the opportunity to offer amendments to certain sections of H.R. 12080 which have a particularly deleterious effect on the State of New York.

I should also like to express my concern about the aspect of the rule which waives points of order.

The report filed with the bill, House Report No. 544, does not comply with rule 13(3) of the House known as the Ramseyer Rule which provides that, when reporting a bill amending any statute, the committee shall—

> Include in its report or in an accompanying document—
>
> (1) The text of the statute or part thereof which is proposed to be repealed; and
>
> (2) A comparative print of that part of the bill . . . making the amendment and of the statute or part thereof proposed to be amended, showing by stricken-through type and italics, parallel columns. . . .

Nor has a supplementary document complying with the rule been brought to my attention.

The purpose of the Ramseyer rule is to permit Members more easily to ascertain the effect of proposed amendments. Important as it is for short bills, it is even more important for a bill such as H.R. 12080, which is 207 pages in length, involving as it does many proposals of a technical and detailed nature proposals which, if adopted, will affect a large number of our citizens.

Especially when legislation is to be considered almost immediately after being reported out of committee, there should be a method to facilitate Members' understanding of proposed changes in the law.

By waiving all points of order, House Resolution 902 makes it unnecessary to comply with the Ramseyer rule.

I have the greatest respect for the competence and knowledge of the House Committee on Ways and Means concerning the matters that are passed on by that committee. The effect, however, of the closed rule is to vest the 25 members of that committee with virtually sole authority concerning this legislation. Except for a motion to recommit, and except for amendments offered by direction of the Committee on Ways and Means, the House would under House Resolution 902 only have the opportunity to vote for or against H.R. 12080.

Mr. Speaker, H.R. 12080, if adopted will affect the welfare of many citizens residing in every part of the United States. The bill as reported contains several provisions which in my opinion are inconsistent with our general policy concerning the welfare of persons unable to adequately provide for themselves.

There should be an opportunity to attempt to make needed changes. If the closed rule is approved, Members will be able to air their opinions for 8 hours with no probability of affecting H.R. 12080 in a substantive way through the amendment process.

Mr. Speaker, I am not particularly concerned about two formulas.

One is the title XIX formula which could have the effect of reducing the amount of Federal funds which would go to the State of New York under the medicaid program. This also penalizes the people of New York State, where there was a medical assistance program already in effect.

Before the enactment of title XIX, New York's eligibility level was $5,200 for a family, of four; it was expected to be $5,700 in 1967 regardless of a Federal medicaid program. After the enactment of title XIX it became $6,000. Under the new formula proposed in section 220 of H.R. 12080 the eligibility level is estimated to be reduced by over $700 to $5,292. This is the first step in the proposed three step percentage reduction.

I should like to commend my colleague from New York [Mr. GILBERT] for his supplemental views. He points out there very clearly that—

> This amendment . . . penalizes the State of New York more than any other.

Another formula, which works an injustice and to which amendments might be offered were it not for a closed rule, is that which affects the program of aid to dependent children. By freezing the number of children according to the formula in the bill, it means short changing the large populous metropolitan States which are experiencing and have experienced for the past number of years a large immigration of poor people, particularly from the rural areas of the country from which for various reasons, including mechanization of farming and the inadequate level of public assistance, they are forced to the cities.

Again this means that the large populous metropolitan States would be penalized.

If we do not have a closed rule, it will be possible to examine not only this formula but the method by which public assistance is financed. The Federal Government should bear a much larger responsibility than it does for the public assistance programs which the big cities are required to maintain because of conditions pertaining in other parts of the country over which the big cities have absolutely no control.

Mr. Speaker, for those reasons, I recommend that the previous question be defeated in order to amend the rule. We should have an open rule in order to deal with these provisions.

Mr. QUILLEN. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. KUPFERMAN].

(Mr. KUPFERMAN asked and was given permission to revise and extend his remarks.)

Mr. KUPFERMAN. Mr. Speaker, I am opposed to the closed rule. As I see it, this bill will pass tomorrow overwhelmingly, even though there are a number of areas that deserve a specific vote and which areas are unsatisfactory. In addition to those items which have already been cited and which I believe should have consideration on the floor of the House and that there be provided an opportunity for each Member to vote upon the questions specifically, I am also in favor of an amendment which I would have proposed had I had the opportu-

nity to do so to eliminate the restriction on outside earnings for people receiving social security by reason of retirement age.

I think it is necessary, in view of the overall poverty situation in the United States today, and with inflation, that we have an opportunity to consider such a specific proposal and, now, I shall not have the opportunity to present it.

Therefore, Mr. Speaker, I am opposed to the closed rule.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I yield such time as he may consume to the gentleman from Rhode Island [Mr. TIERNAN].

(Mr. TIERNAN asked and was given permission to revise and extend his remarks.)

Mr. TIERNAN. Mr. Speaker, I oppose a closed rule on H.R. 12080. The provisions putting a limit on title XIX, medicaid, and on aid to families with dependent children are ill considered and heartless. I plan to offer amendments to these two provisions if I succeed in defeating the closed rule.

Mr. SCHEUER. Mr. Speaker, may I commend my colleagues on the Ways and Means Committee for their constructive efforts in producing the Social Security Amendments of 1967. Their work is the more impressive and their task was made more difficult by virtue of the fact that they are not a committee that deals daily with measures designed to help people, people in deep trouble, with pressing and often multiple needs.

The Ways and Means Committee, during its normal course of business, deals with the subtleties and complications of highly technical and sophisticated taxes and tariffs, not with broken homes, sick and starving children, illegitimacy, or problems relating to jobs and manpower. It is understandable, therefore, that the welfare provisions of the amendments in many ways produce more problems than they are meant to solve, raise more questions than they attempt to answer, and work a hardship on the urban taxpayers who must provide the extra funds they require.

Three areas, in particular, deserve a serious examination by Congress. It is my hope that when this bill is taken up for consideration by the Senate, the Members of that body will provide the scrutiny in those areas which the House of Representatives, because of the closed rule, has been denied.

The aid to families with dependent children provisions, by setting as the maximum State client population the current State AFDC child percentage, places an additional heavy burden on the cities and States of America. These committee-passed provisions fail to take into consideration the ongoing migration from our Nation's rural areas to our cities.

Although the total number of individuals being assisted nationally under AFDC increases at an average annual rate of less than a quarter of a million, the increase within a given city, in percentage terms, is significant.

In New York City, for example, the cost of this unwarranted restriction will be in excess of $40,000,000—to be absorbed half by the city and half by the State.

There is no doubt that this additional burden will have to be absorbed. We are not going to permit children—legitimate or illegitimate—to go starving, sick, and homeless in New York State.

Certainly, innovative employment programs such as the new careers amendment to the Economic Opportunity Act, or the establishment of day care centers and birth control plans can help resolve the welfare problem by reducing the welfare rolls and getting now-dependent people into jobs and thereby bringing to them the independence, pride, and self-respect that comes with filling a responsible job. But in the interim the wealthiest country in the world can and must summon up the will and the resources to feed its children—whether they live in the country or in the city.

Second, the committee-backed amendments effectively change the basic thrust of the original AFDC program from one of protecting the welfare of dependent children to one of enforcing the employability and employment of the parents of those children. The amendments require that AFDC mothers leave their dependent children to accept work or training, without setting forth any standards for evaluating the impact of such requirements on the family—or what is left of the family. No adequate standards have been set for jobs or training for jobs or for supporting social, health, educational, medical or other community services.

Finally, the committee-backed amendments, by setting the income limits for medicaid lower than their current level, force many States and cities to take up the slack out of their own pockets. New York State will have to find some $40,000,000 to maintain the level of services it now provides—bringing up to $80 million the additional amount New York will have to bear.

This enumeration of substantive deficiencies in the bill as reported out of the Ways and Means Committee is not exhaustive or all-inclusive. My colleagues—on both sides of the aisle—will find others. All of us, however, because of the archaic mechanism of the closed rule governing this bill, are frustrated in working our will on the floor as we are freely able to do with the vast myriad of defense, housing, education, antipoverty, foreign aid and other vital measures which flow through the House each session.

There is no necessity and no rationale for welfare provisions such as AFDC to be included in the same measure as social security. The result is to hamstring Congressmen who wish to improve the effectiveness and workability of the bill by offering substantive amendments to remedy the defects like the ones I have highlighted in the committee-passed bill.

Mr. ST GERMAIN. Mr. Speaker, I am opposed to the closed rule on H.R. 12080, because there are several provisions in the bill which I think should be open to amendments on the floor. I refer particularly to the provisions which would impose arbitrary and unfair limitations on title XIX of the Social Security Act. The 133⅓-percent limit on eligibility should be raised to at least 160 percent. The bill is very unfair in this regard in its effect on Rhode Island and other States.

Mr. RHODES of Arizona. Mr. Speaker, the House Republican policy committee supports H.R. 12080. This bill provides an across-the-board increase of 12½ percent, increases the amount an individual may earn and still get full benefits, strengthens the benefit formula, improves the health insurance benefits, and requires the development of programs under aid to families with dependent children—AFDC—that would insure that individuals receiving aid would be trained to enter the labor force as soon as possible.

During the 89th Congress and again in the January Republican state of the Union message, the Republican leadership in the House of Representatives called for an immediate increase in social security benefits. Due to the Great Society inflation, many of our elderly citizens have been faced with a serious situation. Last year alone, the cost of living rose 3.3 percent. Cash benefits had fallen 7 percentage points behind the Consumer Price Index. Under the circumstances, it is unfortunate that the administration delayed action on this bill for so long. The 12½-percent increase in social security benefits is needed now to help many of our senior citizens cope with the inflation that has resulted from the fiscal policies of the Johnson-Humphrey administration.

We believe that the present earnings ceiling is inadequate. The increase that is contemplated by this bill would, in some measure, reflect the financial realities of the present inflationary period. Under the provisons of this bill, the amount that a person may earn and still get his benefits would be increased from $1,500 to $1,680 and the amount to which the $1 for $2 reduction would apply, would range from $1,680 to $2,880 a year. Also, the amount a person may earn in 1 month would be increased from $125 to $140.

Experience has proven that a number of major changes in the present health insurance provisions are required. As a result, under H.R. 12080, the number of days of hospitalization would be increased from 90 to 120 days. A patient would be permitted to submit his itemized bill directly to the insurance carrier for payment. And a physician no longer would be required to certify that a patient requires hospitalization at the time he enters or that a patient requires hospital outpatient services.

One of the most perplexing problems in the welfare area is centered in the program that provides aid to families with dependent children. In the last 10 years, this program has grown from 646,000 families that included 2.4 million recipients to 1.2 million families and nearly 5 million recipients. It is estimated that the amount of Federal funds allocated to this program will increase from $1.46 billion to $1.84 billion over the next 5 years unless constructive and concerted action is taken. In order to reduce the AFDC rolls by restoring more families to employment and self reliance, H.R. 12080 would make a number of changes in the

present program. For example, States would be required to:

First. Establish a program for each AFDC adult or older child not attending school which would equip them for work and place them in a job. Those who refuse such training without good cause would be cut from the rolls.

Second. Establish community work and training programs throughout the State by July 1, 1969.

Third. Provide that protective payments and vendor payments be made where appropriate to protect the welfare of children.

Fourth. Furnish day-care services and other services to make it possible for adult members of the family to take training and employment.

Fifth. Have an earnings exemption to provide incentives for work by AFDC recipients.

There is no provision in the present Social Security Act under which States may permit an employed parent or other relative to retain some of his earnings. This has proven to be a serious defect. The number of assistance recipients who take work or enter into a training program can be increased if the proper incentive exists. We support the adoption of a work incentive provision.

At the present time, there are a number of other Federal programs that make provision for work incentives to welfare recipients. This proliferation of work incentive provisions has proven confusing to welfare personnel and recipients. In an effort to end this confusion, the proposed provision in H.R. 12080 would, in effect, supersede the provisions relating to earnings exemptions now contained in the Economic Opportunity Act and the Elementary and Secondary Education Act. We support this attempt to establish a uniform rule. We urge prompt action to bring the provisions of other legislation into conformity with this provision.

GENERAL LEAVE TO EXTEND

Mr. O'NEILL of Massachusetts. Mr. Speaker, I ask unanimous consent that all Members be permitted to extend their remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. O'NEILL of Massachusetts. Mr. Speaker, I move the previous question.

The SPEAKER. The question is on ordering the previous question.

The question was taken; and on a division (demanded by Mr. OTTINGER) there were—ayes 120, noes 7.

So the previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

House of Representatives

THURSDAY, AUGUST 17, 1967

SOCIAL SECURITY AMENDMENTS OF 1967

Mr. MILLS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Arkansas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 12080, with Mr. DINGELL in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Arkansas [Mr. MILLS] will be recognized for 4 hours, and the gentleman from Wisconsin [Mr. BYRNES] will be recognized for 4 hours.

The Chair recognizes the gentleman from Arkansas [Mr. MILLS].

(Mr. MILLS asked and was given permission to revise and extend his remarks.)

Mr. MILLS. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the bill H.R. 12080, now before the Committee, is the product of many, many long weary hours of deliberation on the part of the Committee on Ways and Means.

Following 3 weeks of hearings earlier in the year the committee met in executive session for a total of 64 times in drawing up this legislation, and in studying the administration and the operation of the many, many programs contained in the Social Security Act.

This bill, Mr. Chairman, is, in every sense, a committee bill. I introduced it on behalf of myself and the gentleman from Wisconsin [Mr. BYRNES] at the direction of the committee. I understand, from reading the newspaper recently, that there are parts of it which certain people within the administration want to disown. This emphasizes the fact that it does vary in many instances from the bill which was introduced to carry out the administration's suggestions—H.R. 5710.

The major provisions of H.R. 12080 originated in and were formulated by the committee.

I want to take occasion, Mr. Chairman, to express my own deep appreciation for the attendance, cooperation, and assistance given us in the committee by every member of the committee on both sides in the development of the provisions of the bill.

As Members can detect from the length of the bill itself, and of the report, the bill covers almost all of the various programs which are included in the Social Security Act.

This bill makes amendments in the old-age, survivors, and disability insurance program under title II of the act; in the so-called medicare program under title XVIII of the act; in the medical assistance program, known as medicaid in some places, under title XIX; in the public assistance program under titles I, IV, X, XIV, and XVI; and especially the program of aid to families with dependent children; and the child welfare, and child health programs that are now contained in title V of the Social Security Act.

The bill consists, as Members can see from reading it, of four titles.

Title I revises and improves the provisions of the social security program;

that is, the old-age, survivors, disability, and health insurance program.

Title II improves and expands the public welfare program, including aid to families with dependent children in particular, child welfare, and medical assistance.

Title III deals with maternal and child health programs.

Title IV contains general provisions including one relating to social work, manpower, and training.

SOCIAL SECURITY BENEFIT INCREASE

I am sure that most Members would assess as the most important of the amendments in title I of the bill dealing with the social security program, the amendment providing an across-the-board increase of 12½ percent in benefits. In arriving at this recommendation, Mr. Chairman, the committee took account of a great many factors. We considered carefully the President's recommendation of a benefit increase of at least 15 percent.

In order to provide an increase of that amount it would have been necessary to increase the ceiling on taxable earnings to $10,800 over the next few years, as the administration recommended, or to further increase the contribution rates.

The resulting tax would have had to be paid by employers and employees, and the committee found on looking into the matter that we could provide quite a substantial benefit increase without raising the ceiling that much and without increasing the tax rate beyond that which was recommended by the administration. With an increase in the ceiling on taxable earnings of only $1,000 rather than the $4,200 recommended, we found that we could increase benefits across the board by 12½ percent or nearly as much as the 15 percent which had been recommended.

Now think with me for just a minute. By raising the taxable base from $6,600 to $7,600 we could increase benefits across the board by 12½ percent. In order to provide at least 15 percent for each beneficiary, it was necessary for us to increase the ceiling not to $7,600 but to $10,800.

The committee reached the conclusion that it was preferable to increase the benefits by 12½ percent with only this $1,000 increase in the taxable base than to try to raise benefits 2½ percent more and, as a result, have to raise the taxable base by another $3,200 sometime down the road. This 12½-percent benefit increase, we think, takes fully into account the roughly 7-percent rise in prices and the 10-percent increase in wage levels that have taken place since the benefits were last adjusted in 1965. It does somewhat more for beneficiaries than just that. I think it takes a step toward providing them with a greater share in the increased wealth of this great Nation.

In setting the benefit levels we took into account not only the increased taxes which would be required and the changes in prices and wages that have occurred, but also we considered the question of what is an appropriate relationship between benefits paid and previous wages earned.

The bill embodies the principle that the retirement benefit for a man and his wife at age 65 or over should represent at least 50 percent of the man's previous covered earnings. For people getting benefits based on the highest possible average monthly earnings under the bill in the future, which is $633 of earnings per month, the man and his wife, assuming that they are both 65, will get $317. You can see that that is slightly more than 50 percent of what the man earned at that level. It is true, of course, that people earning amounts between $6,600 a year and $7,600 a year, the new base which goes into effect under the bill on January 1, 1968, people earning that amount will pay taxes on the additional $1,000, but on the other hand they will get higher benefits.

Let met take just a moment to explain how it works. While the ultimate maximums that I have talked about will generally not be payable any time soon—because people will have to have had a $7,600 a year average earning for a period of years in order to draw at 65 this maximum retirement benefit—let me give you some examples, though, of how these new maximums will have earlier application. Let us take a worker aged 29 in 1967, this year, who has annual earnings of $7,600.

Then, suppose he dies at the beginning of 1970. His widow and child would receive a monthly benefit of $285, which is $43.40, or 18 percent more than now provided for under the existing law,

Mr. Chairman, to use another example, a single worker who was age 29, say this year, and who becomes disabled at the beginning of 1973, would receive a monthly disability benefit of $198, or an increase of $34, or 21 percent, over the amount that he would receive under the present law. And, even in retirement cases, the improvement in benefit amounts will be substantial. For example, a worker aged 50 in 1967, with annual earnings of $7,600, would receive a retirement benefit 15 years hence, at age 65, of $184.50, or 20 percent more than is provided under the present law. If he were married, he and his wife—assuming both were age 65 at time of retirement—would receive a benefit of $276.80, or 20 percent more than the $231 which is now provided under present law.

Mr. Chairman, for workers at these higher earnings levels, we have placed a limit of $105 on the amount of the wife's benefit. This limitation will not be effective for many, many years in the future. It will not in any way affect anyone presently on the rolls.

The reason for including this limitation in the bill is to establish the principle that as the amount of earnings subject to tax go up, it is appropriate at these high earnings levels to put more emphasis upon the benefits payable to the worker himself and less emphasis upon the benefits payable to the wife. This is to reduce the disparity between the benefits paid to the man with an eligible wife, and the man who at age 65 who has lost his wife and can only receive benefits in his own right.

Mr. Chairman, I have already discussed the manner in which the social security program is to be financed.

LIBERALIZATION OF RETIREMENT TEST

We made a change that I want to discuss very briefly in regard to the liberalization of the retirement test. I believe there are more bills pending, probably, in the Committee on Ways and Means on this item than on any other provision of the Social Security Act.

There are those who would have eliminated the retirement test entirely and turn these benefits into an annuity rather than a benefit based on retirement. To eliminate the work test entirely would require an increase in the tax of seven-tenths of 1 percent. That sounds like a fraction, a very small amount. But one must remember that when we talk of one-tenth of 1 percent of payroll, we are talking in terms of $325 million. Thus, we would add substantially to the outgo from this fund. In other words, if we eliminated the retirement test entirely, 7 times $325 million, which would be around $2¼ billion of additional payments out of the fund each year. We would have to take in $2¼ billion more annually in order to keep the fund actuarially sound.

Now, we have liberalized the work test over the years in order to accommodate the desires of the people that they be permitted to earn something even though they draw social security.

When we started this program, there was no provision whatsoever allowing individuals to draw a social security benefit and also have any earnings.

In the 1939 act, we allowed earnings in covered employment of less than $15 a month. Now we have built it up. Presently, it is $125 a month.

Under the bill one can earn wages of $140 a month without losing even $1 of benefits for that month.

It is possible under the bill, depending upon the amount of his benefit, for him to earn as much as $3,000 or $4,000, equally divided over the year, before he loses all of his benefits.

It is also possible for an individual, Mr. Chairman, under the provisions of existing law, as will be true under this bill, to make any amount of money in 4 or 5 or 6 months out of the year, and still draw social security payments for each of those months of the year in which he has no earnings.

Now that is not clearly understood by everyone and I am not certain it is clearly understood by all Members of Congress.

Thus, it is not only the $1,680 annual limitation that is written in this bill, or the $1,500 limitation in existing law, that is controlling. It is also what you have as the controlling factor for a month that determines whether or not you get all of your benefits or not.

The reason for it is simply this. For example, a man becomes 65 years of age on May 2. He has left employment that brought to him $20,000 in those 4 months of the year when he worked.

Now, do you begin paying him retirement benefits when he gets to be 65 years of age in May or do you wait until the beginning of the next year? The law and the bill require that he be paid in May.

When he gets to be 65, if he applies for benefits, and if after applying, he does not have wages exceeding these monthly

amounts, he gets all his benefits for those months after he is 65. I wanted to bring that briefly to your attention.

DISABLED WIDOWS

The bill would, for the first time, provide benefits for totally disabled widows and dependent widowers who are not old enough to qualify for the retirement benefits provided under present law. Your committee believes that widows and dependent widowers aged 50 or over who, because of severe disability, cannot support themselves by working are in much the same position with regard to need for benefits as widows aged 60 an aged dependent widowers aged 62, who can qualified for benefits on the basis of age. The bill therefore provides reduced monthly benefits for disabled widows and widowers beginning no earlier than age 50, if disability began before, or within 7 years after, the spouse's death or, in the case of a widow, before, or within 7 years after, termination of mother's benefits.

A stricter test of disability than the present one for workers would apply to disabled widows and widowers. Under this test, a widow or widower would be considered disabled only if the impairment is one that is deemed sufficient to preclude him from engaging in any gainful activity—rather than any substantial gainful activity, as is required for disabled workers. We wrote this provision of the bill very narrowly, Mr. Chairman, because it represents a step into an unexplored area where cost potentials are an important consideration.

DISABLED WORKER PROVISIONS

The bill would also extend social security disability protection to additional totally disabled young workers and their families. Since workers disabled at an early age may not have an opportunity to work long enough to meet the general requirement of 20 out of 40 quarters, a less restrictive requirement is appropriate for such workers. Under the bill, a worker disabled before age 31 would be insured for disability purposes if he has quarters of coverage in half the quarters after he was age 21 and before he incurred a disability.

The bill would modify one of the provisions of present law under which the amount of disability benefits must be reduced in some situations when a disabled worker is also entitled to workmen's compensation. Present law, in effect, limits the combined benefits to 80 percent of the worker's average monthly earnings before disability. Under the bill, the 80-percent-of-earnings limit would be computed from total earnings rather than from earnings limited by the social security ceiling on covered earnings, which, for many workers, of course, is much less than their actual earnings.

Reflecting your committee's concern about the rising cost of disabiilty insurance program and the way the statutory definition of disability has been interpreted in some court jurisdictions, and the effect this has had and may have in the future on the administration of the disability program, the bill provides specific guidelines in the law for determining when an individual is disabled to the degree required under the definition in the law. The language added to the basic definition specifies, first, that where an individual has the ability, considering his age, education, and work experience, to engage in substantial gainful activity that exists in the national economy, he is not disabled regardless of whether a specific job is available to him or exists in the general area in which he lives.

In addition, the bill specifies such points as what constitutes a medically determinable impairment and it makes clear that an individual shall not be considered to be disabled unless he submits such medical and other evidence as the Secretary may require. The bill also provides that where an individual demonstrates the ability to engage in substantial gainful activity by actually working or earning in excess of certain levels specified by the Secretary of Health, Education, and Welfare, he shall not be considered to be disabled for the purposes of title II of the Social Security Act.

COVERAGE PROVISIONS

The bill makes a number of improvements in the coverage provisions. It provides noncontributory wage credits beginning in 1968 for servicemen amounting, in effect, to $100 for each month of active duty, in addition to the contributory wage credits earned through present coverage of their basic pay. The new credits will take account of the fact that servicemen do not receive contributory wage credits for the substantial value of the food, shelter, and cash allowances they receive. The social security trust funds will be reimbursed from general revenues for the added cost of benefits that will result from the additional wage credits.

The coverage provisions for clergymen are changed to extend coverage to many now excluded. All clergymen will be covered under social security except those who are conscientiously opposed on religious grounds to the acceptance of social security benefits based on their services as clergymen. For the first time, members of religious orders who have taken a vow of poverty will have an opportunity to be covered under the program, under the same provisions that apply to clergymen.

The bill also makes minor changes in the provisions for covering employees of States and localities and excludes from coverage certain retirement payments made by a partnership to a retired partner.

DEPENDENT HUSBANDS, WIDOWERS AND CHILDREN

Your committee is recommending significant improvements in the dependents' and survivors' protection provided for the husbands, widowers, and the children of women workers. A child would be considered dependent on his mother, and therefore eligible for benefits on her earnings record, in the same circumstances as those in which he is considered dependent on his father; and the dependent husband or widower of a woman worker could qualify for benefits even though the woman had not recently worked in covered jobs.

These are the major changes the bill would make in the cash benefits part of the social security system. In addition, your committee has included a number of miscellaneous and technical improvements.

MEDICARE PROVISIONS

Your committee also considered the medicare provisions of the program, and the bill contains a number of provisions that would make improvements in the benefits now provided to the aged under the medicare legislation of 1965.

These provisions of the bill are designed primarily to simplify the administration of the medicare program and to make certain relatively minor improvements in the benefit provisions.

Your committee gave extensive consideration to the question of extending health insurance protection under medicare to people getting disability benefits under the social security and railroad retirement programs. While we believe there is much to say for extending the protection of medicare to disability beneficiaries, we have regretfully concluded that we could not recommend this extension of protection at the present time.

A major factor in our decision was that data which first became available while the proposal was being considered indicated that the per capita cost of providing health insurance for the disabled under medicare would be considerably higher than is the cost of providing the same coverage for the aged. As a result of the new data, estimates of the cost of the proposal were increased significantly, and this increase in the cost estimates raised serious problems with respect to the financing of the proposal. The estimated difference between the cost of medicare for the disabled and for the aged also raised questions as to what would be the most equitable way of financing medicare coverage—especially medical insurance coverage, half of the total cost of which is met by the beneficiaries themselves.

We have, therefore, included in the bill a provision under which an advisory council will be appointed in 1968 to study the question of extending medicare to the disabled, including the unmet needs of the disabled for health insurance protection, the costs involved in providing this protection, and the ways of financing the protection. The council would also be required to make recommendations on how the protection should be financed and on the extent to which the cost could appropriately be borne by the hospital insurance and supplementary medical insurance trust funds. The council would be required to submit a report of its findings to the Secretary of Health, Education, and Welfare no later than January 1, 1969, and this report subsequently would be submitted to the boards of trustees of the trust funds and to the Congress.

Your committee also gave serious consideration to statements that have been made to the effect that hospitals and extended care facilities are not receiving adequate reimbursement under medicare. We find that medicare reimbursement is as generous as, or more so than,

Blue Cross reimbursement in many parts of the country. However, it still is too early to know exactly what effect the medicare program will have on hospital finances, and the committee has asked the Department of Health, Education, and Welfare to check the situation as hospital accounting years close to see how hospitals have actually fared during the first year. During the next year, we will receive reports of the experience and if problems appear, we will recommend appropriate steps to correct them.

Data published by the American Hospital Association for the year preceding the beginning of medicare indicate that short-term voluntary hospitals—which comprise the majority of hospitals—generally did not receive patient revenue which substantially exceeded their expenses. The hospitals had to depend on income from investments, contributions, and revenue from other sources to even meet their current expenses; overall a small surplus of income over expenses was realized. Payments for medicare patients, on the other hand, are required to meet the costs fully, including loss of income resulting from the bad debts of medicare beneficiaries who do not pay their share of the bill and including 2 percent above accounted-for costs. As a result of medicare, hospitals should find that the demands placed on their resources for charity and bad debts are substantially reduced and that funds are freed to meet other critical needs. The improved welfare programs made possible under title XIX should also help.

Hospitals have suggested that the medicare reimbursement formula be changed, primarily to provide hospitals with more funds for growth and expansion. It is generally recognized that many hospitals are having difficulty financing the outlays needed to meet the accumulated backlog of many years of capital needs for construction of new facilities, acquisition of new equipment, and replacement and modernization of old equipment and facilities. There is some doubt about the extent to which additional hospital capital needs should be met through medicare beyond present provisions for paying depreciation costs, interest on borrowed capital, and the 2-percent-above-accounted-for costs.

Another difficulty in adopting the more generous reimbursement methods that have been proposed is that they would give more than cost to any institution regardless of its efficiency and the quality of the care it provides. Your committee is concerned that even present reimbursement on a cost basis may provide insufficient incentive for participating organizations to furnish health care economically and efficiently. The organization which is reimbursed at cost may see no advantage in lowering its costs. Under the bill, the Secretary would be authorized to enter into agreements for experimentation with a limited number of individual providers, community groups, and group practice prepayment plans which are reimbursed on the basis of reasonable costs under medicare, medicaid, and the child health programs. Under the provision, these organizations would engage in experiments with alternative reimbursement systems in order to lower the cost of providing services while maintaining their quality.

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

It is very important that Government programs which pay for hospital services provide sufficiently high reimbursement to support the great hospital system that we have developed in this country and provide appropriate support for improvement in quality: At the same time, your committee has an obligation to the taxpayers of the Nation to be sure that they receive full value for payments made. It is our conclusion that at this time, no steps should be taken to raise further the reimbursement level of medicare and to proceed to do so only if and when the evidence shows the need.

Another area that the Committee studied at great length relates to the types of services for which reimbursement should be allowed under part B of the medicare program. Amendments of a limited nature relative to this general area are included in the bill. In addition, the bill would require the Secretary of Health, Education, and Welfare to study the question of adding to the services now covered under the supplementary medical insurance program the services of additional types of licensed practioners performing health services in independent practice. The Secretary would be required to report to the Congress prior to January 1, 1969, his findings with respect to the need for covering under this program the various types of services performed by such practitioners and the costs of covering such services.

In reference to this study, several Members have asked me just what practitioners might be included in the study. They have pointed out that the House has passed the Health Professions Educational Assistance Act, with subsequent amendments to that act, which are designed to increase practitioners in various professions. Those designated by the House as health professions in such act have included doctors of medicine, dentistry, podiatry, optometry, and so on.

As everyone knows, the present definitions in title XVIII which set forth the professions that are included are contained in the definition of the word "physician." There are several other licensed practitioners who perform health services in independent practice and who are not now reimbursed under title XVIII who have urged that they be included within the purview of title XVIII and therefore be reimbursed for their services. The study of the Secretary will cover the various practitioners who have urged inclusion in title XVIII before our committee.

Mr. Chairman, while I am on the subject of matters on which we have requested the Department of Health, Education, and Welfare to submit reports, and while the matter I am about to mention is not included in either the bill, H.R. 12080, or the report thereon, I want to digress for a moment to refer to a matter relating to nursing homes.

In the course of its public hearings the Committee on Ways and Means received testimony from the American Nursing Home Association and from others on various aspects of the nursing home situation. Subsequent to the public hearings and while we were in executive session, the American Nursing Home Association presented several proposals to the committee which, if enacted into law, would write minimum standards of professional care for nursing homes into the requirements for State plans under title XIX. I was advised by the Nursing Home Association that these proposals were an attempt on their part to prevent abuses by some nursing homes. These proposals were discussed by the committee in executive session, but the committee was of the view that further study was required. Accordingly, the committee referred these proposals to the Department of Health, Education, and Welfare for study and to report back to the Committee on Ways and Means within a reasonable time, certainly in any event not later than a year from now.

For the information of Members and the interested public, I will place in the RECORD at this point the proposals of the Nursing Home Association to which I refer. It should be understood that in so doing, there is no commitment on my part or of the committee with regard to this proposal except the referral of the subject to the Department for study and report back to us.

SUGGESTED AMENDMENTS TO TITLE XIX

I. Amend Section 1902(a) of the Social Security Act by adding the following new paragraphs at the end of Section 1902(a)(22) as follows:

"(23) provide that a nursing home to qualify to render skilled nursing home service pursuant to Section 1905(a)(4) hereof, in addition to all other requirements of applicable state laws and regulations; must:

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

"(B) have a physician, a registered professional nurse, or a medical staff responsible for the execution of such policies;

"(C)(1) have a requirement that the health care of every patient must be under the supervision of a physician who makes periodic visits to such patient consistent with the health care needs of such patient, and (2) provides for having a physician available to furnish necessary medical care in case of emergency;

"(D) maintain clinical records on all patients;

"(E) provide 24-hour nursing service which is sufficient to meet nursing needs in accordance with the policies developed as provided in paragraph (A). and has at least one registered professional or licensed practical (or vocational) nurse (who is a graduate of a state approved school) employed full time with licensed personnel on all other shifts;

"(F) provide appropriate methods and procedures for the dispensing and administering of drugs and biologicals;

"(G) provide for timely transfer of patients between the nursing facility and any other facility (including a hospital providing inpatient service) whenever such transfer is medically appropriate, and also provides for the transfer or the joint use (to the extent practicable) of clinical records between it and other facilities as appropriate; and

"(H) have in effect a planned program of nursing care adequate to meet the needs of the patient. Such plan shall include (1) a continuing in-service training program for nursing personnel, (2) a nursing care plan for the individual patient, (3) written nursing procedures, and (4) a program for assisting patients to achieve and maintain an optimum level of self care;

"(I) have a disaster plan in effect;

"(J) be a fire resistant structure or has a standard sprinkler system, or a recognized fire detection system;

"(K) meet such other conditions relating to the health and safety of individuals who are furnished services by, or in such nursing facility, or relating to the physical facilities thereof as the state agency finds is necessary to improve such standards so that they are in line with those of the top one-fifth of the states prior to January 1, 1970.

"(24) must provide for a periodic review, not less than every 5 years, of the state nursing home code or licensure provisions and regulations by the State agency (together with an advisory committee composed of the representatives of the professions, occupations, institutions and associations involved) with recommendations for improvement thereof to the appropriate state authorities.

"(25) provide for (A) keeping of such records by private or public institutions and individuals providing services under a state plan as are necessary fully to disclose the extent of services provided to those receiving assistance under the State plan, (B) furnishing the State agency with such information, regarding any payments claimed by such institutions and individuals for providing services under the State plan, as the State agency reasonably may request from time to time and (C) make available to the Secretary and the Comptroller General of the United States, upon reasonable request, for the purpose of audit and examination, all books, documents, papers and records of such institutions and individuals which pertain to services provided by such institutions and individuals to anyone claiming assistance under the State plan for providing such service.

"(26) provide that services, facilities and supplies furnished to private or public institutions and individuals providing services under a State plan by organizations or individuals related to the institutions by common ownership or control or by owning any interest therein shall not be compensated for at a charge in excess of a charge for such services, facilities or supplies (A) prevailing in the open market or (B) made by such organization or individual under comparable circumstances to others."

II. Amend Section 1902(a)(1) by striking out the semicolon at the end thereof and adding the following: "and further provide that recipients of medical assistance must be cared for in private or public institutions licensed by the State, or in their own homes, under the supervision of a home health care agency licensed by the State."

Mr. Chairman, as I mentioned earlier, the bill does make a number of improvements in the health insurance program. One of the more significant changes would be to restrict the hospital insurance program requirement that there be a physician's certification of medical necessity with respect to each admission to a hospital so that the requirement would apply only to admissions to psychiatric and tuberculosis institutions. Also, the requirement for a physician's certification for outpatient hospital services would be eliminated. Elimination of these requirements will substantially reduce paperwork. The requirement in present law that there be a physician certification after inpatient hospital services have been furnished over a period of time would be retained.

Second, the number of days of hospitalization which could be covered in a spell of illness would be increased from 90 to 120 days. However, the patient would have to pay a coinsurance amount of $20 per day for those additional days—subject to adjustment after 1968, depending on the trend of hospital costs. This amendment would help, among others, beneficiaries who have had payments made for some hospital care and who cannot renew their eligibility for inpatient hospital benefits because they require long-term institutional care outside the hospital.

Third, a new procedure that would permit physicians—and others who furnish services for which payment under the medical insurance program is made on the basis of reasonable charges—to receive payment on the basis of an itemized bill, if the bill is submitted in an acceptable manner and if the total charges do not, in fact, exceed the program's allowable charges, without having to agree, as under the assignment method now provided, to accept the program's allowable charges as payment in full. Where these conditions are not met or where the physician requests that the benefits be paid to the patient, payment would be made to the beneficiary on the basis of an acceptable itemized bill. This new procedure will be helpful to beneficiaries as well as physicians.

Fourth, the bill would make three changes to facilitate hospital billing for certain services. The bill would: First, provide that the full reasonable charges—with no deductible or coinsurance—will be paid under the medical insurance program for covered radiological and pathological services furnished by physicians to hospital inpatients; second, consolidate all coverage of outpatient hospital services under the medical insurance program by transferring coverage of outpatient hospital diagnostic services from the hospital insurance program to that program; and, third, allow hospitals to bill medicare patients directly for outpatient charges which do not exceed $50—subject to final settlement in accordance with present cost-reimbursement provisions. Such provisions would simplify beneficiary understanding and facilitate hospital and intermediary handling of medicare claims by bringing the requirements of the medicare program more closely into line with the usual billing practices of hospitals and the payment methods of private insurance organizations.

There are a number of amendments, in addition to those that I have discussed, which would, in general, result in very modest improvements in benefits under the medicare program or would make for smoother operation of the program.

FINANCING PROVISIONS

We are recommending changes in the financing of the program that will keep it on an actuarially sound basis. The current cost estimates for the existing cash benefits program—prepared in 1966—show the program to have a very significant favorable actuarial balance—0.74 percent of payroll. Thus, it is possible with the present financing provision to meet about three-fifths of the cost of the improvements we are recommending in the cash-benefit provisions. The remainder of the cost—for both cash benefits and hospital insurance—will be financed by the increase in taxable earnings that I have already mentioned and by the increase in the contribution rates of the program—from an ultimate rate for employers and employees, each, under present law of 5.65 percent of payroll to an ultimate rate of 5.9 percent for the program as it would be amended. This represents an increase in ultimate tax rates for both the OASDI program and the hospital insurance program. The ultimate OASDI tax rate would be increased by 0.15 percent of payroll, and the ultimate hospital insurance tax rate would be increased by 0.1 percent of payroll. This is an increase of one-quarter of 1 percent in the rates payable for 1987 and thereafter. In the interim, the rates would remain at their present level for next year and would go up in 1969, but they would be somewhat lower in 1969 and 1970 than scheduled in present law. The rates for 1971 and 1972 and for 1973 and thereafter would be somewhat higher than those scheduled in present law. These increases in the tax rates and in the contribution and benefit base will assure the adequate financing of all the changes in the social security program provided by H.R. 12080. The cash-benefits program as amended by H.R. 12080 will have a positive actuarial balance of 0.04 percent of payroll.

Although the present cash-benefits program as a whole has a favorable actuarial balance of 0.74 percent of taxable payroll, there is an estimated favorable balance of 0.89 percent for the OASI part of the program and a deficit of 0.15 percent for the disability insurance trust fund. As I mentioned earlier, your committee has been concerned about the costs of the disability insurance program. We are, therefore, providing in this bill an increase in the allocation of social security contribution income to the disability insurance trust fund sufficient to assure that that part of the program will be in close actuarial balance. Specifically, the bill provides for increasing from 0.70 percent to 0.95 percent the portion of the employee-employer contributions allocated to the disability insurance fund and from .525 percent to 0.7125 percent the portion of the contributions of the self-employed so allocated.

For the hospital insurance program, present estimates show a lack of actuarial balance of 0.24 percent of payroll which under the provisions of H.R. 12080 would become an actuarial surplus of 0.06 percent of payroll.

Finally, I would like to summarize for you the immediate effects of the bill, in terms of numbers of people benefited

and additional benefit payments. Under the 12½-percent across-the-board benefit increase, 22.9 million people will get increased benefits in the first month, and these increased payments will total $2.8 billion in calendar year 1968, and an additional $59 million in benefits will be paid out in calendar year 1968 to 900,000 people aged 72 or over who will receive special payments under legislation enacted in 1965 and 1966. Thus, close to 24 million people will get higher benefits under this bill.

Also, about 180,000 additional dependents of women workers will get benefits, and the benefits will total about $85 million in 1968. Some 100,000 workers disabled before attaining age 31 and dependents of those workers will qualify for benefits, and the amount payable in 1968 will be $70 million. About 65,000 disabled widows and widowers age 50 and over will qualify for benefits, and the amount paid to them in calendar year 1968 will be $60 million. And finally, 760,000 beneficiaries will be affected in 1968 by the liberalization in the retirement test, and the amount of additional benefits paid to them will be $140 million. The total additional benefits that will be paid in 1968 as a result of the enactment of this bill will be about $3.2 billion.

There are many other provisions of this bill and I am satisfied they will be discussed by other members of the committee.

PUBLIC WELFARE AMENDMENTS

I want to go to this part of the bill that there has been so much said about recently and that is the provisions that deal with the welfare programs.

Mr. Chairman, I understand it has been said that we have made mistakes—grievous mistakes here by putting limitations in this bill.

I want to talk to you a little bit about what we found out.

If you will look at page 117 of the report—and to get some idea of what concerned us in the committee, you have to go to the report, and I would appreciate it if you would turn to the table on page 117.

Mr. Chairman, it is not known generally by our taxpayers that the Federal cost in the fiscal year 1968 for public assistance, which consists of payments-in-aid to families with dependent children and all other public assistance costs, plus title XIX, which is the so-called medicaid program, are budgeted at $4½ billion.

I am sure it is not generally known that about 4 or 5 years hence when we get to the fiscal year 1972, the figure will have risen by $2.2 billion to an amount of $6,731,000,000.

Mr. Chairman, if I detect anything in the minds of the American people, it is this. They want us to be certain that when we spend the amounts of money that we do, and of necessity in many cases have to spend, that we spend it in such a way as to promote the public interest, and the public well-being of our people.

Is it, Mr. Chairman, in the public interest for welfare to become a way of life? We have found out, Mr. Chairman, in our investigations within our committee that under aid to families with dependent children, we are now, in some instances, taking care of the third consecutive generation—the third consecutive generation of welfare recipients.

In 1962, Mr. Chairman, at the behest of the administration then in office, we wrote into the law at the Federal level certain provisions which we left to the option of the States. We were told at the time that these provisions would result in a downturn in expenditures in this particular area.

We have had a downturn so far as numbers are concerned of people over 65 on old-age assistance because of social security. We have had a lot fewer of these children whose fathers have died having to go on public assistance because of social security survivor benefits.

But, Mr. Chairman, we were faced with charts in the committee that started with 4½ percent of our child population throughout the Nation on aid to families with dependent children, and in a very short period of time, relatively speaking, we were told to expect at least 5 percent of the total child population of the United States to be on aid to families with dependent children.

Mr. Chairman, it should be pointed out, on the other hand, that the average stay of a family on aid to families with dependent children where the father is absent from the home is about 2½ years. But then you have that extreme situation where not one generation lives on public welfare, but a second generation has been raised and a third generation has been raised. They have no other means of support.

We have done some things here, not in a negative way—with no thought of being negative—but with the thought in mind that it takes requirements on the States to reverse these trends. In 1962 we gave them options. For 5 years this load has gone up and up and up, with no end in sight.

Mr. Chairman, we have written into this bill certain requirements that a State must now meet. Those requirements are set out in the report in detail. We want the States to have a work and training program. We want the States to see to it that those who are drawing as unemployed fathers, or drawing as mothers, unless there is good cause for them not to be required to take it, that they take training and then work. Is there anything wrong with that? What in the world is wrong with requiring these people to submit themselves, if they are to draw public funds, to a test of their ability to learn a job? Is that not the way that we should go? Is that not the thing we should do?

Are you satisfied with the fact that illegitimacy in this country is rising and rising and rising? I am not. We have tried to encourage the States to develop programs to do something about it. Now we are requiring them to do something about it. We are not penalizing any child. We are not going to take a child off the rolls in any State nor fail to participate with Federal funds in the care of that child, regardless of what his parent does. But we are not going to continue to put Federal funds into States for the benefit of parents when they refuse to get out of that house and try to earn something.

What else have we done? We have taken what can be an expensive step because we tell the States that you must disregard certain earnings of these people in determining their needs as an inducement to get them out of their house and to work.

What do they say now? They say they cannot work. If they work, they lose their assistance payments. Maybe they are not qualified in all instances to earn very much, but to the extent that they can work and make something, we want them working. If there are any jobs available for them, we want them to have them. This is what we wanted to do in 1962. We left it to the option of the States, and they did not do it. Five years later, today, we are on the floor with a bill which requires that it be done.

We are being very generous with the States, on the other hand. We are saying to the States, since we are requiring this of you, we will not match these kinds of services, as we do through cash payments. We will see to it that the States do not have to pay more than 25 percent of the total cost of those services, and because we are requiring it of them, we are going to help them with this big additional load.

What does this do? We pointed it out in this report. In 1972, the Department tells us, in all probability they expect 400,000 fewer children on the rolls than there would have been under the existing law.

Is that not the way we should lead people? Is that not the way we lead people from a condition that I am sure they do not want to be in—of need—into a position of independence and self-support?

This has been too long in coming, Mr. Chairman, because, I believe, some day there is going to be a revolution, an upheaval, or something put on by the American taxpayers, if they can ever get organized. Whenever that happens, Mr. Chairman, we are going to find, in my opinion, unless the trends in these programs are reversed, and their administration made more sensible and more in the public interest, the taxpayer is going to insist that they be eliminated from the cost of government.

I do not think there is any question about it. If ever I heard anything in connection with a request for a tax increase—surcharge, or whatever it may be called—it is this. The letters have come from every State in the Union in truckloads: See to it, before we are taxed more, that the giveaway programs and programs that can pared to the bone are pared to the bone.

Mr. Chairman, what we have done in this bill will reduce the cost of these programs by approximately $713 million by 1972. If these provisions are not enacted, the programs will cost us $6.7 billion in 1972. These are items over which no one, including the President, has any control—except the Congress. The States send in their bills and we give them a check, after the expenditures have been incurred. There is no way to reduce these in the Appropriations Committee. It is our job today to get these programs on the proper track.

They say, this is all right but we should not have put any limitation percentagewise on these families and children where the father is absent from the home. We should not have done that. Let me tell you why we did it, Mr. Chairman. We sincerely mean for the States to reduce these rolls as fast as they can train these people to work. We mean it. If they will reduce the rolls as we expect and as we are requiring, there is plenty of room within a percentage of the total child population of that State to put any additional deserving family of children on the rolls.

This is not a static figure, to begin with. It does not mean, if there are now 100,000 children on the rolls in a given State, that 10 years from today there could not be more than 100,000 children, because as the child population within the State rises, that percent would become applicable to the larger number of children.

I want to make it clear, the provisions of section 208 do not provide for an absolute freeze on the numbers of children for which Federal matching will be available. What we have done here is to freeze the present ratio that AFDC children are to all children. For example, if the numbers of all children are increasing at the rate of 2 percent a year, then the numbers of children for which Federal matching would be available could also increase by 20 percent. Take a State like New York. The number of children on the AFDC rolls there in January was 477,000. Since New York's population age 21 and under is expected to go up 1.3 percent by next January the numbers of children for which Federal matching is available could increase by as much as 6,200. I would like to point out, also, that we selected only that category which has shown the most growth—the category where the father is absent from the home. This means that States which wish to set up a program for unemployed fathers, which I hope many will do, will not be hindered from doing so by this provision.

Ladies and gentlemen, if we want to do anything in this area, we have to put on this limitation; otherwise, we may have just spent more money in the process of trying to train people and trying to get people to work. I have reached the conclusion that this trend has got to be reversed. That is my own feeling about it. If it is not reversed, one of these days there will be members on the Ways and Means Committee who will be here with a bill repealing some of these provisions of law, and a Congress will have been elected that will go along with that committee.

Mr. Chairman, we are not doing anything here in any way penalizing anybody. We are still going to spend more money down through the years, as I said, in aiding children, than we are spending in 1968, but we are not going to be spending it on as many in the years ahead as we would otherwise, because it will be possible for members of the families to again become self-supporting taxpayers and not tax eaters, as some refer to them.

Mr. Chairman, the proposals in the bill relating to aid to families with dependent children can be roughly divided among three areas—those dealing with getting AFDC adults into productive employment, those dealing with methods to keep people from having to go on the rolls, and those designed to protect children and secure parental support.

I would like now to describe each of these provisions in these three areas, indicating briefly the reasons why we included them in the bill.

First, let me describe those that go to the problem of employment. We put in a requirement that all States establish a program for each appropriate AFDC adult and older child not attending school for the purpose of getting each of them equipped for work and placed in a job. The public assistance agency would have to reexamine and update each program as often as needed but not less than once a year. Mr. Chairman, we believe that this provision will assure that proper attention is given to the employment potential of each adult member of an AFDC family. Moreover, we would require the States, as a condition for receiving Federal matching, to take off the rolls those adult members of a family who refuse without good cause to accept training or employment offered to them. This program for each family would be the planning document for providing the family with those services, employment or other types, which would enable the family to get off the AFDC rolls and to be restored to independence as quickly as possible. The States would be required to report regularly on their experience in setting up and carrying out these programs. The Secretary of Health, Education, and Welfare would, in turn, submit annual reports to the Congress, the first one due January 1, 1970, so that we can evaluate the effectiveness of these provisions.

The members of the committee were well aware that the implementation of these programs could not be successful unless other provisions were included to support them. The bill contains such provisions.

First, it has a requirement that all States have an earnings exemption to provide incentives for work by AFDC recipients. There is no provision in the Social Security Act now which would permit States to allow an employed parent or other relative to retain any part of his earnings. We believe that such an incentive is necessary, and the bill provides for an earnings exemption under which the States would disregard the first $30 of monthly earnings of the adult members of the family and one-third of all earnings above that amount. All earnings of children under 16 and those 16 to 21 who are regularly attending school full time would be exempt. We believe this provision will furnish ample incentive to AFDC recipients to take employment and increase their earnings to the point where they become self-supporting.

Second, the bill would add a requirement that all States establish community work and training programs throughout the State by July 1, 1969. This provision will assure that when employment or training is found appropriate for an adult AFDC recipient, the training and employment will actually be available and given to him.

We realize that many of the adult members of AFDC families who will be participating in these programs will be the mothers of minor children. The bill would require, therefore, that all States furnish day-care services and other appropriate services to make it feasible for mothers to take training and employment when the State determines that it is appropriate for the mother to work.

Recognizing, too, that the States would be unable to take on the new functions which these provisions would require without additional financing, we have provided in this bill for Federal matching of 75 percent for the services related to employment which the States would be required to furnish to these families—whether employment services, day care, or other forms of child welfare services. In addition, as an incentive to have States start these programs before they become mandatory on July 1, 1969, Federal matching of 85 percent would be available up to that point.

We believe that the set of provisions which I have just described should do much to get the adult members of AFDC families into training and employment which can lead to the family once again becoming independent.

As I indicated earlier, there are two other areas at which the provisions in the bill are directed—the prevention of those situations which lead to families having to apply for assistance and the protection, and parental support of the children involved. To aim at the prevention of dependency, the States would be required to establish programs to combat illegitimacy. Operating through schools, churches, and other community organizations, these programs would be aimed at reducing the causes of illegitimacy. Some of these programs have been developed successfully on a pilot basis, and we believe they should be extended to as many areas as possible.

The plan for each adult AFDC recipient would, in addition to the employment potential, having to include the offer of family planning services wherever appropriate. This provision should also help reduce the incidence of illegitimate births and thus reduce proportions, now 20 percent, of illigitimate children on the AFDC rolls. The acceptance of family planning services would, of course, be completely voluntary on the part of the recipient.

The bill would substantially modify the program of aid to the children of the unemployed. The program of aid to children and families where the parent is unemployed is optional with the States and, under the bill, would remain so. However, we found on examining this program that the fact that the definition of unemployment is left to the States has had unfortunate results. In some cases, the definition used by the States has been very narrow so that only a few people have been helped. In other cases, the definition of unemployment has gone well beyond anything that the Congress envisioned when it first put these programs in the law in 1961.

The bill would correct this situation and make other improvements in the program. The objective of the provisions in the bill is to tie the program more closely to the work and training program, to which I referred earlier, and to protect only the children of unemployed fathers who have had a significant attachment to the work force. Under the bill, the fathers will be required to register at the employment office, be enrolled in a community work and training program within 30 days of coming on the assistance rolls, and must not refuse to accept either training or bona fide offers of employment. With these changes, the bill would make this optional program a permanent part of the Social Security Act.

The bill would provide for a new program of emergency assistance for families for a temporary period. This new program would allow Federal matching for a wide variety of services which families may need in an emergency situation for a short period of time. We believe that encouraging the States to move quickly in family crises, supplying the family promptly with appropriate services, would in many cases preclude the necessity for the family having to go on assistance on a more or less permanent basis. Federal matching would be at 50 percent for emergency assistance payments and the usual 75 percent for the social services which the family may require.

To provide additional assurance that appropriate child welfare services will be furnished effectively to AFDC families in ranging out the program for each adult and the supportive services for children, the bill would first place the child welfare provisions in the title of the act which establishes the AFDC program; second, include these services under 75-percent Federal matching, the same proportion which applies to certain other services under AFDC; and, third, require that the child welfare services and other services to AFDC children be provided by the same organizational unit.

In addition, these services could be furnished to families who would otherwise have to go on the rolls.

The third group of proposals are designed to furnish additional protection to children and more effective mechanisms for assuring that their parents support them when able. We found in our deliberations on the AFDC program that much more should be done in these areas. The bill, therefore, includes several provisions to carry out these purposes.

First, the bill would require that the States make protective payments and vendor payments in cases where they find that the child is not getting the benefit of the assistance payment.

I might point out right here what can be done for the children if the parent refuses to work and loses his payment. A number of federally matched alternatives are open: First, 30-day emergency assistance can be provided to the child under a new provision added by the bill; second, vendor payments can be made on behalf of the child. These can be in the form of food, rent, and so forth; third, protective payments would be made to an "interested party" for the child; and fourth, if the child's home situation is so bad as to warrant it, the welfare agency can look for another relative with whom the child could live, or the child could be removed from the home and be put into foster care. In both these situations, the child's AFDC payment would be continued.

Another provision would require that State welfare agencies refer cases of child abuse or neglect promptly to appropriate law-enforcement agencies and the courts. Still another provision would modify present law so that Federal matching would be available for additional foster care situations under the AFDC program. This provision is designed to avoid any economic incentive to a State to leave a child in a home where he is abused or neglected.

In order to increase the amount of support payments from fathers of dependent children, the bill would require that the States establish separate units in welfare agencies to work with courts and law-enforcement agencies in the enforcement of child support laws. In addition, in order to insure that these cases receive full attention by law enforcement officials and the courts, the bill would provide limited Federal financial assistance to pay for the expenses of law-enforcement agencies arising from efforts to collect support from parents.

Moreover, we have included a provision in the social security part of the bill under which the Social Security Administration would be required to furnish information on the whereabouts of a deserting father when a court of competent jurisdiction requests it.

Finally, Mr. Chairman, the bill would add a provision to present law which would limit Federal financing for the largest AFDC category—where the parent is absent from the home—to the proportion of each State's total child population that is now receiving AFDC in this category. This provision, we believe, would give the States an additional incentive to make effective use of the constructive programs which the bill would establish. Moreover, this limitation on Federal matching will not prevent any deserving family from receiving aid payments. The States would not be free to keep any family off the rolls to keep within this limitation because there is a requirement in the law that requires equal treatment of recipients and uniform administration of a program within a State. Moreover, the provisions I have described that will require the States to take action to lessen dependency will result in there being fewer families on the AFDC rolls. In order to assist the States in establishing and carrying out these new programs, the bill provides highly favorable Federal matching. The purpose of this limitation is to assure effective State action in carrying out the new constructive provisions.

Mr. Chairman, I believe that these provisions of the bill which relate to the AFDC program will lead to substantial results. The Committee on Ways and Means, as well as many other members have become very concerned about this program. The committee has very carefully analyzed the factors which have caused its great growth. Mr. Chairman, the provisions which the committee has included in the bill are of a high order; they are constructive; they are sound; and with cooperative and dedicated administration, they will work.

We are requiring the States to supply those services to those families which experience has shown can lead to independence and self-direction for many unfortunate families. The objective of these provisions is to get people off the assistance rolls. But the objective will be carried out not by cutting off the funds of those in need but by restoring them to independence and a vital roll in their communities.

OTHER PUBLIC ASSISTANCE PROVISIONS

Mr. Chairman, during the in-depth analysis of the assistance programs, we found some situations relating to all of the cash public assistance programs which need attention. The committee approved and recommends several changes.

First, the bill would provide that States could get 50-percent Federal matching to meet the cost of repairing the home owned by an assistance recipient under titles I, XIV, or XVI of the Social Security Act if the cost of the repairs is less than $500 and the recipient would have to go into higher cost rental housing if the repairs were not made. The committee found that the present provisions could operate to force a recipient into rented quarters with increased assistance costs; this provision would prevent such uneconomic results.

Second, the bill would authorize $5 million a year for 4 years to support programs for training social workers. The committee was impressed by the data furnished to it which indicated severe shortages of social workers in public welfare. However, we also wanted to encourage schools to establish social work courses at the undergraduate level since a good deal of the shortage is of workers who do not need to have graduate training. The bill would require, therefore, that at least half of the money appropriated be for undergraduate purposes.

Third, the bill would make permanent and increase from $2 to $4 million the authorization to support demonstration projects in public assistance. In order to assure that these projects, and other projects financed entirely out of Federal funds, receive review and evaluation at the highest levels, the bill would require the Secretary or Under Secretary of Health, Education, and Welfare to personally approve each project and promptly notify the Congress concerning their content, cost, and expected duration.

CHILD WELFARE PROVISIONS

Mr. Chairman, a number of bills to amend the child welfare provisions of the Social Security Act were before the committee. H.R. 1977, introduced by Mr. BURKE, would authorize such sums as may be necessary to enable the States to extend and improve child welfare services, including foster care. H.R. 3969, introduced by Mr. KING, would provide grant-in-aid funds for foster care.

In response to the obvious need to increase Federal support for child welfare, H.R. 12080 increases the authorization from $55 million to $100 million for 1969

and from $60 to $110 million for each year thereafter. States are required to provide child welfare services to AFDC children through a single organizational unit in the State and local agency which administers the AFDC program. Federal funds will pay for 75 percent of the cost of such services to AFDC children.

The change in the foster care provisions of the AFDC program, which I mentioned earlier, will increase Federal participation for foster care by $20 million in 1970.

The bill also broadens the research and demonstration authority with respect to child welfare.

TITLE XIX AMENDMENTS

You may recall, Mr. Chairman, that the Committee on Ways and Means reported a bill in 1966 to make certain changes in title XIX. Congress adjourned before action could be taken on that proposal. Some of the amendments in H.R. 12080 are similar to, or identical with, the provisions of last year's bill. The primary provision, however, which would establish a limitation on Federal matching under the program, is a new approach to the problem.

The proposal in the committee's bill sets two limits on Federal financial participation with respect to the income level States may establish in determining who is medically needy insofar as Federal participation is concerned. Under the law, each State which extends its program to include the medically needy must set dollar amounts that an individual and families of various sizes will need to provide them with the basic living standard the State has set. Persons at or below those levels are considered unable to contribute anything toward the cost of their medical care; persons above those limits are considered to have some income available to pay toward the cost of the medical services they need. Your committee is proposing, for all State plans approved after July 25, 1967, that Federal sharing will not be available for families whose income exceeds 133⅓ percent of the highest amount ordinarily paid to a family of the same size—without any income and resources—in the form of money payments under the AFDC program. We selected the AFDC income limits because they are, generally speaking, the lowest that are used in the categorical assistance programs. The Secretary is given discretion to make appropriate adjustments if a State applies a uniform maximum to families of different sizes. The bill provides a further test of the matchability of State expenditures by setting a figure of 133⅓ percent of the average per capita income of a State as the upper limit on Federal sharing when applied to a family of four under the title XIX program. That figure would be proportionately reduced or increased to reflect the level for smaller or larger family groups.

For States with plans already approved, the limit of Federal sharing under both tests would be 150 percent effective July 1, 1968, 140 percent effective January 1, 1969, and 133⅓ percent on January 1, 1970. This staggered period of reduction will enable the States affected to make the necessary adjustments either in the scope of the program they offer in the State or in their financing arrangements.

Other provisions in the bill related to the medicaid, title XIX, program would:

First. Allow States a broader choice of required health services under the program;

Second. Exempt from the requirement of "comparability" for all recipients the benefits "bought in" for the aged under the medicare supplementary medical insurance program;

Third. Allow recipients free choice of qualified providers of health services;

Fourth. Allow, at the option of the States, direct payments to medically needy recipients for physicians' services;

Fifth. Establish an Advisory Council on Medical Assistance to advise the Secretary of Health, Education, and Welfare on administration of the program; and

Sixth. Require the States to assure that medical expenses of a recipient which a third party has an obligation to pay would not be paid for under the medical assistance program.

CHILD HEALTH

The provisions of the bill that remain to be described are designed to improve programs relating to the health of mothers and children. The bill would first, consolidate separate earmarked authorizations, now in a confusing set of separate sections under the law, into three broad categories under one authorization: formula grants to States, project grants, and grants for research and training, with project authority to be assumed by the States in their formula grants and eliminated as a separate category in fiscal year 1973; second, increase total authorizations by steps, with such increases directed particularly to expanded screening and treatment of children with disabling conditions, family planning, and dental health of children; and, third, amend the research and training authority to emphasize improved methods of delivering health care through the use of new types of personnel with varying levels of training in order to give added emphasis to the training of medical assistants and health aides and the strengthening of training at the undergraduate level.

Mr. Chairman, I am proud of the fact that we were able to get virtually unanimous agreement within the committee on the desirability of the provisions of this bill, so that we are able to bring to you a truly bipartisan measure for the improvement of the social security program. The bill is worthy of the support of every single Member of this House, and I hope that all of my colleagues will find that they can support it and be proud of it.

Mr. Chairman, I will include at this point a number of tables containing data relative to various provisions of the bill:

TABLE 1.—PRESENT AND PROPOSED TAX SCHEDULES

[In percent]

Period	OASDI		HI		Total	
	Present law	Proposal	Present law	Proposal	Present law	Proposal
Combined employer-employee contribution rates:						
1967	7.8	7.8	1.0	1.0	8.8	8.8
1968	7.8	7.8	1.0	1.0	8.8	8.8
1969–70	8.8	8.4	1.0	1.2	9.8	9.6
1971–72	8.8	9.2	1.0	1.2	9.8	10.4
1973–75 [1]	9.7	10.0	1.1	1.3	10.8	11.3
1987 and after	9.7	10.0	1.6	1.8	11.3	11.8
Self-employed contribution rates:						
1967	5.9	5.9	.5	.5	6.4	6.4
1968	5.9	5.9	.5	.5	6.4	6.4
1969–70	6.6	6.3	.5	.6	7.1	6.9
1971–72	6.6	6.9	.5	.6	7.1	7.5
1973–75 [1]	7.0	7.0	.55	.65	7.55	7.65
1987 and after	7.0	7.0	.8	.9	7.8	7.9

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

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

MAXIMUM TAX CONTRIBUTIONS UNDER PRESENT LAW AND UNDER COMMITTEE BILL

Period	OASDI		HI		Total	
	Present law	Proposal	Present law	Proposal	Present law	Proposal
By employee:						
1967	$257.40	$257.40	$33.00	$33.00	$290.40	$290.40
1968	257.40	296.40	33.00	38.00	290.40	334.40
1969–70	290.40	319.20	33.00	45.60	323.40	364.80
1971–72	290.40	349.60	33.00	45.60	323.40	395.20
1973–75	320.10	380.00	36.30	49.40	356.40	429.40
1987 and after	320.10	380.00	52.80	68.40	372.90	448.40
By self-employed:						
1967	389.40	389.40	33.00	33.00	422.40	422.40
1968	389.40	448.40	33.00	38.00	422.40	486.40
1969–70	435.60	478.80	33.00	45.60	468.60	524.40
1971–72	435.60	524.40	33.00	45.60	468.60	570.00
1973–75	462.00	532.00	36.30	49.40	498.30	581.40
1987 and after	462.00	532.00	52.80	68.40	514.80	600.40

TABLE 2.—ESTIMATED ADDITIONAL OASDI BENEFIT PAYMENTS IN CALENDAR YEARS 1968 AND 1972 UNDER H.R. 12080

[In millions]

Item	1968	1972
12½-percent benefit increase	$2,812	$3,324
Benefit increase for transitional insured	7	5
Benefit increase for transitional noninsured	52	25
Liberalized benefits with respect to women workers	85	100
Special disability insured status under age 31	70	77
Disabled widow's benefits at age 50	60	72
Earnings test liberalization	140	244
Total	3,226	3,847

TABLE 3. ESTIMATED NUMBERS OF BENEFICIARIES

I. Beneficiaries in current-payment status on Dec. 31, 1967, whose benefits for December (assumed to be the effective month) will be increased		23,750,000
II. Estimated number of persons who can receive a benefit for December 1967 (assumed to be the effective month) under the OASDI program as modified by the bill but who cannot receive a benefit for December 1967 under present law		415,000
Dependents of women workers fully but not currently insured at time of death, disability, or retirement, total		180,000
Children	175,000	
Husbands and widowers	5,000	
Workers disabled before attaining age 31, and their dependents		100,000
Disabled widows and widowers who have reached age 50		65,000
Noninsured persons aged 72 and over:		
Persons, now public assistance recipients, who can receive a full payment		20,000
Persons, receiving a governmental pension, who can receive a reduced payment not exceeding $5 per month		50,000
III. Estimated number of persons affected in 1968 by the modification of the earnings test		760,000
Persons who can receive no benefits for 1968 under the earnings test in present law but who will receive some benefits for 1968 under the test as modified by the bill		50,000
Persons who can receive some benefits for 1968 under the earnings test in present law but who will receive more benefits under the test as modified by the bill		710,000

TABLE 4. AVERAGE BENEFITS FOR SELECTED BENEFICIARY CATEGORIES IN CURRENT-PAYMENT STATUS DEC. 31, 1967, UNDER PRESENT AND H.R. 12080

	Present law	Proposed
Family groups:		
Retired worker	$82	$92
Male retired worker	93	105
Retired worker and aged wife	145	164
Aged widow only	75	84
Widowed mother and 2 children	223	251
Disabled worker, wife, and 1 or more children	212	239
Beneficiary group: All retired workers	85	96

TABLE 5.—ILLUSTRATIVE MONTHLY BENEFITS PAYABLE UNDER PRESENT LAW AND UNDER THE COMMITTEE'S BILL ARE SHOWN IN THE FOLLOWING TABLE

Average monthly earnings	Worker [1]		Man and wife [1 2]		Widow, widower, or parent, age 62		Widow and 2 children	
	Present law	Bill	Present law	Bill	Present law	Bill	Present law	Bill [3]
$67	$44.00	$50.00	$66.00	$75.00	$44.00	$50.00	$66.00	$74.00
150	78.20	88.00	117.30	132.00	64.60	72.60	120.00	132.00
250	101.70	114.50	152.60	171.80	84.00	94.50	202.40	202.40
300	112.40	126.50	168.60	189.80	92.80	104.40	240.00	240.00
350	124.20	139.80	186.30	209.70	102.50	115.40	279.60	280.80
400	135.90	152.90	203.90	229.40	112.20	126.20	306.00	322.40
550	168.00	189.00	252.00	283.50	138.60	156.00	368.00	391.20
633	[4]	212.00	[4]	317.00	[4]	174.90	[4]	423.60

[1] For a worker who is disabled or who is age 65 or older at the time of retirement and a wife age 65 or older at the time when she comes on the rolls.
[2] Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as the benefits for a man and wife, except that the total benefits would always equal 150 percent of the worker's primary insurance amount; it would not be limited to $317.
[3] For families already on the benefit rolls who are affected by the maximum benefit provisions, the amounts payable under the bill would in some cases be somewhat higher than those shown here.
[4] Not applicable, since the highest possible average earnings amount is $550.

TABLE 6.—CHANGES IN ACTUARIAL BALANCE OF HOSPITAL INSURANCE SYSTEM EXPRESSED IN TERMS OF ESTIMATED LEVEL-COST AS PERCENTAGE OF TAXABLE PAYROLL, BY TYPE OF CHANGE, INTERMEDIATE-COST ESTIMATE, PRESENT LAW AND COMMITTEE BILL, BASED ON 3.75-PERCENT INTEREST

[In percent]

Item	Level-cost
Level-cost of benefit payments,[1] present law:	
Original estimate	1.23
Revised estimate	1.47
Increase in earnings base	−.11
Transfer of outpatient diagnostic benefits to SMI	−.01
Increase in maximum duration of inpatient benefits	.00
Revised contribution schedule	−.18
Total effect of changes in bill	−.30
Actuarial balance under present law, original estimate	.00
Actuarial balance under present law, revised estimate	−.24
Actuarial balance under committee bill	+.06
Net level-cost of benefit payments [1] under committee bill	1.35
Net level-equivalent of contributions under committee bill	1.41

[1] Including administrative expenses.

TABLE 7.—ESTIMATED PROGRESS OF HOSPITAL INSURANCE TRUST FUND INTERMEDIATE-COST ESTIMATE

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
	Actual data				
1966	$1,911	$783	[1] $57	$34	$1,105
	Estimated data, committee bill				
1967	$2,943	$2,437	$90	$52	$1,573
1968	3,332	2,912	102	69	1,960
1969	4,120	3,329	117	92	2,726
1970	4,348	3,657	128	121	3,410
1971	4,518	3,951	138	145	3,984
1972	4,680	4,244	149	162	4,433
1973	5,216	4,539	159	182	5,133
1974	5,442	4,830	169	204	5,780
1975	5,627	5,124	179	222	6,326
1980	7,982	6,632	232	368	10,818
1985	9,103	8,512	298	603	16,698
1990	11,441	10,843	380	818	22,491
	Estimated data, present law				
1967	$2,943	$2,437	$90	$52	$1,573
1968	3,150	2,929	103	64	1,755
1969	3,272	3,349	117	62	1,625
1970	3,394	3,678	129	48	1,260
1971	3,516	3,973	139	25	689
1972	3,637	4,269	149	[2]	[2]
1973	4,100	4,564	160	[2]	[2]
1974	4,270	4,858	170	[2]	[2]
1975	4,405	5,153	180	[2]	[2]
1980	6,379	6,670	233	[2]	[2]
1985	7,231	8,560	300	[2]	[2]
1990	9,172	10,905	382	[2]	[2]

[1] Including administrative expenses incurred in 1965.
[2] Fund exhausted in 1972.

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

TABLE 8.—CHANGES IN ACTUARIAL BALANCE OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, EXPRESSED IN TERMS OF ESTIMATED LEVEL-COST AS PERCENTAGE OF TAXABLE PAYROLL, BY TYPE OF CHANGE, INTERMEDIATE-COST ESTIMATE, PRESENT LAW AND COMMITTEE BILL, BASED ON 3.75-PERCENT INTEREST

[Percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present system	+0.89	−0.15	+0.74
Increase in earnings base	+.21	+.02	+.23
Earnings test liberalization	−.06	[1]	−.06
Disabled widow's benefits at age 50	−.03	[1]	−.03
Special disability insured status under age 31	[2]	−.02	−.02
Liberalized benefits with respect to women workers	−.07	[1]	−.07
Benefit increase of 12½ percent	−.89	−.10	−.99
Revised contribution schedule	−.01	+.25	+.24
Total effect of changes in bill	−.85	+.15	−.70
Actuarial balance under bill	+.04	.00	+.04

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

TABLE 9.—PROGRESS OF OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, SHORT-RANGE ESTIMATE

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [2]	Interest on fund [1]	Balance in fund at end of year [3]
Actual data						
1951	$3,367	$1,885	$81	----------	$417	$15,540
1952	3,819	2,194	88	----------	365	17,442
1953	3,945	3,006	88	----------	414	18,707
1954	5,163	3,670	92	−$21	447	20,576
1955	5,713	4,968	119	−7	454	21,663
1956	6,172	5,715	132	−5	526	22,519
1957	6,825	7,347	[4] 162	−2	556	22,393
1958	7,566	8,327	[4] 194	124	552	21,864
1959	8,052	9,842	184	282	532	20,141
1960	10,866	10,677	203	318	516	20,324
1961	11,285	11,862	239	332	548	19,725
1962	12,059	13,356	256	361	526	18,337
1963	14,541	14,217	281	423	521	18,480
1964	15,689	14,914	296	403	569	19,125
1965	16,017	16,737	328	436	593	18,235
1966	20,658	18,267	256	444	644	20,570
Estimated data (short-range estimate), committee bill						
1967	$23,210	$19,635	$401	$508	$794	$24,030
1968	24,256	23,156	409	477	898	25,142
1969	27,308	24,154	405	552	978	28,317
1970	28,497	25,119	415	616	1,118	31,782
1971	32,089	26,122	427	605	1,353	38,070
1972	33,469	27,155	440	587	1,685	45,042
Estimated data (short-range estimate), present law						
1967	$23,210	$19,635	$393	$508	$794	$24,038
1968	24,085	20,247	378	477	960	27,981
1969	28,004	21,053	393	492	1,192	35,239
1970	29,270	21,901	404	483	1,522	43,243
1971	30,070	22,778	416	460	1,902	51,561
1972	30,884	23,676	429	459	2,315	60,196

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

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

[3] Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to $377 for 1953, $284 for 1954, $163 for 1955, $60 for 1956, and nothing for 1957 and thereafter.

[4] These figures are artificially high because of the method of reimbursements between th s trust fund and the disability insurance trust fund (and, likewise, the figure for 1959 is too low).

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service and for the special benefits payable to certain noninsured persons aged 72 or over. For the purposes of this table, it is assumed that the enactment date is in October 1967.

TABLE 10.—PROGRESS OF DISABILITY INSURANCE TRUST FUND, SHORT-RANGE COST ESTIMATE

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [1]	Interest on fund [2]	Balance in fund at end of year
Actual date						
1957	$702	$57	[3] $3	----------	$7	$649
1958	966	249	[3] 12	----------	25	1,379
1959	891	457	50	−$22	40	1,825
1960	1,010	568	36	−5	53	2,289
1961	1,038	887	64	5	66	2,437
1962	1,046	1,105	66	11	68	2,368
1963	1,099	1,210	68	20	66	2,235
1964	1,154	1,309	79	19	64	2,047
1965	1,188	1,573	90	24	59	1,606
1966	2,022	1,784	137	25	58	1,739
Estimated data (short-range estimate), committee bill						
1967	$2,313	$1,920	$111	$31	$73	$2,063
1968	3,215	2,357	128	21	98	2,870
1969	3,488	2,494	120	24	136	3,856
1970	3,607	2,609	122	23	181	4,890
1971	3,732	2,716	126	26	227	5,981
1972	3,849	2,820	132	30	275	7,123

TABLE 10.—PROGRESS OF DISABILITY INSURANCE TRUST FUND, SHORT-RANGE COST ESTIMATE—Continued

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [1]	Interest on fund [2]	Balance in fund at end of year [3]
Estimated data (short-range estimate), present law						
1967	$2,313	$1,920	$107	$31	$73	$2,067
1968	2,359	2,039	114	21	86	2,338
1969	2,436	2,155	116	24	96	2,575
1970	2,512	2,260	119	26	106	2,788
1971	2,591	2,357	123	29	115	2,985
1972	2,665	2,449	129	32	122	3,162

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

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

[3] These figures are artificially low because of the method of reimbursements between the trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service. For the purposes of this table, it is assumed that the enactment date is in October 1967.

TABLE 11. PUBLIC WELFARE COSTS IN COMMITTEE BILL

[In millions]

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

	Fiscal year 1968	Fiscal year 1972
Public assistance:		
AFDC costs if there is no change in present law [1]	$1,462	$1,837
Title XIX costs if there is no change in present law [2]	1,391	3,118
All other public assistance costs if there is no change in present law [3]	1,647	1,776
Subtotal, present law	4,500	6,731
Increases in the committee bill:		
Day care	([4])	470
Other social services	([4])	125
Earnings exemptions	([4])	35
Work-training	([4])	225
Foster care under AFCD	([4])	40
Emergency assistance	([4])	35
Puerto Rico et al	([4])	17.5
Demonstration projects	([4])	2
Additional child health requirements in title XIX	----------	50
Subtotal, increases	[4] 25	999.5
Decreases in the committee bill:		
AFDC limitation	−18	----------
AFDC reductions for persons trained who become self-sufficient	----------	−130
Restrictions on title XIX	----------	−1,434
Decrease in public assistance due tosocial security benefit increase [5]	−85	−210
Subtotal, decreases	−103	−1,774
Net savings due to public assistance amendments	−78	−773.5
Total, public assistance as amended by committee bill	4,422	5,957.5
Child welfare:		
Present law	[6] 55	60
Increase for child welfare services	----------	40
Increases for child welfare research	----------	15
Subtotal, increases	----------	55
Social work manpower	----------	5
Net public welfare savings in committee bill	−78	−713.5

[1] Assumes annual increase in the rolls of about 200,000, based on the experience of the past several years; allows increase of $1 each year in the average monthly payment per recipient, in line with recent experience.

[2] Includes all medical vendor payments; assumes 5 percent annual increase in unit costs after 1968.

[3] Assumes continued decline in number of old-age assistance and aid to the blind recipients, and continued increase in aid to the permanently and totally disabled, based on experience; allows increases for average payments.

[4] 1968 cost undistributed.

[5] Assumes that social security benefit increases will fully reduce public assistance payments.

[6] $46,000,000 in 1968 budget.

TABLE 12.—SUMMARY OF GENERAL FUND COSTS IN H.R. 12080 AND H.R. 5710

[In millions]

Program	H.R. 12080		H.R. 5710	
	Fiscal year 1968	Fiscal year 1972	Fiscal year 1968	Fiscal year 1972
Social security	$33	$146.0	$24.0	$300.0
Public welfare	−78	−704.5	−157.1	479.0
Child health	5	99.5	38.0	345.5
Total	−40	−459.0	−95.1	1,124.5

Note: Minus sign designates a savings.

Mr. ROUDEBUSH. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Indiana.

Mr. ROUDEBUSH. I thank the gentleman for yielding. I should like to ask the distinguished chairman one question.

I have great concern about the old soldiers of this Nation who are receiving non-service-connected benefits. I am sure the gentleman is aware of the fact that the income they receive from social security constitutes income in determining the amount of payment to veterans and the next of kin. Can the gentleman give us any assurance that this increase in social security benefits will not have an injurious effect on the income of those receiving non-service-connected benefits from the Veterans' Administration?

Mr. MILLS. That is not within the jurisdiction of the Committee on Ways and Means.

As the gentleman knows, it will require an amendment to the veterans' legislation in order to prevent that from happening. I do not see the chairman of the Veterans' Affairs Committee on the floor at the moment, though he was here a minute ago.

If there are members of the Veterans' Affairs Committee on the floor, I should like to call their attention to the fact that there will actually be a reduction in the veterans' benefits of some veterans as a result of this social security increase which may be greater than the social security increase, unless that committee takes some action following enactment of this legislation.

I have discussed the matter with the chairman of the Veterans' Affairs Committee. He is thoroughly aware of it. I believe he is waiting only for this bill to be finalized before he asks the House to take that approach.

Mr. HALEY. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Florida.

Mr. HALEY. I want to assure the gentleman that the chairman of the Veterans' Affairs Committee has said when this bill is passed he will take the necessary action.

Mr. ROUDEBUSH. I thank the gentleman, and appreciate the assurance that our veterans rights will be protected.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Iowa.

Mr. GROSS. I want to commend the gentleman for the clarity and frankness of his statement this afternoon and ask him one question.

If Members of the House of Representatives support this bill, in view of the action of the other body on some of the previous legislation in this respect, may we expect the conferees on the part of the Ways and Means Committee of the House to stand firmly for the position of the House on this legislation?

Mr. MILLS. The conferees on the part of the House always stand as firmly as they can for a House provision, as my friend knows.

On occasion, legislation has not been consummated because of apparent obstinance, I would say perhaps of the House conferees and not of the other body—but certainly obstinance somewhere.

I do not want the people downtown who are talking about what we have done, and some of the governors whom some might suspect seem primarily interested in the Federal dollar rather than in collecting State revenues, to make it impossible for me to be flexible in a conference, but it could get to the point, if they are going to say too much and belittle us too much on our sincere efforts—I just want to serve a warning, not make a threat—that they could get the conferees on the part of the House to the point of being inflexible in our position in many respects.

Mr. CAREY. Mr. Chairman, I want to commend the chairman of the great Committee on Ways and Means for a fine statement and for an excellent clarification of some of the provisions in this bill, but I hope he will appreciate my further concern.

Mr. MILLS. I do.

Mr. CAREY. With the chairman I do believe, as he says, that we must begin now and must do as much as we can to inhibit the untoward growth of welfare recipients all over the country in a situation which they do not like and which is costing more and more and not doing much for their families.

Mr. MILLS. The gentleman and I are in accord on that. We are thinking exactly along the same line. The gentleman wants to train these people to the extent that they can be trained. The gentleman wants them to have the opportunity for some work even though they must continue to get some welfare payments. The question that the gentleman raised the other day in connection with the rule was just how tough—and we on our committee felt the time had come when the taxpayers want us to be rough, and do not have any doubts in your mind about it, we intend to be rough in a constructive manner—but we are not inhuman about it. We intend that anyone capable of working be made to work where possible.

Mr. CAREY. The gentleman wants to be firm without being negative. However, I must say that the chairman and his committee always keep an open mind and where an undue hardship is visited upon us, whether it is in a State or a locality, we know we can always come back and get assistance from you. In January 1968 or shortly thereafter we will see the effect of this limitation on the States and the number of dependent children that will be placed on the rolls. At that time I certainly want to share the chairman's hope that we can move certain people off the rolls and make room for deserving people who may have to come on through work training provisions of the act. However, I am certain that by reason of the gentlemen's wide compass of knowledge of government that he is aware of a study by Mr. Lindley, of the Economic Development Administration. This recent study shows that the migration of the poor to urban areas will continue for another 10 years, and it shows that in States such as New York State for some time we may get people in from other localities who will become potential recipients for AFDC. If this begins to happen and it indicates more of these children are being brought into the State and placed on the local rolls where taxes are already burdensome, I hope the chairman will let us come in to show that it is so and, if there is a hardship in a given State, we can get some assistance in this regard.

Mr. MILLS. Certainly the gentleman, and everyone else, always has the opportunity of coming to me about any matter that constitutes any degree of concern to him. I want to say that you are suggesting that we are making it rough on the States. Some of the States have made it very rough on us here in Washington through some of the programs they have.

Mr. CAREY. In some States there is over 80 percent reimbursement of our welfare costs.

Mr. MILLS. Eighty-three percent is the maximum.

Mr. CAREY. Eighty-three is the maximum.

Mr. MILLS. What I am thinking about is fixing the need for a family of four persons on medical assistance at $6,000 after the payment of all taxes and work expenses.

Mr. CAREY. I will not comment on title XIX. Something has to be done in that regard, also—and I do not want to comment on Governor Rockefeller's role in doing this. We have ongoing working programs under the Economic Opportunity Act duplicative of this work training program in the pending bill. Some of these have had the effect of getting people into jobs that match their skills. Is it the intention of the committee to set up parallel and duplicate programs or use the ongoing program in the States wherever they can to meet the need?

Mr. MILLS. It is clearly understood where there is a standing program of a Federal or State agency or a State or local plan or anything of that sort, for manpower training or any of those programs, which is accessible to the States—and it is even possible for the State to utilize nonprofit organizations for the training of people, that we would use such agencies or organizations. It is not intended that there be a duplication, but it is intended that where no such training program exists, one is to be made available.

Mr. CAREY. I would hope that the chairman would aid those of us who want to hold onto good programs of job training that we have been able to inaugurate. That means when the OEO bill comes to the floor for debate and we point to some good in those programs we hope to get assistance by holding onto some of these meritorious programs.

Mr. Chairman, I thank the gentleman for yielding.

Mr. MILLS. I now yield to the gentleman from Maryland [Mr. FRIEDEL].

Mr. FRIEDEL. Mr. Chairman, I want to compliment the chairman of the committee for his wonderful report which he has brought in, but I want to make it clear, too, that the Railroad Retirement Act employees would not benefit

from social security. We need new legislation to get the railroad employees who are retired increases in their benefits.

Mr. MILLS. Now, the distinguished gentleman from Maryland is a better authority on that subject than am I because he serves on the committee of this House of Representatives which handles railroad retirement problems. However, there is an interrelationship, as the gentlemen well knows. There is the minimum guarantee provision of the Railroad Retirement Act that ties some annuitants' benefits into social security benefits rates. Also, the railroad retirement tax rate is tied to the social security, tax rate in future years, as is also the maximum taxable wage base.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Chairman, I yield myself 3 additional minutes.

Mr. FRIEDEL. Mr. Chairman, will the gentleman yield further?

Mr. MILLS. I yield further to the gentleman from Maryland.

Mr. FRIEDEL. In other words, they will not receive any increased benefits under this proposed legislation?

Mr. MILLS. Oh, no; there is no general increase in benefits to them provided for in this legislation. The gentleman would have pending before the distinguished committee on which he serves legislation to provide those increased benefits, as he knows.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the distinguished gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. Before we leave this matter of the limitation which the committee has placed on the aid to dependent children category, I think based upon some of the discussions of some of the Members and based upon the questions which they have asked, it seems to me—and some of the statements which have even come out of the Department of Education and Welfare—they have not read the bill, or else there is a misunderstanding as to just what we propose to accomplish through the enactment of this legislation.

Mr. Chairman, I feel it might be well to point out that we have within the AFDC area—aid to families with dependent children, individual categories. There is the category of dependent children where the death of the breadwinner is concerned. We do not place any limitation in that area whatsoever. The payment can go up by whatever percent. There is no limitation on it.

However, there is another category where we provide participation with the States in the same manner as which we provide for such participation with reference to dependent children. That is where the breadwinner becomes disabled. There is no limitation there at all. Nothing contained in this bill affects that situation.

Then, there is the other category where we do authorize the States to have programs of aid to families of dependent children where the father is unemployed and where he is in the home. There is no limitation there. The only qualification or limitation applies to situations where in some instances the father has abandoned the home—left the home—and is not taking care of his dependents. That is where we place the limitation, because that is where the growth and the problem lies.

In my opinion the evidence which was presented before the Committee on Ways and Means was perfectly clear to the effect that there has not been any effort to find these parents in far too many cases, to find these fathers in far too many cases, who have abandoned the support of their children.

In other words, Mr. Chairman, we have got to put some teeth into this situation in order to force the States to see that these fathers bear the burden of supporting their own children. That is the only area in which we have placed any limitation upon this particular part of this legislation.

Mr. MILLS. I thank my distinguished friend, the gentleman from Wisconsin, for his contribution.

Mr. COHELAN. Mr. Chairman, will the gentleman yield?

Mr. MILLS. Of course, I am glad to yield to the gentleman from California.

Mr. COHELAN. Mr. Chairman, I too wish to compliment the distinguished chairman of the Committee on Ways and Means and the entire membership of the committee for the work it has done in this important field.

However, Mr. Chairman, I would like to associate myself with the remarks which have been made by the distinguished gentleman from New York [Mr. CAREY] because much of what the gentleman said applies to the great State of California and in particular to the congressional district which I have the honor to represent.

Mr. Chairman, in my district the unemployment rate is slightly above the national average. In addition to that, in our OEO programs with emphasis or manpower and job development we probably have one of the most active programs in the country. I have particular reference to Oakland, Calif., and Berkeley, Calif. in the Seventh California District. But, Mr. Chairman, we also have a structural unemployment rate of something in the order of 15 percent.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. MILLS. Mr. Chairman, I yield myself 3 additional minutes.

Mr. COHELAN. Mr. Chairman, will the gentleman yield further?

Mr. MILLS. I yield further to the gentleman from California.

Mr. COHELAN. I know that the gentleman from Arkansas is aware of precisely what I mean and the nature of the problem.

I heard the remarks of the distinguished ranking minority member of the Committee on Ways and Means. Well, within the framework of the gentleman's remarks, I ask the gentleman to comment, as to just what rules apply if there are no jobs available.

Mr. MILLS. If there are no jobs and if your people have exhausted their unemployment compensation and if your State wants to put them on, where there is an unemployed father in the AFDC program, it may be done. There is no reason why it cannot be done. But, what we want your State to do is to give us a degree of assurance that when it uses Federal funds, that the time the man remains on the roll eligible for aid to dependent children will be made as short as possible.

Mr. COHELAN. But does the distinguished chairman clearly understand that it is a question of job development as an end of training.

Mr. MILLS. Yes; but what is the alternative? To go on as we have been going and have at least 5 percent of the children in the United States on welfare? I do not think we should do that.

Mr. COHELAN. I am not denying the goals of the committee, Mr. Chairman. I merely am trying to focus on the reality that jobs are a function of investment—either public or private and if there are no jobs the problem remains.

Mr. MILLS. I do not have any question about functions or realities, but there is nothing to preclude these kinds of cases in your district from being assisted. That is the point I am making.

Mr. COHELAN. That is the assurance I wanted. Thank you, Mr. Chairman.

Mr. WHITENER. Mr. Chairman, will the gentleman yield.

Mr. MILLS. I am glad to yield to the gentleman from North Carolina.

Mr. WHITENER. Mr. Chairman, I appreciate the splendid statement of the chairman of the Committee on Ways and Means. But I do not believe the gentleman commented on the changes in existing law with reference to the definition of disability.

Mr. MILLS. No; and I have not commented on quite a number of provisions, I will say to my friend, but I will have in my prepared remarks a comment on them. I did want to yield some time to the Members so that they can discuss some of these points because it would take me more than 3 hours if I wanted to go through the entire bill.

Mr. WHITENER. If the chairman will yield for a unanimous-consent request, I will ask unanimous consent that I may be permitted to extend my remarks following the remarks of the gentleman.

Mr. MILLS. Let me say this briefly in response to the gentleman's inquiry.

It is necessary for us to rewrite in some respects criteria for determining disability because of the erosion of congressional intent by a number of court cases, where actually in some instances courts have destroyed completely the initial intent that the Congress had. It may be somewhat responsible for the fact that the disability insurance program that initially was estimated to be financed by 0.5 percent of payroll now costs 0.95 percent of payroll. Of course, we have had some statutory changes in the program, but some of this added cost is due to the eroded definition of disability.

We are trying to se to it that our concept of disability continues, but we do not want the courts telling us that a man is disabled when it is not demonstrable, and just because there is not a job available.

Mr. WHITENER. Mr. Chairman, if the gentleman will yield further, from reading the report, page 30, the committee would seem to imply that the testimony by lay witnesses and by the disabled person himself would be given very little consideration.

Mr. MILLS. That is a question for the State medical examiner.

Mr. WHITENER. I think that is different from any other procedure that we have in the law as to the establishment of disability.

Mr. MILLS. It is primarily a question of medical conditions. What is better proof of medical conditions than the determination of a medical man? It has to be demonstrated that he is medically—mentally or physically disabled. This decision is made at the State level. The State vocational rehabilitation service is going to reach conclusions as to the medical condition of these people, based on medically acceptable clinical and diagnostic techniques, who apply for disability insurance.

The vocational rehabilitation service of the gentleman's State says, "You have to get medical testimony to indicate that you are disabled within the requirements of the law." Statements of laymen as to medical conditions are not enough. You have to get acceptable medical indications—and that is controlling.

Reliance is also made on medical conditions, it is true, with respect to the Veterans' Administration or any other agency of the Government, I understand, in making payments based on disability.

In fact, the vocational rehabilitation service in your State and in my State use very largely medical criteria which were developed by the Veterans' Administration and other programs in determining when a man does have a disability, so we have done as well as we could in this area.

Mr. WHITENER. I take it then from the gentleman's statement that he contemplates in the future that the reviewing authorities, the appeals council, and the courts will not be in a position to do as they have done in some cases in the past and override the clear and uncontradicted medical evidence.

Mr. MILLS. Oh, no. The Court should not override any decision if there is clear and unmistakable medical testimony indicating disability within the terms of the act. What I do not want the Court to do is to tell us that where there is not one scintilla of medical testimony that a man is disabled, we are going to pay Mr. Jones disability benefits anyway because of something else. That is all I am talking about. I am sure my friend would not want it any other way.

Mr. WHITENER. If the gentleman will yield further——

Mr. MILLS. I yield to the gentleman from North Carolina.

Mr. WHITENER. My files are full of cases in which there is conflicting medical testimony.

Mr. MILLS. Oh, sure, that is often the case.

Mr. WHITENER. Unless you accept lay evidence in connection with medical testimony favorable to the applicant, then you probably could not establish a case.

Mr. MILLS. We are not saying that they cannot do it. We say, "We are going to let you submit all the evidence you want to, but you had better have some convincing medical testimony along with it."

Mr. PERKINS. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield to the gentleman from Kentucky.

Mr. PERKINS. Mr. Chairman, we have made some progress in the work experience and training program under title V of the Economic Opportunities Act, but if I understand the gentleman's statement correctly, the AFDC community training program is administered by the States as the program is presently administered on an individual-case basis. Is that correct?

Mr. MILLS. Section 409 is administered in 12 jurisdictions, as I remember. It is not required in a State. In 12 jurisdictions they now have a section 409 work and training program. It is the section 409, work and training program, that we enacted in 1962 on a voluntary basis that we are presently making compulsory upon the State.

Mr. PERKINS. Is it the intention of the committee that the local social worker make the determination as to who is entitled to receive the community work and training program?

Mr. MILLS. That is correct. It is the social worker in the State or local agency who would do it.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 10 minutes.

(Mr. BYRNES of Wisconsin asked and was given permission to revise and extend his remarks.)

Mr. BYRNES of Wisconsin. Mr. Chairman, I was very pleased to join the chairman of our committee in sponsoring the bill that is now before you. Under his guidance, the committee has worked long and hard in order to bring to the House a bill which gives due consideration to the needs of our elderly citizens and to those who may be so unfortunate as to have to depend on public welfare, as well as to those who are called upon to pay the taxes in order to finance these programs.

This bill includes not only a major revision of our social security laws and the program of aid to families with dependent children, but includes significant improvements in the medicare program, in medical assistance for the indigent—title XIX, or the medicaid program—and the programs of grants for maternal and child welfare.

First, there are changes in the old-age and survivors insurance program, changes that provide both increases and benefits and revisions in the tax rates and the maximum earnings on which the tax is levied.

Second, there are changes in the medicare program, both the hospital insurance program financed through the payroll tax and the voluntary medical insurance program financed by monthly premium contributions on the part of the participants and the Government.

These changes were predicated largely on the experience gained during the short period that the program has been in operation. When we have more experience, there will undoubtedly be other changes in this program.

Third, the bill provides guidelines for the States in defining the medically indigent families with dependent children who qualify for medical assistance. This will force a gradual cutback in excessively high eligibility standards of medical indigency that have been promulgated by some States. But more important, the bill will prevent the future expansion of these programs beyond the guidelines provided by this legislation.

Fourth, there are far-reaching changes in the program of aid to families with dependent children. As the chairman of the committee has pointed out, the bill places greater emphasis on training, work experience, and incentives to enable members of these families to achieve independence and self-support, to reduce the number of illegitimate births, and to provide family stability.

Finally, this bill updates the maternal and child welfare programs, consolidating related provisions on a more rational basis, expands the foster-care programs, and spells out new requirements to detect and correct cases of child abuse and neglect.

A social security bill like the one before the House is a fork with two prongs. The first prong increases benefits, increases assistance of one form or another, and the other imposes burdens in the form of higher social security taxes, or by placing greater demands on the general funds of the Treasury.

The benefit prong in this bill gives full recognition to the plight of our retired citizens who face an ever-increasing threat of inflation—a threat that has resulted largely from lack of restraint on the part of the Government—both the executive and the Congress alike. The 12.5-percent increase in benefits provided for in the bill will fully compensate social security beneficiaries for any loss of purchasing power that they have sustained since the last benefit increase, or will sustain during this Congress. The minimum benefit is increased slightly more than 12.5 percent—from $44 to $50.

The second prong of the bill involves the increased taxes. Although there has been too much emphasis, I am afraid, in some quarters on the benefits of a social security increase and too little attention focused on the burdens imposed on today's workers and employers by the additional taxes, we cannot ignore this fact: social security—and I am talking now about the old-age and survivors insurance system and the medicare system—is not a one-way street. We must always give equal recognition to the burden of taxes for any benefit that is proposed to the Congress.

The income that a worker can currently devote to future contingencies is limited by his ability to meet the immediate needs of his family. If the cost of social security cuts too deeply into the daily living requirements, people will begin to make unfavorable comparisons with distant benefits and immediate results. If the time ever comes that current workers are unwilling to bear the cost of providing benefits to current retirees, the social security system will be in real danger and will be unable to survive. Those who will stand to lose the most will be the current beneficiaries—

those receiving retirement, survivors, disability, and health insurance benefits.

The tax rates and wage rates contained in the committee bill recognize these principles in at least three important respects. First, instead of raising the wage base to the unreasonably high level proposed by the administration, the wage base is established at $7,600, taxing, I would point out, about the same proportion of wages of covered workers as we have had during the more recent history of the old-age and survivors insurance program.

Second, we improved the benefit formula to insure workers at the higher earnings level a fairer return on the contributions they pay. These steps will strengthen the insurance basis of the system, which has been undermined in recent years by overemphasizing the social welfare aspects of the benefit formula. If our social security insurance system is to be preserved and is not to become another welfare program we must always take into account the extent to which benefits constitute a replacement of the wages subject to tax at all levels of income.

Third, the tax burden—the tax rates applied to the wage base—imposed on the nearly 70 million covered workers and their employers, supporting the system, is far less than would have been required by the legislation recommended by the administration and considered, of course, by the committee during the course of its proceedings.

In addition to the higher wage base provided, a slight increase in tax rates is scheduled in the bill. Combined with the actuarial surplus under present law, these changes are adequate to finance the benefit costs. This is essential if we are to preserve the integrity of the social security system on which so many of our people depend.

The CHAIRMAN. The gentleman from Wisconsin has consumed 10 minutes.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 5 additional minutes.

While no one likes to pay additional taxes, Mr. Chairman, I personally do not feel that the burdens imposed in this bill are greater than the taxpayers will be willing to pay in order to update the benefits. After all, today's taxpayer is tomorrow's beneficiary. If we in the Congress act sensibly and with restraint, everyone paying taxes today can do so with the knowledge that he is participating in a sound program of social insurance which will provide commensurate benefits on his retirement or in the event of his death or disability.

The committee received many suggestions, both relating to the improvement of procedures under medicare and relating to the expansion of the services provided for by the program. In view of the fact that the program has been in operation only a short period of time, the committee limited itself to those changes in the program which could be predicated on actual experience to date.

The bill provides improved billing procedures both for hospitals and for doctors' services. The committee explored in depth the cost reimbursement formula governing payments to hospitals and extend care facilities. Everyone agreed that these facilities should be fully reimbursed for the cost of providing the services to medicare patients, including a reasonable allowance for depreciation and general overhead.

While the present formula for reimbursement undoubtedly—in my judgment—must be improved, we really have only fragmentary returns as of this date from the fiscal intermediaries on the final accounting of hospitals during the first year of operation under medicare.

Until significant reports on the final accounting of hospitals are available, the extent of any existing inadequacies in the present formula cannot be measured nor remedial measures be prescribed which can be dependable. The Social Security Administration has been directed to provide the committee with this data just as soon as it can be compiled in view of the committee's continued interest in the problem of adequate reimbursement of our hospitals.

The committee, however, did recognize that a cost reimbursement formula does not provide any incentive for modernization and improvements which will result in lower costs. The Department has been directed and authorized to experiment with alternative methods of reimbursement in order to develop a method which would provide some incentives in this direction. You will recall that when the medicare bill was first under consideration I proposed that reimbursement be made on a "reasonable and customary charge basis"—the same basis which we used in reimbursing for physicians' services. That is the system which is used by many private insurers. The Department of Health, Education, and Welfare, however, opposed this on the ground that it would produce higher costs. I doubted that at that time, and I still doubt it. I think sooner or later we are going to have to face up to these problems. This is one of the areas we have not dealt with in this new bill.

As a corollary to the medicare program, the Congress in 1965 expanded the Kerr-Mills provisions of the Social Security Act in order to extend the medical assistance available to the medically indigent aged to other public assistance categories—the blind, the disabled, and families with dependent children—as well as needy children. This is known as the medicaid or title XIX program. Under this program, the Federal Government and the States share the cost. However, the medicare program, in providing medical care for those over age 65, relieved the States of most of the costs they had borne in providing medical care to the needy aged. Some States applied the resulting savings to expand aid to the medically indigent to include a large proportion of the State's population.

We never intended the title XIX or medicaid program to include those who could not reasonably be classified as medically indigent. This bill provides a limitation on the income levels of those to whom the States might extend this aid.

For the first year, the bill provides that the Federal Government will not participate in providing medical services to anyone whose resources exceed 150 percent of the level fixed by the States for cash assistance. Over a period of 3 years, this is reduced to 133⅓ percent. Thus, the level at which the States can extend medical assistance under the title XIX program will be cut back in some States, and a limit will be placed on those States which are now enacting such programs.

When the bill is fully effective, qualification for medical assistance must be predicated upon the same income test used in determining eligibility for cash assistance, and cannot exceed 133⅓ percent of the level at which the individual or families would be eligible for cash assistance.

Mr. Chairman, there is another area that I would like to briefly discuss. This is the part of the bill amending the welfare provisions—particularly AFDC—which the chairman spent some time in discussing. There seems to be misunderstanding in some quarters about what this committee has done.

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself 4 additional minutes.

Frankly, when the committee reviewed the welfare programs contained in the Social Security Act, we were shocked not only by the current picture, but the trend of the program of aid to families with dependent children. We thought the welfare legislation we enacted in 1962 would provide the basis for getting these people on their feet and off of the relief rolls. We were shocked to see what little effect that legislation actually had. The chairman and I both urged you to support the 1962 legislation because we thought it provided the basis for rehabilitating people, taking them off relief and enabling them to become self-sustaining. We said that that should be our objective. We thought that was what the result would be. There probably has been some good accomplished, but the actions taken certainly did not accomplish the goals the committee thought the 1962 legislation would achieve. Therefore, it was essential that we face up to the problems—particularly in the AFDC area—developing a new approach instead of simply passing another law.

It was agreed that this program, humanitarian on its face, tended to produce harmful results both to the individuals receiving aid and to the fabric of our society in general.

In the past 10 years, the number of those receiving such aid has doubled—from 646,000 families with 2.4 million recipients to 1.2 million families with more than 5 million recipients.

While the length of time a particular family or child might be receiving aid on the average was about 2½ years, this did not tell the whole story. Those temporarily beset by misfortune, who might receive aid ranging from a period of a few months to less than 1 year, are included in this average with a hard core, representing the second and third generation, which had known no other means of support except the AFDC program. There was no incentive for this group to try to overcome their misfortune—in

fact, under the present program they might be penalized for doing so.

The bill provides an entirely new approach to the problem of the hard core—those who have grown up under AFDC and who have nothing better to look forward to. Mr. Chairman, the States will be required to evaluate the employment potential of each adult member of an AFDC family, and to develop a plan leading to the employment of that individual. A variety of services, including testing, basic education, counseling, and medical services would be provided.

In conjunction with the Federal Government the States will be required to provide programs of job training and work experience so that the parents of dependent children can be returned to the work force, and not be destined to a meager life of dependency on AFDC. This is designed to help these people and is for their own good. It is only when an adult member of the family who is capable and able to accept work or training that is available, refuses such work without good cause, that the State is required to discontinue payments to that parent. The parent will have to work only in appropriate cases, and the welfare of the child will continue to be provided for even if the parent refuses work or training without good cause.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

(Mr. BYRNES of Wisconsin asked and was given permission to proceed for 3 additional minutes.)

The CHAIRMAN. The gentleman from Wisconsin is recognized for 3 additional minutes.

Mr. BYRNES of Wisconsin. Then, Mr. Chairman, we suggest that the court should be called in to see that this child is given proper care. If the parents are not providing such proper care, then the courts will find some other method through which to provide that care such as, for instance, a foster home.

Mr. Chairman, in the case of misuse of assistance funds protective payments or vendor payments can be made to third parties for the child's welfare. When the mother of an AFDC family seeks work we provide for the child's welfare by requiring that day care centers be established to care for their children.

Mr. Chairman, I would point out that we move away from the poverty concept of a community work-type program. We say the States "shall" set up a community work and training program. It will not be applicable only in some States. We say all the States must have a program for these people if the State is to receive Federal funds. Therefore, we set up basic standards.

But if we want to encourage these individuals to become self-sufficient, we must provide an incentive for them to take training and seek work. The distinguished gentleman from Arkansas, the chairman of the committee, pointed out that it can prove to be costly. However, I feel it is an absolute essential, and in all modesty I think that I deserve some credit for the development of the idea that we had to provide some incentive for these people who are on welfare to take a job.

Under present law, earnings of a parent on AFDC reduce welfare payments dollar for dollar. There is no immediate economic incentive for most of these individuals to seek work. In order to encourage AFDC recipients to seek training and employment leading to self-sufficiency, earnings exemptions must be provided by the States, permitting those on AFDC to retain a portion of their earnings as well as their welfare payments.

The other aspects of this program require that the States develop more adequate procedures for calling cases of child abuse and neglect to the attention of the courts so that these children may be placed under foster care. Broader Federal assistance is provided in the area of foster care. Under present law, courts are reluctant to remove a dependent child from the home of a relative, even though the relative may be abusing the child, because there will be a loss of Federal funds and the States are not able to provide for adequate foster care. It is hoped that the more liberal foster care program will permit more emphasis on the welfare of the child and less on economic considerations.

The largest categories of AFDC families involve desertion by the father and illegitimacy. The bill requires the States to adopt measures to locate deserting parents and require them to support their families. Additionally, family planning services would be made available in appropriate cases on a wholly voluntary basis.

Rehabilitation of families for whom welfare has become a way of life presents tremendous problems. We cannot guarantee that the comprehensive program adopted by this bill will produce dramatic results. However, we can be sure that a continuation of present policies will perpetuate the abysmal conditions affecting families who live on welfare, and increase the growing burdens of taxpayers. This bill is a step in the right direction and provides a measure of hope. The Ways and Means Committee will be watching the program closely to evaluate results and recommend to the House changes dictated by experience.

The final area of major change is in the area of grants to States for maternal and child welfare—title V of the act. Under this program the Federal Government as assisted the States in providing a variety of programs for maternal and infant health, early detection and treatment of children with debilitating conditions, and other child welfare services.

Present law also provides grants for demonstartion projects in maternity and infant care and the health of school and preschool children, as well as some research money.

The bill before you transfers those child welfare services more appropriately rendered in connection with the AFDC program to title IV of the Social Security Act. The remaining programs are consolidated and coordinated together on a more rational basis. The States will be required after 1972 to assume responsibility for conducting research and demonstration projects.

The new approach in the area of AFDC and child welfare will cost money. The bill does place limits on the proportion of AFDC cases that the Federal Government will participate in, and requires the States to absorb some expenditures now shared by the Federal Government. Additionally, the bill places limits on the growth of the medical assistance program. While these measures do not effect immediate savings, they do restrict Federal participation in areas where expenditures were bound to grow. However, the Department has indicated that all of the changes in the areas of medical assistance and child welfare, when considered together, will result in a net savings to the Federal Government of $40 million in 1968 and $459 million in 1972.

I apologize for the length of this statement but this is a large and comprehensive bill. As we approached this legislation earlier this year I felt we were at the crossroads as far as our social security and public welfare programs are concerned in this country. I am happy to report to you that I think we have taken the right road by strengthening the insurance basis of the social security system. Also, by laying the groundwork for returning public assistance recipients to employment rolls, we are moving away from the "handout" concept of welfare to provide an opportunity for self-sufficiency. The objective will be to get the people off assistance and make them self-sufficient and give them an incentive—yes—and to make sure that those who are capable of getting off the rolls and who are capable of working do so or else suffer the consequences.

I would urge all of my colleagues in the House to support the committee in what I think has been a very constructive attempt to deal with some very difficult problems that face us.

The CHAIRMAN. The gentleman from Wisconsin [Mr. BYRNES] has consumed 25 minutes.

Mr. KING of California. Mr. Chairman, the intensive study and work of the members of the Ways and Means Committee, under the chairmanship of our distinguished colleague, the gentleman from Arkansas, is reflected in this important measure. But H.R. 12080, while it is a step in the right direction, does not go far enough to meet the pressing needs of those already on the social security rolls, and the others to come.

If the social security program is to continue to be effective as the primary means of assuring that American workers and their families will have an income, and will not be forced into poverty when the family breadwinner's earnings are cut off because of his retirement, or disability, or death, then social security benefits have to be much higher than they are today. Indeed, benefits have to be raised considerably higher than they would be under the bill we are now discussing.

At present the average benefit for all retired workers is $84 a month. The average benefit for aged widows is $74 a month, and for aged couples $143 a month. These benefits amounts are obviously too low for those who must rely on their social security checks for support. While the 12½-percent increase

in benefit levels proposed in H.R. 12080 will certainly help alleviate the financial plight that many beneficiaries presently face, I believe that a more substantial benefit increase, at least as high as that which the President recommended, and which is included in H.R. 5710, is called for in light of the needs of social security beneficiaries.

It is also important to make sure that the program continues to cover the full earnings of most workers, so that their benefits, which are based on their covered earnings, will be based on what they actually earned and not on just a part of that amount. Over the years there has been an erosion in the adequacy of benefits in relation to earnings, because of a sharp decline in the proportion of workers getting benefit protection related to their full earnings.

This has come about because the ceiling on covered earnings has not been kept up to date with rising earning levels. The present program covers the full earnings of only a little over half of the regularly employed men working in covered employment, whereas under the original Social Security Act all the earnings of almost all regularly employed men in covered jobs were covered.

What is involved here is the matter of how much of a person's earnings should be covered under social security and therefore used to figure benefits for him and his family. Benefits under this program are figured for each person individually—from the average level of his covered earnings, not his total earnings. This means that if he is allowed to pay social security contributions, for example, on only half the amount he earns, his benefits will have little relation to his standard of living.

The program started out in 1937 with a maximum covered earnings figure of $3,000 a year. In the late 1930's, that took in all the earnings of the great majority of people then under the program. But as wages and prices rose—and as more and more of the Nation's workers came to earn decent livings—the $4,000 a year figure became unrealistic. It spanned the actual annual earnings of too small a proportion of workers. And so, the Congress increased it the first time to only $3,600, 15 years after the $3,000 level was established then successively to $4,200, $4,800, and $6,600, where it stands today but the lost ground in the adequacy of protection of persons just above the median in earnings has not been regained.

The bill now before us would raise the figure to $7,600. In other words, it would permit people earning that amount and above to qualify for higher benefits by paying contributions on another thousand dollars a year in earnings. It should be noted that these higher benefits would extend not just to the individual's own retirement benefits but to any benefit amounts payable to his survivors and dependents, as well as to the amount he would get in case of disability. In net effect, his overall retirement and family income protection would be increased.

I think it is right to increase the earnings base of protection, as this bill would do, for social security cannot serve its purpose for the men, women, and children of the country if it is not kept in tune with the times. It cannot sensibly be kept tied to wage and benefit levels that time has left behind.

But is $7,600 an adequate base? Let us look at the figures. When the program began, about 95 percent of the regularly employed people then under the program had full coverage of their earnings under the $3,000 a year ceiling then in effect. The $7,600 figure in the present bill covers the full earnings of only about two-thirds of today's regularly employed men. And this proportion will decline quickly as wages rise. The projection is that once again, by 1974, only about half the regularly employed men would have their full earnings covered under a $7,600 figure.

For these reasons the President has recommended raising the amount, in steps, to $10,800 a year by 1974. That figure would enable more than 80 percent of the Nation's regularly employed men to get social security coverage of their full earnings in 1974, according to the best forecasts.

As I have indicated, I think the $7,600 figure now being proposed represents a good step. It is in the right direction, but a longer step would be in the best interest of millions of people. It would enable them to count on much more nearly adequate benefits in retirement and in case of disability, and a much more comfortable level of income protection for their families.

Not only would a substantially higher ceiling improve the relation between earnings levels and benefit amounts for higher paid workers, it would also provide additional income to further improve the adequacy of the program in general. A higher ceiling would make possible the larger benefit increase that the President recommended to us. It would also make possible some of the other improvements that the administration sought—for example, hospital insurance for disabled beneficiaries, upon whom the burden of medical expenses is very great. Later I will discuss the need for this provision further.

Mr. Chairman, I am particularly pleased with the improvements in the medicare program that have been included in the bill. These improvements will help to make the medicare program which I sponsored even more successful than it is today.

H.R. 12080 includes provisions which would extend the protection of health insurance and simplify the administration of the program by providing: first, coverage of additional days of hospital care; second, elimination of the physician certification requirement for the admission to general hospitals; third, an alternative method of billing for physicians' services under the medical insurance program; and fourth, a simplification of the billing procedures for hospitals with respect to inpatient radiological and pathological services and services to outpatients that would bring medicare procedures more nearly into line with hospital billing practices and voluntary health insurance payment procedures.

These medicare amendments are very different from what might have been expected 2 years ago when we were considering the original medicare legislation. It would have seemed almost reasonable then to predict on the basis of some statements made by those who voted to recommit the medicare plan that we would be voting this year on a proposal to repeal the system. In the past year the medicare program has demonstrated that our Nation's social insurance program, working in partnership with the hospitals and physicians of our land, can effectively protect older Americans against the threat of high health costs during their retirement years. Medicare has demonstrated the capacity for providing comprehensive, high quality health care when and where it is needed. It has been a great success.

Medicare has affected not only the elderly but all patients because of the upgrading in health care capacity that is taking place as a result of the quality standards of the program relating to physical plant, personnel, and patient care policy.

Moreover, the requirement of conformity with title VI of the Civil Rights Act has meant, in many communities, that minority group members for the first time have access to high quality care. This has been important.

One of the great accomplishments of medicare is the availability to the elderly of insured alternatives to hospital care that enable the physician to select the appropriate method of treatment which is most responsive to the actual needs of the patient. Prior to medicare, insurance covering hospital outpatient services, extended care services, home health services, and physicians' home and office visits, all of which are covered services under medicare, could rarely be purchased by the aged.

There can be no doubt that the program as a whole must be regarded as an unqualified success. The elderly can now choose from the best hospitals and not be forced to suffer the indignities and embarrassments of being charity ward patients. They can now receive treatment and care from their own private physicians.

This is not to say that there have been no problems. Improvements can be made, and the bill now under consideration will go far toward solving the problems which have arisen. One feature of the medicare program that has concerned many of our fellow citizens is the billing procedure for payment of physicians' fees. Present law provides that the physician may bill the patient, and after the bill has been paid the patient can send in the receipted bill and be reimbursed; or the patient may assign his right to reimbursement to his physician, and the physician can send in the bill and he will be paid. Under the assignment method, the physician, in exchange for the assurance that he will be reimbursed, must agree that his total bill will not exceed the reasonable charges used as the basis for payment by the medicare program.

At the time the program was set up, many of us thought that physicians would take medicare assignments if it would be difficult for the patient to pay in

advance of medicare reimbursement. We thought assignments would be accepted because the benefits doctors receive from the program are based on their customary charge and reimbursement cannot be more than fair than to pay on what the doctor usually charges. Furthermore, payment by assignment is the rule for Blue Shield member doctors and it is common in other private insurance. However, the latest figures available show that only 57 percent of physicians have been willing to accept medicare assignments in some or all cases. Thus, many older people have had to pay their doctors' bills as a condition for their reimbursement under medicare, and this has placed a genuine hardship on many aged social security beneficiaries, who typically are living on very limited incomes and cannot afford to put up their money to pay the doctor and later get the benefits.

For these reasons, I can lend my wholehearted support to the new alternative billing procedure that is proposed in H.R. 12080. This new procedure would permit the physician to receive medical insurance payments on the basis of an itemized bill if he submits his bill to the program and his total charges do not, in fact, exceed the program's allowable charges. If these conditions are not met, or if the physician requests that the benefits be paid to the patient, payment would be made to the beneficiary on the basis of an acceptable itemized bill so that where the charge is not reasonable the patient will have the opportunity to discuss the matter with the doctor before the doctor is paid.

This new procedure will enable physicians to assist their patients by completing and submitting the unpaid bills for payment without requiring the physician to agree ahead of time to accept the medicare charge, as they must under the assignment procedure. This new procedure will also offer sorely needed relief to those beneficiaries whose physicians choose instead to bill the patient, since the patient will be able to file for benefits without first having to pay the bill.

I do have a regret about the medicare provisions of the bill, however. I find it very regrettable that the committee did not see fit to include in the bill provisions for extending the protection of the medicare program to the very seriously disabled persons on the social security benefit rolls. As President Johnson said in his message on older Americans, which he sent to the Congress on January 23, 1967:

> The 1.5 million seriously disabled Americans under 65 who received Social Security and Railroad Retirement benefits should be included under Medicare. The typical member of this group is over 50. He finds himself in much the same plight as the elderly. He is dependent on social security benefits to support himself and his family. He is plagued by high medical expenses and poor insurance protection.

A major factor leading to the committee's conclusion that it could not recommend covering the disabled was that it found the cost of such coverage would be high, and the financing of the proposal would raise serious problems. The cost of providing health insurance protection for the disabled would be about two and a half times that of providing the same coverage for the aged, and the cost for the aged is three times that of nondisabled younger persons. The cost for the disabled is then about seven and one-half times that of other people under 65 years of age.

Mr. Chairman, I submit that the very finding of the committee that the cost of extending medicare to social security disability beneficiaries would be high clearly demonstrates that these disabled people have urgent need for this protection, and leads to the inescapable conclusion that they should be covered under medicare now. Adequate private insurance of such costs must be entirely out of their financial reach. I recognize that the Committee on Ways and Means has included in H.R.12080 a provision under which an advisory council will be appointed next year to study the question of extending medicare to the disabled. This council will submit a report on its study to the Secretary of Health, Education, and Welfare no later than January 1, 1969, which seems to accept that no action will be taken on providing medicare coverage for the disabled until at least 1969. This is too long to wait. We already have overwhelming evidence of the need. Further study is not required to document it. The disabled should be covered under the medicare program now, and I hope the other body will take the appropriate steps to provide this coverage during this session of the Congress.

I reiterate my support for the bill. I shall, of course, vote for its adoption. But I want to make clear that I hope to vote with even greater enthusiasm for a product of a conference committee a few weeks from now which will provide medicare for the disabled.

Mr. Chairman, I would now like to turn to the other provisions of the bill relating to benefits for the disabled. It is gratifying that we are for the first time providing benefits for disabled widows. I would venture that the great majority of Americans will agree that benefits for totally disabled widows are a necessary addition to the program.

I must nevertheless express my disappointment that the amount of benefits to be provided is so small. Benefits equal to only 50 percent, or a slightly larger percentage, of the deceased worker's primary insurance amount are clearly inadequate. The disabled widow who relies on social security for her support would be condemned to a life of penury on this small benefit. Moreover, as the reduced widow's benefit will usually be less than the average public assistance payment for a disabled person, the social security benefits will in many cases simply reduce the amount the widow receives from public assistance rather than improve the lot of the disabled widow. I urge that the benefits payable to these widows be increased to 82½ percent of the primary insurance amount—the same amount that is payable to an aged widow.

I regret also our failure to provide any benefit at all for the disabled widow who has not reached age 50. The younger widow who was totally dependent on her deceased husband and has completely lost the ability to work is left without any benefits. Her need is at least as great as that of the older disabled widow.

I earnestly hope that the other body, in its consideration of the bill, will seek to establish these proposed benefits for disabled widows at a more adequate level and will provide the benefits without regard to whether the totally disabled widow has reached age 50.

Those provisions of the bill that are designed to clarify the definition of disability will include in the law the interpretation of the definition now applied by the Social Security Administration and will provide constructive support to the Administration in continuing to administer the disability provisions in a way that is in accord with the intent of the statute.

There is no question that there have been proper and legitimate changes in the concept of disability in the social security program over the years. For example, when disability benefits were first provided, the law required, in effect, that an individual be permanently, as well as totally, disabled to be eligible for disability benefits. Under present law, it is required that the individual's disability be expected to last—or has lasted—for 12 months rather than indefinitely. Furthermore, in any program such as this—where a test such as "inability to engage in substantial gainful activity" must be applied—accumulated experience in administering the program will lead to improved methods of documenting and evaluating disabilities that meet the statutory definition. In my judgment, the increasing numbers of persons on the disability rolls is attributable not to any deviation in interpretation of the disability provisions from the intent of the statutory provisions, but rather to such improved methods and to the greater public knowledge that has lead greater numbers of disabled people to apply for the benefits they qualify for.

There is, however, a growing body of interpretations by various courts as to the meaning and intent of the law. In that context, I am more and more concerned about some of the court intepretations of the definition, which, if they were to be followed generally in the administration of the disability provisions of the law, could have two significant undesirable effects, first, substantial further increases in costs could develop in the future, and second, the program would depart from the basic intent of the disability provisions as envisioned by the Congress.

I want to emphasize that what we are attempting to do to the present definition of disability under H.R. 12080 is really no basic change at all—it clarifies, amplifies, and makes more explicit in the statute the policy guidelines and the requirements that must be met to establish the existence of disability. The language added to the law reflects the regulations and policies now followed in the administration of the disability provisions of the law. It is also my personal feeling—and I am sure this is shared by others of you here—that the Social Security Administration is administering the disability provisions in a proper and equitable manner. I feel

confident that the inclusion of this provision in law will help to avoid future court decisions at variance with the intent of the Congress and prevent possible inconsistencies that might otherwise arise in the social security disability program.

Mr. Chairman, in my opinion, the amendments made by the Committee to the public assistance and medicaid provisions of the bill should be modified by the other body. The provisions penalize the States like California in their aid to dependent children programs and in their medicaid programs. I support the views of Members from New York and other States that these provisions in the committee bill are too restrictive.

Mr. Chairman, let me conclude by stating that while it is most unfortunate that H.R. 12080 does not include some of the major recommendations made by the President, I shall vote for the bill. It provides a much needed, albeit not large enough, increase in cash benefits; it provides benefits to disabled widows and to young men disabled in the early years of their working lives—people whose only recourse today is all too often public welfare; it makes a number of significant and important improvements in the medicare program for our senior citizens; and it makes the appropriate financing changes to assure the continuing actuarial soundness of the social security program.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 20 minutes to the gentleman from Missouri [Mr. CURTIS].

(Mr. CURTIS asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield to the gentleman.

(Mr. DON H. CLAUSEN asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Chairman, I rise to support House approval of H.R. 12080, the Social Security Amendments of 1967. I cannot say that I fully agree with every provision of this comprehensive legislation because of its sheer size and scope. Indeed, it took a 201-page report for the Committee on Ways and Means to explain the bill to this House, including changes ranging from major to technical in our social security program, medicare, our public welfare laws including aid to needy children, and improvement of child health.

On balance, it makes many needed improvements in these laws. And since the rule for debate on this bill prevents further improvement by amendment, I will wholeheartedly vote for it and urge its approval. The members of the committee, and especially the chairman, the gentleman from Arkansas [Mr. MILLS] and the ranking minority member, the gentleman from Wisconsin [Mr. BYRNES], for their leadership, deserve our thanks and those of all our citizens for these improvements.

If I may, Mr. Chairman, I would like to point out a few of the major benefits of this bill—

First, as one who urged a cost-of-living increase in social security benefits last year and again this year, I am pleased that this is covered in H.R. 12080.

Actually, the bill provides for an increase of 12½ percent in cash benefits for social security recipients, which requires a small increase in payroll taxes of both workers and employers.

It is my information that social security cash benefits to date have fallen some 7 percent behind the cost of living. My own proposal, which I put in bill form this year along with a number of cosponsors, was to increase cash benefits 8 percent to offset inflation and add an automatic cost-of-living clause to raise benefits each time the cost of living has escalated by 3 percent. All this could have been done without an increase in payroll taxes.

Under the provision in H.R. 12080, the maximum benefit of $168 under present law would raised to $189 per month.

Second, as one who, 2 years ago, introduced a bill to permit social security recipients to earn more money on their own without losing part of their benefits, I am most pleased with the provision in this bill which does just this. It permits a person to earn $140 per month without affecting his social security benefits.

Third, under medicare, the problems of major illness will be eased somewhat by a provision providing coverage for 120 days of hospitalization instead of the present 90. In addition, a patient would be permitted to submit his itemized bill directly to the insurance carrier for payment.

Fourth, another improvement is in the welfare portion of the bill, providing work incentives and training for adults in welfare families, even providing child daycare services to make it possible for the adults to train or work.

Surely, Mr. Chairman, the Government fiscal policies of the past, recent past, and the present are pushing many, many of our citizens, as well as our Government, into serious and dangerous financial positions. Last year alone, the cost of living rose 3.3 percent. In California, similar policies of the past—spend and spend, borrow and borrow, and "face the piper" tomorrow—have resulted in the biggest tax increase in the history of any State in order to get it back to fiscal solvency. And this was done only after every effort was made to cut spending, even in areas of critical State responsibility.

And so the inflationary spiral goes. Onward and upward.

The unskilled worker making the minimum wage. Our older citizens and dependents drawing social security. Our thrifty citizens who are retired and living off their savings. Our workers who invested in company pension plans. All of these are being driven deeper into poverty.

The Government's responsibility is to see that these people are not hurt by Government actions and policies. Our first effort must be to pass this bill, the Social Security Amendments of 1967, as a first step in improving the situation. And then we must get to the business of cutting spending and stopping inflation.

Mr. CURTIS. Mr. Chairman, I want to join my colleagues, the chairman of the committee [Mr. MILLS] and the ranking Republican member of the committee, the gentleman from Wisconsin [Mr. BYRNES] in their recommendations to the House of the bill, H.R. 12080. At the same time I want to extend my congratulations to the committee for what I think was an excellent job of study and research over a long period of time. I emphasize this because there have been times when I have taken the well of the House and where in certain areas I have been critical of my own committee as well as other committees.

I think a study of the hearings concerning this legislation and the committee report will reveal a workmanlike job.

This is a 207-page bill, which indicates some of the extensiveness of the work involved. I know some of the news media and others wondering what the Ways and Means Committee has been doing these months with the social security measure. Well, this is the test of what has been going on. I do regret that during these months when we were working on this bill that there was not the curiosity on the part of the news media to find out what was going on. There was nothing secret. This information was available. It was important. We needed to have the people of this country alerted to these issues as they were coming up so that they could contribute their knowledge and wisdom to our deliberations.

Unfortunately, there was not much of this kind of reporting, and so to the amazement of the "World of Walter Wonder," a bill that is an entirely different one from the proposals made by the Johnson administration to the Congress has come forth. This is an entirely different piece of legislation—and, as I have said in my supplemental views, an excellent piece of legislation, correcting some of the things that have needed correction for many, many years.

My supplemental views, which appear on page 199 of the report, are as follows:

SUPPLEMENTAL VIEWS OF HON. THOMAS B. CURTIS, OF MISSOURI

I concur with the committee report and recommend the passage of H.R. 12080. Although I have some serious reservations about the changes in the old-age and survivorship portion of the bill which I shall discuss later, the improvements in the welfare sections are extensive and too long delayed. The improvements in the medical care sections, titles XVIII and XIX, are much needed but they are only the beginning of the amendments necessary to try to make these systems work. Although I believe the systems are fundamentally unsound and wide of the mark in attacking the real health problems of the aged and other potentially medically indigent, nonetheless, the innovations should have as fair a test as possible.

The real health problems lie in the area of financing catastrophic health costs. They never did lie in financing the routine and less costly illnesses of our people. H.R. 12080 notably extends the hospital benefits from 60 days to 90 days. This is still hitting at the problem from the wrong end. The cases of catastrophic illness or accident require sometimes a year or more of hospital care and

can put even affluent families on relief. These problems are met only in title XIX, the welfare section of the social security law. Our programs should be designed to keep people off welfare.

H.R. 12080 fails to correlate retirement benefits from social security with retirement benefits that most Americans derive from personal savings and private pension plans.

Americans in contrast to people in other developed countries have a broadly based tripartite system for their retirement. Goverment social security is one part. The primary and historical part consists of the person's own savings, annuities, insurance, homeownership, etc. The third part consists of the funded employment pension plans which meet the standards set by the Congress in the Internal Revenue Code.

The committee report states that studies of the Social Security Administration find that "Because social security benefits are virtually the sole reliance of about half the beneficiaries and the major reliance for almost all beneficiaries the level at which social security benefits are set determines in large measure the basic economic well-being of the majority of the Nation's older people." I challenge this statement. I have seen no studies by the Social Security Administration or by others which substantiates it. The wealth and investment resources of the aged as well as their income sources need objective study. Indeed, if this statement were true, what are we to believe happened to old people in America before 1936? They were cared for and compassionately, nor were the bulk of them cared for through welfare programs. Our objective should be to improve our systems, not denigrate them. This can only be done through objective studies.

Today social security is certainly an important part of the retirement plans of most Americans. But it is only a part and when it was initiated, it was never proposed as the sole source of retirement income for our people. The discussion today should be around how much of a part it should be.

Now that over 90 percent of all Americans are covered by social security as their standard of living increases with additional discretionary income available to them should they and their employers put that money into increasing social security benefits or increasing the benefits they might obtain through private savings plans and the employer-employee pension system?

I argue that there are three basic reasons today that the increase of retirement benefits for our people should come from further emphasis on funded retirement programs rather than pay-as-you-go retirement systems such as governmental social security.

1. Funded retirement programs can pay larger benefits than a pay-as-you-go system, because over 50 percent of the benefits paid out to the retiree come from the earnings on the investment of the fund. Our private pension plans today have over $90 billion in their funds. The annual earnings run over $4.5 billion. These funded plans are being extended to cover more and more people. About 25 million workers are presently covered in a program which was effectively started almost 10 years after social security. It wasn't until last year that the Congress effectively extended the tax treatment for corporate pension plans to self-employed and their employees. In a few years 50 million or 75 percent of the workers should be covered and the funds should be well over $200 billion.

The social security system, on the other hand, is a pay-as-you-go system which does not contemplate paying benefits out of the earnings of the trust fund. The social security trusts consist of only $22 billion and is called a contingent fund—to protect the system against unanticipated contingencies such as serious recession. It barely equals the benefits paid out in 1 year, yet it covers over 65 million workers. If the social security system were founded in the same sense that corporate and other private pension plans are required to be funded by our tax and insurance laws, the fund would have to have $350 billion in it.

In other words, instead of increasing the payroll tax by say $200 a year—$100 from the employee and $100 from the employer by increasing the wage base on which the social security tax is paid from $6,800 to $7,800 and increasing the rate of tax, that same $200 a year if paid into a funded pension plan, the benefits could be increased two to three times the increases provided in the social secuirty pay-as-you-go system.

The second reason which requires us to be cautious about increasing the social security system by having it compete for the same funds which finance private retirement plans is the economic limitations of the payroll tax, which is the method of financing not only social security but unemployment insurance and, in reality, workmen's compensation. Many economists have argued that getting the social security tax about 10 percent of the payroll endangers the basic system. It is certainly true that all taxes have a point of diminishing returns. Without the increases in this bill, the payroll tax is already scheduled to go up to 11.3 percent of payroll.

The third reason for increasing the retirement benefits for our people through the funded system rather than through pay-as-you-go systems lies in the need of any society for capital to finance its economic growth and increased standard of living. The Western European countries, particularly the ones that have been acclaimed for paying higher social security benefits than does the U.S. social security system, constantly look with envious eyes to the great U.S. capital market, because they do not have the capital to finance their growth. Americans through their tripartite retirement systems have much greater retirements benefits per person than these same countries because Americans do rely heavily on funded retirement systems in addition to social security. In the process, Americans have created great savings which are available through the savings and loan institutions ($150 billion), through the pension plans ($90 billion), through the insurance companies ($200 billion) and savings in banks ($100 billion) to finance the expansion of industry and their own living standards. If a society does not finance a large part of the retirement of its people through savings, it creates serious difficulties for itself.

So when we cut in on the funded systems by increasing the pay-as-you-go system as is done to some degree in H.R. 12080, we cut back on the amount of benefits that otherwise might be paid to our retirees as well as cut back on the capital that otherwise would be available to finance the Nation's growth which provides the jobs and living standards for our people.

I think it is important that we understand our great society so that in our endeavor to improve and better it, we do not unwittingly damage it.

Mr. Chairman, the basic philosophy that lies behind H.R. 12080 is almost the converse of the philosophy expressed by White House aide, Mr. Califano in a speech that had publicity releases made on it back in April and was reported in the New York Times and has since been quoted around the country extensively as a study paper, I might say. Parade magazine published a report of it about 2 or 3 weeks ago. The distinguished Wall Street Journal, which ought to know better, had it quoted in this fashion as a study paper. I have unsuccessfully tried to get a copy of the speech or paper itself. I do not even know whether there was such a speech. It looks like it was the work of one of these political relation operations of a certain group which holds to a certain philosophy, and this quoting and requoting around without reference to whatever studies were made in it is regrettably rather typical.

If eventually I can get a copy of the Califano speech itself, or if I can get a copy of the press release from which the New York Times story originated, I will put that in the RECORD.

But the essence of the Califano report was this:

Of the 7.2 million people on welfare, only 50,000 are capable of being trained and put in the work force.

Time and again during the extensive discussions in the Ways and Means Committee in executive session with representatives of the administration, notably Wilbur Cohen, Under Secretary of HEW, I raised the point of whether the Califano estimates and figures that were quoted were accurate because they obviously were not.

The administration witnesses behind closed doors admitted these figures were inaccurate. I kept asking them why the administration does not make appropriate statements, because the public has gotten the wrong impression. Although Mr. Wilbur Cohen said that as soon as this measure was voted out by the Ways and Means Committee, he would make these statements, to this day the administration has not withdrawn or corrected the false and erroneous statement issued by Mr. Califano.

Many well-meaning people around this country are being fooled by it, because, as a matter of fact, far from 50,000 people being retrainable, out of 72 million people the figures being retrained are in the millions. The very concept that they are not retrainable would make a mockery of the Job Corps, the Manpower Training Act, and all the other programs that the administration boasts about and points out as effective. I happen to agree with that, at least as far as the manpower training program is concerned.

This Califano statement was on the assumption that everybody over 65 was incapable of work. This was on the assumption that every mother whose children and she were on aid to dependent children, even though the children were over 16, was incapable of work. This was on the assumption that all children 16 to 20—high school dropouts and not going to school—were incapable of work. Let me say this: If this were an accurate statement, the programs we have had in being for years should be called back.

This is the groundwork, though, for those who are arguing for the negative income tax, for those who are arguing for a guaranteed annual wage. Yes, they are after this, and the only way they can get it is to denigrate these training programs and the concept that welfare is to enable people to get on their economic feet. It is something which would mean we have to treat a portion of our society as if this were a permanent welfare situation, as some who are advocating the

guaranteed annual wage and the negative income tax say.

Advancement in our society technologically, and on so, has reached a point where there is no need for certain people in our society, they say. This is a false statement. Automation, although it destroys jobs, creates many more jobs than it destroys, and there is a place in this advaced society for every single man, woman or child above 16 to be able to work and earn and to work meaningfully. There is no excuse for taking the negative approach that we have to move to a welfare society, to a hopeless approach for certain of our people.

This is why I say H.R. 12080 is in direct contrast to the speech and the statements of Mr. Califano speaking for the White House, and is in direct opposition to the theories of those who would advocate a negative income tax or a guaranteed annual wage.

Mr. HALL. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield to the gentleman from Missouri.

Mr. HALL. Mr. Chairman, I appreciate the statement of my colleague from Missouri. I simply want to emphasize his well-made point by a query. Is it not true that in the vocational rehabilitation training program alone, which reports to this Congress regularly, whether physical restoration, training restoration, or educational training and rehabilitation; a far greater percentage than 50,000 are rehabilitated annually?

Mr. CURTIS. Of course. The gentleman speaks from a depth of knowledge and work in this field. In aid to the blind, which is a part of this social security program, we have many more than that who are working and capable of working.

This whole concept that is being promoted is despicable, in my judgment, and it needs to be smoked out.

Let me say something about an address by Mr. Gardner, Secretary of Health, Education, and Welfare, on August 15, 1967, which was reported in the press as if he were going to go over to the Senate, when this bill passes the House, and undo some of this basic philosophy. Already on the floor of the House I see some who have picked up some of the overtones of this speech.

Incidentally, when we get back in the House I will ask to put the entire speech in the RECORD, because it does not provide the kind of material and information as had been reported in the news media. It is nowhere near the kind of attack on this bill one might believe from reading some of the press reports.

One point disturbs me a little. On page 8 of his speech there is this:

> The work training projects offer great opportunities in this bill, but like all opportunities they must be exploited with wisdom as well as energy. At the very minimum, we must be sure that we are not preparing candidates for nonexisting jobs. To stir expectations and be unable to pay off is both immoral and foolish, and again destructive of the ends of the program.

For those who would like to examine this quote in context, I am appending Secretary Gardner's entire speech of August 15 at the end of my remarks.

Of course, this is exactly what the committee bill says in essence, and could not agree with more. Who is dragging this red herring across the trail in the debate on this bill, that there is any such concept?

Let me say this, as one who had a great deal to do with the original conception, drafting, and passage of the Manpower Training and Development Act of 1962, which, incidentally, had its origin as a result of hearings in the Ways and Means Committee on unemployment insurance several years before: the discipline in the Manpower Training and Development Act is that one cannot spend Federal money to train unless there is a job in sight. That is the discipline.

There were two requirements in that bill.

One was that the dictionary of occupational titles, which had not been updated since 1949, be updated so that we would know what were the nomenclature of jobs available in this dynamic society. Regrettably, when the Department of Labor finally published the updating in January 1966, it was already out of date. It should have been in a looseleaf form. This is how rapidly moving our economy is.

If we cannot have common nomenclature on the skills in existence in our society, how indeed, can we gear our programs of training for jobs in existence?

Now I am leading to something that is sinister. There was a second requirement, that the Department of Labor develop jobs available statistics. This is a concept which has been under consideration in the Joint Economic Committee, the Subcommittee on Economic Statistics, for years, and among many knowledgeable people around this society. It is a very practical and necessary thing, because how in the name of heaven are we going to do an adequate job for the Job Corps, for manpower training, or for any training program if we do not develop such national statistics?

To this very day this administration, which talks about its great concern for poverty and the problems of welfare in our society, has not developed jobs available statistics.

Because of the dragging of feet in the Department of Labor on this, I was able to get the Joint Economic Committee, Subcommittee on Economic Statistics, to hold hearings on the matter, to find out whether we were wrong, whether this was a practical statistic which could be developed. Did it really have the implications we thought it did for the training programs?

Those hearings were held a year ago. There was only one negative witness, notably the representative of the AFL–CIO, who stated they were against it because these statistics might be misused to create the impression that there really was not a serious unemployment problem because there were more jobs available than there were unemployed.

The excuse of the administration, of Secretary Wirtz, was that Congress would not give them the $2 million necessary to develop these statistics. My response was, "Believe me, if this is as needed as I say it is and as others have said it is, do you think that $2 million would stand in the way of this administration, or that this Congress would not grant the $2 million?"

I went to the Republicans on the Subcommittee of the Appropriations Committee to get their assistance to get this through. This support exists. It is the Democrats who block it.

This was a specious argument of Secretary Wirtz, but it demonstrates a sinister thing that is going on in our society.

Powerful persons in this administration apparently do not want training programs to work and do not want the very thing that Secretary Gardner says is essential to avoid, "to stir expectations—then we are unable to pay off, and this is destructive to the ends of this program." Indeed this is true. You take a kid and send him for 6 months to a vocational education school or have him spend a year or whatever period of time it is to learn a skill only to find out that he has trained in a skill which is already obsolete or one which is not in demand. What could be more tragic indeed? It is time not just for the administration to act, but I call upon some responsible people in the news media to report what I am saying here and which I have said in open public hearings ever since the Manpower Training Act was enacted in 1962. They still will not report this to the people of the country. Why has the Johnson administration failed to develop jobs available statistics?

Mr. PUCINSKI. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. Yes. I yield to the gentleman.

Mr. PUCINSKI. The gentleman will be very interested to know the subcommittee of which I am chairman is now working on a vocational education bill that is going to update the whole quality of vocational education. It is going to do the very thing that the gentleman is complaining about. I agree with him that we have to improve it, and it is being done by the committee.

Mr. CURTIS. I am so happy to hear it. When I first came to the Congress in 1950, one of the first things I zeroed in on was the vocational education program enacted in 1917. I told my conservative friends who did not think the Federal Government should be in these things that this decision was made many years ago back in 1917. We should improve these programs. The trouble was that the Federal vocational education program was heavily oriented toward agricultural skills. I have done everything I could since I have been in the Congress to get more money into the Federal vocational education program and to gear it into these kinds of skills that are in demand which are mainly in the service area. So I would say in 1967 we are pretty much behind times in doing this. In the meantime I will say that Congress has improved the vocational education program. However, this program has to be geared to the apprenticeship training program in the Department of Labor. To this very day there is a fight still going on between the Department of Health, Education, and Welfare, which has vocational education, and the Department of Labor, which has apprenticeship train-

ing, when those programs should be geared very closely together. That is the kind of work that needs to be done.

Incidentally, in all of these areas we are not talking about large sums of money. The administration's way of solving poverty is to throw money at it. We say that the answer is to use our brains. Money is necessary but only if it is properly spent and in well-designed programs.

Mr. PUCINSKI. Will the gentleman yield for one further comment?

Mr. CURTIS. I do want to get on with my statement, but I yield.

Mr. PUCINSKI. The gentleman made a very excellent point, and he will be very happy to learn that President Johnson recommended in his bill now before the committee that private industry be brought into this vocational education program.

Mr. CURTIS. Is not that fine.

Mr. PUCINSKI. And he has widespread support for it.

Mr. CURTIS. We have the Human Investment Act which seeks to encourage the private sector to do even more to get people trained and retrained, but the administration opposes it. Our tax laws impede the training and mobility of labor, yet the administration opposes our efforts to remove these impediments. In addition we have proposed that individuals on OAA and ADC receive assistance toward improving their homes, rather than being removed from their homes. Both of these programs have a negative bias which must be removed. I am unconcerned about the President's rhetoric. What I am concerned about is his action.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BETTS. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. CURTIS. I will put my additional points on this bill in at the close of my remarks in the RECORD, because I think these points are important. Also, relevant to this discusion is the relationship between job training programs and the minimum wage. I intend to make a statement on this next week.

Mr. PATTEN. Mr. Chairman, will the gentleman yield?

Mr. CURTIS. I yield to the gentleman.

Mr. PATTEN. I am not being facetious, but has any one made any comment about the platform adopted by the Republican Governors in their action plan? It is in this morning's RECORD. I am not looking for an argument, but I am looking for some help.

Mr. CURTIS. What did they say?

Mr. PATTEN. No. 1, I read here that the Federal Government is not providing the financial resources on a scale commensurate with the dimensions of this problem and in many cases the effectiveness of Federal programs is inhibited by unnecessary inflexibility in their administration. Then, they say the same about the funds. Therefore, I wonder in just what position we find ourselves.

Mr. CURTIS. I shall be happy to comment upon that question, because probably each Democrat Governor agrees with it and I cannot disagree more with these gentlemen.

Mr. PATTEN. Oh, well——

Mr. CURTIS. The bill on the floor of the House which we are now discussing, and the philosophy which we are now discussing, is shared evidently by the majority of the Democrats and certainly the majority of the Democrats on the Committee on Ways and Means, as well as being shared by the Republican members of that committee. There are those on your side of the aisle with whom I am in disagreement. Believe me, we have some on our side of the aisle. However, this bill has very little to do with partisan politics, only to the extent that someone wants to make partisan politics out of it. If people disagree with the approach as envisioned in this bill, a bill designed toward methods of getting people on their economic feet; and in contrast accept the problems of a certain portion of our people as insolvable and that they have to be permanently on public welfare, then let us discuss that. If any political party wants to espouse openly that philosophy, why, I would welcome such discussion on a partisan basis.

Then, Mr. Chairman, I want to move ahead—and I am going to put most of these remarks in the RECORD, but I do want to point out page 100 of the committee report where that philosophy has been discussed in reference to foster care for children and point out one underlying reason for the change. We found that we are having great difficulty in families where there are more than one illegitimate child. Children were still being reared in that family, which obviously provided an immoral home environment. Such deprivation exists because of an economic reason. The local community courts and the local welfare people were reluctant to take children off aid to dependent children where we had these large Federal matching grants, and put them over in foster care where the local community had to bear almost the entire cost of such care because there was not the Federal matching funds.

Mr. Chairman, in this bill we equalize this situation whereby in the future this kind of economic disincentive in providing a decent home for children is taken care of.

Then, Mr. Chairman, over on page 109 is the development of the concept of protective payments for children where you have a family which is not spending the money for the benefit of the children. Now the officials can move in with the help of the same Federal matching grants to take over and pay the money for the benefit of the children in these interim periods.

Mr. Chairman, it is these kinds of badly needed reforms which we find throughout this bill.

On page 111 there is a very important item in regard to homeownership, and in my extension of my remarks I shall develop it further. We find that homeownership is undermined to a large degree through the welfare approach, because for example, when the father dies—a father leaving a widow with three or four children where they own their own home—one of the first things the welfare worker says is, "Well, regrettably, you will have to sell this asset and we will have to put you in rental quarters." This is done because in the opinion of the welfare worker the house may be substandard.

This bill provides a beginning where a determination may be made as to whether or not it would be cheaper—certainly it is more uplifting to keep them in their own home—and heaven knows we want to keep them in their own home; if we can do this by putting in a new furnace or by putting in new plumbing, then let it be done. The FHA program permits a great deal of this now but it is not being utilized by those who are administering the welfare program.

Then, Mr. Chairman, I come again to this matter of coordination of these many welfare programs. The attempt is made to accomplish this purpose. This bill does bring about coordination in many matters that lie properly in the jurisdiction of other committees—the housing problem essentially lies in the jurisdiction of the Committee on Banking and Currency. Many training and welfare matters lie within the jurisdiction of the Committee on Education and Labor, and so forth.

The speech by Secretary Gardner mentioned above follows:

REMARKS BY JOHN W. GARDNER, SECRETARY OF HEALTH, EDUCATION, AND WELFARE

I want to talk about the reorganization. I'll also say something about the proposed welfare legislation as it has been reported out of the House Ways and Means Committee. Of course it is not yet final; it still must be acted on by the full House and the Senate.

We have tried to simplify our organization here so that we will be in a better position to help you do your job better at the State and local levels. It is the first duty of all of us to devise the best ways we can find to get people the kinds of help they need when they need it.

We are not so naive nor so presumptuous as to think that a reorganization at the federal level can bring about the best of all possible systems of delivery at the local level, which is the only place where it counts. But we do think it can be helpful to bring together all our resources, as we have done, and to provide you easier access to them through clearer channels.

In the Social and Rehabilitation Service, we have brought under one roof a new Children's Bureau, a new Administration on Aging, a new Rehabilitation Services Administration. Each of these units will maintain its integrity. Each, you may be sure, will continue to be a vigorous, even vociferous, advocate for the special needs of its special group: the aged, or the handicapped, or children.

But the problems of these groups tend to overlap, and so do the groups themselves. The talents and skills required to deal with them, while specialized in some respects, are similar in others. We believe that the three units can be mutually helpful, mutually reinforcing. And their placement together in one Service makes easier an approach which has long been a goal of those working in all these fields: a unified approach to the individual and to the family, and services available as a utility to all who can use them.

I look forward to a period of dynamic growth for each of the units within the new Social and Rehabilitation Service.

I believe that the Children's Bureau, strengthened through added functions, will become an ever more vital focus for activities involving children and families.

The Administration on Aging, also strengthened with new functions, will become more than ever before a focus for all types of services for all the aged.

And the Rehabilitation Services Administration, with its expanded responsibilities, will be able to make an even broader contribution to work with the handicapped.

We have separated at the Federal level programs having to do with cash payments from the programs offering rehabilitation and social services. There is growing consensus that these quite different functions should be performed by different people. The reasons are so familiar to you that I shall not go into them. They have to do with making the entire process more simple, efficient, and dignified on the one hand, and on the other freeing scarce manpower to provide services to those who need them. Several States and cities have taken, or are contemplating, steps to separate the operation of these services. The new Assistance Payments Administration will be responsible for developing policies and providing guidance to the States and local agencies on matters pertaining to cash payments.

The Medical Services Administration will be responsible for general oversight of the setting of standards for medical services provided under title XIX of the Social Security Act—the State Medicaid programs.

There will be one commissioner of the new Service in each of the nine Regions. We believe this will make things easier for you by giving you one channel into Washington instead of four or five.

A word about rehabilitation. I use the word in its broadest sense. By rehabilitation I mean giving people the chance—and the challenge—to develop their own resources, inner and outer, to become as independent and responsible as possible. I mean giving people the chance and the challenge to make the most of their talents and their lives and to find personal satisfaction and fulfillment through participation, to live their lives with some measure of dignity.

Now let me turn to the proposed legislation as it was reported out of the Ways and Means Committee. We see some great opportunities in it. We also see some problems. There are things we wanted that we didn't get, and things we didn't want that we did get.

The bill as reported provides for a new kind of focus on the family as a total entity. We think this can be all to the good.

First, the States would be required to develop a comprehensive plan for each family and to review it frequently. Second, the States would be required to provide work and training programs for welfare recipients deemed "appropriate" for employment. I'll return to this point in a moment. And third, the States would have to provide greatly enlarged day care and homemaker services for employed AFDC mothers.

The comprehensive plan drawn up for each family would be based on an evaluation of the potentialities for employment of family members over sixteen who are not in school, the health and educational and training needs they might have, and the welfare of the children. If the evaluations are well and carefully done, if their goals are broader than the achievement of employment alone, and if the resulting plans are realistically and imaginatively laid, many families now on public assistance will find new hope, new confidence, new stability, and a new opportunity to become productive and participating—with all the increase in personal satisfaction and happiness that goes with it.

With respect to employment, we have had encouraging successes. Based on the work-experience programs that have been operating for a couple of years, we have every reason to believe that there are many more individuals who want to be and can be trained and employed.

It is perfectly obvious that not all mothers would wish to, or should, or could, work full-time, or perhaps even part-time. But the unknown number who wish to, or should, or could, ought to have that chance.

Thus far, participation in the work-experience programs has been entirely voluntary, though attractive incentives have been offered. The proposed legislation would make participation a condition for receiving assistance for those determined to be appropriate for work or training. But the bill provides that a recipient of public assistance may refuse such work-training for "good cause," and the existing law allows an individual to appeal any decision to the State agency. I have asked my staff to develop criteria for the administration of these provisions that will ensure protection of the rights of the individual. I am deeply concerned that those rights be preserved.

But what really matters is what happens to each family, and for all practical purposes that will be decided elsewhere, not in Washington. A mother might appear to be a good candidate for work and training on several grounds, yet special circumstances might make it desirable for her to delay entrance into the program. If determination are made according to rigid formulas inflexibly applied, if lack of imagination and foresight characterize action at the decision level, then the result can only be grief for the individuals and families involved and defeat of the purposes of the program, which are to strengthen the family and move it toward independence.

The work-training projects offer great opportunities, but like all opportunities, they must be exploited with wisdom as well as energy. At the very minimum, we must be sure that we are not preparing candidates for non-existent jobs. To stir expectations and then be unable to pay off is both immoral and foolish—and again, destructive of the ends of the program. But I would hope that we could go beyond merely giving vocational training for already existing or conventional, particularly dead end jobs—that at least some of the projects would be consciously aimed at creating new careers in new kinds of jobs for the participants.

The provisions for day care also offer great potentialities for enriched educational and play programs that would enhance the youngsters' chances for healthy intellectual and emotional growth.

There are other provisions of the proposed law that we feel will make it possible for us to be more helpful to you. I am particularly glad, for example, that increased funds have been made available for child welfare services and maternal and child health.

There is also, however, a debit side to the proposed legislation from our point of view. We feel that some of it, quite apart from other objections to it which might be made, would have the effect of defeating or weakening the overall purposes of the bill.

The Ways and Means Committee rightly places great emphasis on the work and training programs. Yet it deleted the Administration provision that would make it mandatory upon the States to pay full need, as defined by each State itself, to public assistance recipients, and to reprice such standards each year. And I don't need to tell you that most States' definitions of full need are far from prodigal. I will recommend to the Senate the reinstatement of these provisions which were included in the Administration proposal.

Full need has been paid to participants in the successful work-training programs, and we had predicated our request for an expansion of such programs on the assumption that full need would be met. That is one of the things we asked for and didn't get.

Something we did not ask for and did get was the ceiling which the Committee placed on the AFDC program. The proportion of children on the rolls because of the absence or desertion of a parent would be frozen as of the proportion obtaining in January of this year. I will recommend to the Senate deletion of the provision.

Under the House amendment, the Federal Government would be foreclosed from sharing in the support of children whose condition is precisely the same as that of children already being assisted. The States would be encouraged—virtually forced—to establish even more restrictive eligibility requirements, or else to lower the already inadequate support being paid.

I do not believe that children should have to pay for the shortcomings and inequities of the society into which they were born. I do not believe that children should have to pay for the real or supposed sins of their parents. And I think it would be shortsighted of a society to produce, by its neglect, a group of future citizens very likely to be unproductive and characterized by bitterness and alienation.

Earlier, I spoke of the new opportunities we have to start to do the job that we know needs to be done. But it would be dishonest not to acknowledge the real obstacles we face in trying to do it. Since we don't have all day, I won't name them all.

The first and most obvious thing to say is that many of the problems encountered by the welfare program will not be solved within the context of the welfare program itself. They are rooted in the fact of poverty and all that goes with it—bad housing, poor schools, dismal and decayed neighborhoods, crime, family life that is often unstable, and the feelings of despair, apathy, and hopelessness harbored by so many who are trapped in such environments.

I believe that those in public welfare have been criticized, too often and unfairly, for failure to surmount problems that are beyond their scope and power. Poverty itself is the enemy, and it will take a good deal more than changes in the welfare system to conquer it.

But we here today have to work within the immediate context, with the resources we now have available and within the restrictions placed upon us. We are able to reach only a fraction of the poor—about one-fourth—with financial help. We are able to reach a much smaller fraction of those who need social and rehabilitative services. The very least we can do is to deliver the available money and services effectively to those we are now able to help. We must be ardent advocates for these immediate clients of ours, but we must also strive to keep the eyes of the Nation on the 24 million poor Americans who receive no financial help; on the 5 million children whose fathers work full time all year round and still cannot make enough to support their families adequately; on the millions more, poor or not, who need various kinds of help and service to cope responsibly and fully in a complex society.

I said that we have to act within the present context. That does not mean that we cannot look beyond it. The extremely valuable report made to me by the Advisory Council on Public Welfare enlarges our vision of the job remaining to be done. One may or may not believe that the route proposed by the Council is the best possible one to reach our goal. But it makes vividly clear the massive commitment of resources and talent that will be required no matter which route is chosen.

I have talked mostly about welfare today because this is a critical moment for our public assistance programs. But in a sense this is a critical moment for all of the programs involved in the reorganization; for all of the children we are able to reach through medical and other services; for all of the aged whose lives can be enriched in a great variety of ways; for all of the handicapped who can be helped toward more independent and satisfying lives.

For those of us involved in these fields, I think it is fair to say that there has never been a time when we saw the needs more clearly or were willing to face the problems more honestly. We are now prepared to say that we want a Nation in which no one is damaged by circumstances that can be prevented, a Nation in which everyone is enabled to make the most of his potentialities, a Nation in which no one is shut out from the life of society.

To achieve this kind of Nation will require a mobilization of public understanding and support far beyond anything we have attempted so far. I assure you that I will do my best to try to enlarge public understanding and rally the support we need. And I urge you to do the same in your communities. We need hands to help us and heads to think with us. Make the most orf your old allies in the voluntary agencies and other groups. Rally new allies from the great pool of talented womanpower, from students, from businessmen, from all who will want to have a share in conquering our problems when they are helped to understand what those problems are. You will be doing them a favor. And you will be doing the country a great service.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Oregon [Mr. ULLMAN].

(Mr. ULLMAN asked and was given permission to revise and extend his remarks.)

Mr. ULLMAN. Mr. Chairman, I want to commend the chairman of the committee, the gentleman from Arkansas [Mr. MILLS], and the ranking minority member, the gentleman from Wisconsin [Mr. BYRNES], for their dedication and their diligence in helping to shape what I think is a monumental piece of legislation.

I am proud to be a member of the committee that has written this legislation. I think it presents a major turn in welfare philosophy that is in the right direction and is good for America.

In my judgment this bill should lead the way toward renaming the welfare departments all over the country to "welfare and rehabilitation" departments because that is the philosophy in this bill.

There are few people in America who cannot participate actively in the affairs of the Nation. Everyone has something to contribute. And the philosophy of this bill is that we are shaping every effort and every program toward the maximum fulfillment of individual potential in this Nation.

The chairman pointed out on page 17 a table that I think every Member should look at, particularly the column under "Increases in the committee bill." This should answer those who claim there is nothing in the bill for the poor.

In the fiscal year 1972 there is an estimated additional expenditure of $470 million under the heading "Day care." This is a most significant item and I think one that has long been needed.

There is an additional item "Other special services" of $125 million.

There is the item "Earnings exemptions" of $35 million.

There has been extremely interesting experiences in some communities where additional earnings have been allowed and it has paved the way to significant reductions in the welfare rolls.

The exemption amounts to $30 plus one-third of all income above that.

This helps to get people established in work habits and is a tool that can be used very effectively by the various States.

Then there is the work-training program—an item of $225 million. This is indeed a landmark development.

Under our bill all States would be required to institute community work and training programs by July 1, 1969.

The training, supervision, and materials program would be financed with 75 percent Federal participation and 85 percent until July 1969, with an estimated increased cost of $225 million to the Federal Government by 1972.

Work, experience, and training would be available to both mothers and fathers with out-of-school children over 16 years of age who are receiving cash assistance under aid to families with dependent children programs.

Employed adults will improve the entire quality of life in the welfare household.

I think, Mr. Chairman, one of the most important improvements in the existing law is the variety of employers who can provide these services.

Under our bill, work or training can be provided by nonprofit agencies or by private employers and by public agencies other than the welfare department. I feel that the latter category holds the real potential for the growth and development of these programs. For instance, Federal departments and agencies and agencies of State governments are particularly suited both to provide meaningful work experience for persons who have not established sufficient work habits to hold successfully a job.

The able-bodied welfare recipient needs more than cash help. He—or she—needs the self-respect and dignity that a job can provide. He needs not only education and training, but also the patterns of the working world—getting up in the morning, catching the bus, arriving on time, putting in 8 hours on the job. Welfare administrators are agreed that many of the people under their care have never experienced the regimen of employment. To establish these work habits is a critical step toward successful employment and self-sufficiency.

It is also essential that the welfare recipient receive a meaningful work training experience. "Make work" jobs and degrading assignments will quickly discourage the relief recipient with inadequate background and experience, just as it does the well-qualified applicant.

A number of commentators are pessimistic about employment opportunities for welfare recipients after the training period is concluded. It would indeed be a cruel hoax to build the pattern of working and then fail to locate employment for the recipient.

Similar predictions were made in the early sixties that automation would inevitably replace American workers and foster widespread unemployment. Our viable economy proved equal to the challenge. Likewise, our growing economy—and particularly the services sector—can accommodate large numbers of workers with limited skills and work experience at decent wages.

Existing law inadvertently reinforces the inclination of the welfare recipient to remain on the rolls, rather than go to the effort to hold a job. Currently, welfare aid is diminished dollar for dollar for outside earnings for adults qualifying through AFDC. Our committee recognized the importance of providing a work incentive to the individual on relief. Starting July 1, 1969, all States would be required to have an earnings exemption under their AFDC program. The first $30 of earned family income plus one-third of earnings above that amount would be retained by the family before welfare assistance would be reduced.

The imaginative program which our committee has recommended to reduce the number of families on relief must be accompanied by advancements in the social work profession. Our bill recognizes this need by authorizing $5 million annually in fiscal years 1969–72 for grants to colleges and universities to upgrade and expand their training programs for social workers. Particular emphasis is placed on attracting undergraduates to this worthwhile and rewarding profession.

Other provisions of H.R. 12080 expand Federal payments for foster home care of children. Existing law provides Federal AFDC funds for children in foster homes only if they were recipients of AFDC at the time they were removed from their natural home by a court. Only 9,000 children currently qualify under this limitation. The States may also use part of their title V child welfare services grants for the purpose of foster home care; however, other demands for these funds have made this source insignificant.

Our bill liberalizes existing law to encourage placement of children in foster homes when a poor home environment exists. AFDC funds would be available if the child is removed from his natural home and placed in foster care by a court order and if the child would have been eligible for AFDC aid if an application had been made on his behalf. Also included are children removed from the homes of certain specified relatives within 6 months of a court order.

Foster home care is often more expensive than care in a child's natural home. Therefore, our committee authorizes Federal sharing up to $100 a month per foster child. Effective July 1, 1969, State plans would have to provide foster care on this basis.

Our report encourages State welfare agencies to obtain the best possible environment for the foster child. We recommend greater use of existing AFDC provisions which permit payment to nonneedy relatives who care for an eligible child who has no parents.

BENEFITS TO DISABLED WIDOWS AND WIDOWERS

In another area of this complex legislation, I would like to call my colleagues' attention to the extension of social security benefits to disabled widows and widowers of covered deceased workers. I was privileged to sponsor similar provisions as far back as 1959, and I am particularly gratified that the committee was able to extend social security coverage to this group this year.

The benefits authorized by this section of the bill would be 50 percent of the primary insurance amount if elected at age 50. The benefits increase in graduated steps to 82 percent at age 62. The percentage limitation continues to apply to benefits after age 62.

This provision will provide long overdue assistance to an unfortunate group of 65,000 Americans at an estimated cost of $60 million.

UNDERPAYMENT PROBLEM CORRECTED

H.R. 12080 makes an important change in the provisions of existing law governing distribution of social security benefits owed to a worker at his death.

Under present law, if the amount due at the primary insured's death is 1 month's benefit or less, it is paid to the surviving spouse who was living in the same household. If the amount was greater than 1 month's benefit or if there was no surviving spouse, it can be paid only to a legal representative of the estate. These conditions have resulted in a considerable hardship in States such as Oregon which do not have a small-estates statute or where complex State law makes appointment of a legal representative difficult. Surviving spouses who were not living in the same household as the deceased, children, and parents are forced to go through costly court proceedings and pay attorneys' fees to recover benefits owed to their decedent. At the end of June 1967, there were 141,000 claims outstanding because of this difficulty.

Our bill remedies this situation by enumerating the order of succession in cases of underpayment. The benefits would be paid in the following order: first, to the surviving spouse; second, the dependent child or children; third, the parents; fourth, the legal representative of the estate; fifth, spouse not entitled to benefits on the same earnings record; and sixth, child or children not entitled to benefits on the same earnings record.

MEDICARE PROVISIONS

Medicare went into effect July 1, 1966. The public and professional acceptance of this remarkable health insurance program has indeed been gratifying to those of us who worked so diligently for its passage 2 years ago. A number of perfecting amendments to the medicare program are contained in the bill we are considering today.

Undoubtedly, disabled individuals should also be considered under the health insurance program of the social security law. However, the committee was unable to accurately estimate the costs involved in expanding this program to include this category. Therefore, our report directs the Secretary of Health, Education, and Welfare to establish a Special Advisory Commission to study the problems relative to including the disabled under the medicare program. The Commission is to present its report by January 1, 1969.

I am particularly interested in a new method of payment to physicians under the supplementary medical insurance program—part B of medicare—authorized by today's bill. Existing law permits payment in two ways: by a "receipted bill," or by "assignemnt." Elderly patients of doctors who chose not to accept assignment were often disturbed and confused when they were required to pay for services and then submit their receipted bill to the insurance carrier for reimbursement. In a few isolated cases, where the patient was unable to pay, a promissory note was executed, and interest costs were charged until the reimbursement arrived.

With the support of both the medicare patients and the doctors, I introduced a bill April 10 to correct this situation. The committee recommends today a provision similar to my legislation. A physician would be authorized to submit his "itemized" bill to the carrier for payment. If the payment conforms with the "reasonable charge" schedule, it will be made direct to the physician. If he prefers, the doctor can direct that payment be made to the patient. If the physician prefers not to submit the bill, or if he does not wish to use the carrier's "reasonable charge," the patient may submit an itemized bill and be reimbursed 80 percent of the reasonable charge.

The acceptance by physicians and surgeons and successful implementation of medicare have encouraged many persons to recommend that the program be extended to include the services of other health practitioners. Budgetary considerations—particularly the unexpected increases in hospital care costs—permitted only a modest extension of services this year to include podiatrists and outpatient physical therapy under the supervision of a hospital. However, the Committee did direct the Secretary of Health, Education, and Welfare to conduct an in-depth study of the extension of part B coverage to other health professions.

Mr. Chairman, I have mentioned today but a few of the many important provisions of this monumental legislation. Our committee has faced the challenge of improving the most significant social program in America. We do not claim to present a perfect package or to satisfy the recommendations of the hundreds of witnesses who testified before our committee. But we can take pride in facing our commitment to the aged and underprivileged citizens of our Nation and expanding their opportunities for a successful and productive life.

Mr. BINGHAM. Mr. Chairman, will the gentleman yield?

Mr. ULLMAN. I am happy to yield to the gentleman from New York.

Mr. BINGHAM. I thank the gentleman for yielding. I agree with much of what the gentleman has said about the changes in the welfare provisions of the bill, particularly the allowance for additional earnings. In my remarks yesterday I criticized the fact that we were not going to be able to vote on these issues separately, and there are certain aspects of the bill which I deeply regret. But I do recognize that there are some advances in the bill, in the philosophy of the welfare program. I commend the chairman and the members of the committee for those advances.

Mr. ULLMAN. I appreciate the remarks of the gentleman from New York.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. BETTS].

Mr. BETTS. Mr. Chairman, after my distinguished chairman and the distinguished ranking minority member have spoken on this bill, I doubt if there is anything I can contribute to it.

The chairman mentioned the cooperation he received from the committee in the work on this bill. I am sure if it was not for the leadership of the chairman and the leadership of the ranking minority member, the gentleman from Wisconsin, we would not have had a bill as acceptable as the bill we have here today.

This is a large and complicated bill. With the thought that maybe somebody might not have been able to fathom all the technicalities and the bigness of it, and running the risk of oversimplifying the situation, I thought I would try to find some general reasons for which we could support the bill. There are four which I would like briefly to present to the committee.

In the first place, I think this bill is necessary because we have been living in an era of inflation. As a matter of fact, since the last increase in social security benefits, there has been an increase in cost of living of about 7.5 percent, so that, however we look at it, I feel that any reasonable increase in social security benefits is certainly justified.

That is the first reason I think we can find for supporting this bill.

The second reason is I feel it represents some very reasonable compromises in an area in which certainly there were some extremes. I am referring to all of the letters which I am sure we all received from beneficiaries insisting that social security benefits be increased to the point where they thought they could simply retire and live upon them. That is one extreme. On the other hand, another extreme is represented by letters I received—which I am sure everyone in the House also has received, from young persons, young married couples, and from small businessmen who are concerned about the constant increase in the contribution, the payroll taxes that are necessary to support these benefits.

These represent difficult extremes to rationalize. There is the young married couple with a family and home to buy and money to save to send children to college, and the possibility of an increase in cost of living constantly facing them. They find it very difficult to have taken from their payrolls an increasing amount to support the social security system.

Also, the small businessman finds it increasingly difficult to meet the rising cost of operating his business; and also every time that social security is raised, he has to multiply the raise by the number of persons in his employment.

So there is a genuine position of each extreme on the issue, and I think we compromised that very well when we abandoned the proposal of expanding the base to $10,800 and instead of fixing it at $7,600, and also by keeping the increase in benefits to 12.5 percent. So the second reason which I think justifies us in supporting the bill is that these two extremes were very wisely compromised.

The third reason has been very comprehensively and adequately dealt with by the chairman and the ranking minor-member; that is the manner in which the public welfare section of the bill was made to include requirements that States have to see that there is work training, that there are certain programs for family planning and day care, and other conditions for receiving welfare payments.

As I say, this has been gone into very extensively. I believe the fact that the committee took the position on a very difficult and controversial area, to come to grips with a situation that really needed consideration, is certainly a sound reason why we should support the bill.

The fourth general reason I am not sure has been touched upon, but I believe is important in this time of rising expenditures.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield the gentleman an additional 5 minutes.

Mr. BETTS. Mr. Chairman, although the increase in cost of the social security system in the year 1968 will be about $30 million, and in 1972 will be $146 million, it is well to note that in comparison to the present law the cost of the public welfare program would actually be reduced in the amount of $78 million for the year 1968 and $704.5 million in the year 1972. The overall financial picture of the whole bill is that it represents a saving compared to the present law. In 1968, under the committee bill, that would be $40 million under what it would cost under present law, and in 1972 it would be a saving of $549 million.

As I say, at a time such as this, when we are trying to look for economy in Government, that is certainly a very laudable reason for supporting the bill.

The only reason I mention these points is because in a very complicated and technical bill it might be difficult to find some general reasons for support. Those are the four: because of inflation I believe the benefits are necessary; because the extremes as to raising benefits and raising withholding taxes have been well compromised; because we have come to grips with a real problem so far as public assistance is concerned; and because actually the bill, as submitted by our committee, represents an overall reduction in cost.

Mr. MILLS. Mr. Chairman, will my friend from Ohio yield?

Mr. BETTS. I am glad to yield to the gentleman.

Mr. MILLS. As my friend from Ohio knows and has pointed out, in the area of social security, where general funds are used, in some instances at great cost, in the public welfare and child health provisions for the fiscal year 1972 there will be an actual saving, compared to existing law, of $459 million, whereas under H.R. 5710 there would have been an increase of $1,124,500,000 in the cost to the general fund.

Mr. BETTS. I am certainly glad the chairman has called that to the attention of the committee. It shows the wisdom of the committee bill over the bill as originally submitted.

I submit these four general reasons, which I believe justify support of the bill.

(Mr. BETTS asked and was given permission to revise and extend his remarks.)

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Louisiana [Mr. BOGGS].

Mr. BOGGS. Mr. Chairman, I am happy to commend and give my strongest support to the recommendations for improvements in the social security system included in H.R. 12080. This bill, which bears the fruit of the many months of work of our esteemed colleagues, the distinguished gentleman from Arkansas and chairman of the Ways and Means Committee, and the distinguished gentleman from Wisconsin and ranking minority member of the committee, as well as the other members of the committee, is one we can support.

In the course of our consideration of this measure I have again been impressed by the significance of the role that social security has come to play. And before I comment on the provisions of this bill I would like to take a few minutes to comment on the really impressive development of the social security program.

Some 35 years ago this Nation had not yet even thought of building into its way of life a national institution, a mechanism, for assuring that people who could no longer look for income to earnings from work would have some continuing income. Yet now there has been built into our economic and social life through social insurance the means for providing that continuing income for workers and their families and seeing to it that when earnings stop, they too can participate in our national life and share some of the fruits of our expanding productivity and wealth.

As first enacted a generation ago, the social security program was limited to the risk of retirement in old age, and it was limited in coverage to industrial and commercial employees. Today the social security program covers practically all kinds of gainful work. It provides benefits for the wife and children of the retired worker as well as for the retired worker himself, for survivors of deceased workers, and for totally disabled workers and their dependents if the disability is expected to last for at least 12 months. In the amendments of 1965 we provided protection against the cost of medical care in old age. And from time to time we have increased benefits and made other adjustments to take account of changes in the economy and in our society and to improve the protection provided.

The social security program provides assurance to the vast majority of Americans that old age, disability or death of the family earner will not mean the end of a regular income. Some 23 million men, women, and children—one out of nine Americans—are receiving social security cash benefits every month. About 86 million earners will pay social security contributions this year. Ninety-five out of a hundred children and their mothers could get benefits if the head of the family should die. Nearly 90 percent of the people past 65 are either getting benefits or will be entitled to benefits when they or their husbands retire. About 87 out of 100 people age 25 to 64 have disability insurance protection.

Thus during the 30 years since the social security program first went into effect we have solved a great many of the problems involved in establishing and developing a general system of social insurance protection. Coverage is just about universal and the program is already very effective in providing benefits currently to those who have suffered the risks against which it insures. The program is sound financially and has proven inexpensive to administer, with administrative costs running about 2 percent of benefit payments.

This bill will improve the protection afforded by the social security program in several important ways, but especially by increasing the social security benefits that now go out each month to some 23 million men, women, and children representing virtually every city, community, and settlement in the country. Social security benefits are now inadequate. Yet consider the hard fact that the are virtually the sole reliance of half of the aged beneficiaries and the major reliance of just about all of them. To put it bluntly the adequacy of these benefits determines how well many millions of our people manage to meet their basic needs. Surely this is a vital part of our society, and one with which each one of us in this House must be deeply concerned.

Monthly benefits for retired workers now on the social security rolls who began to draw benefits at age 65 or later now range from $44 to $142 and the benefits for disabled workers now range from $44 to $152; under the bill, these benefits to those now on the rolls would range from $50 to $159.80 for retired workers, and from $50 to $171 for disabled workers. The benefit amount payable to workers with average monthly earnings of $550, the highest possible under present law, would be increased from $168 to $189. For a survivor family consisting of a widow and two or more children getting benefits on the basis of $550 of average monthly earnings, total monthly benefits of $391.20 would be payable where $368 is now payable. For people getting benefits based on the highest possible average monthly earnings under the bill—$633—the benefit for a single person would be $212 and for a married couple $317—just about half of the average monthly earnings of $633.

These benefit increases, along with the other improvements in the social security program which the bill provides, will make life a bit easier and better for untold numbers of fine but hard-pressed American individuals and families.

I would like to take this opportunity to comment on an alarming and unfounded criticism of social security that I have been hearing lately, because it is pertinent to the question at hand.

There have been some people recently who have opposed expansion of social security on the grounds that it is not a "good deal" for them.

I would like to take a few minutes to emphasize some facts in this connection.

First, I would like to point out that the group of young employees who are presently working under the program, those who will enter covered employment after the maximum contribution rates provided for by the presnt law have gone into effect, and even those who will pay the highest contributions over a working lifetime because their earnings will be at the highest level counted for social security purposes—all will get retirement, survivors, and disability insurance protection under social security that will be at least worth the value of their contributions.

Some people, who are opposed to the program itself and the basic concepts underlying it, to say nothing of expanding it, have been applying their mathematical talents to calculations which, they say, prove that workers cannot hope to get protection that is worth their social security contributions. The first oversight I have noted in these projections is the failure to take account of the survivor and disability protection provided by the program. The fact that the worker's family is protected in the event of his retirement, disability, or death, and the fact that the worker himself will receive valuable health insurance protection upon attaining age 65, are both disregarded. No accurate evaluation of the protection the program affords can be made unless all of the protection is taken into account, as the worker is in actuality contributing toward the cost of all of that protection.

I have heard and seen examples showing how a young man who pays the maximum rates of contributions, who does not become disabled, who does not die before reaching retirement age—which would, of course, be at some time in the distant future—who does not retire at age 65, who does not have any dependents—how this man will get social security retirement benefits amounting to less than his contributions plus interest. Who can know what his future will be—that he will not, say, become disabled or die when he is young and have a wife and children to support? This is somewhat like complaining that the money you spent over 50 years for fire insurance went for nothing because your house never burned down. That protection had a value to you; you wouldn't have been without it.

Another assumption usually made in criticisms of the equity of the program is that the employer contribution is always for the benefit of the particular employee with respect to whose wages it is paid. The employer contribution in the social security program, as in private pension plans, is not made for this purpose and, consequently is not used in this manner. Employer contributions are pooled in the social security trust funds for the benefit of all covered workers. It is the presence of the employer contribution that assures that all groups of covered workers will get their money's worth under the program without any particular group of workers carrying too heavy a burden.

Still another point that must be considered in any analysis of the protection provided by the program—and one which the critics usually ignore—is that social security protection grows with the economy. We know that we are going to increase benefits in the future as earnings rise, as we have done throughout the history of the program. We know that we can do this because the financing of the system, and the cost estimates on which the financing is based, allow for improvements in benefits as earnings rise, even though the scheduled contribution rates remain unchanged.

Certainly the substantial benefit increases contained in the bill before us now will serve as clear evidence that the protection of the program will continue to grow. Passage of the bill should convince the skeptics that improvements will continue to be made in light of changes in the national economy.

The bill contains, in addition to the substantial 12½ percent benefit increase, a liberalization in the amount of earnings a person can have in a year and get all of his benefits for the year—the so-called retirement test. Under the bill the amount would be increased from the present $1,500 a year to $1,680 a year.

Undoubtedly some people will say that this improvement is much too conservative and that the exempt amount should be much higher than the proposed $1,680. Why, then, is not the figure higher, or, if you will, why must there be a limitation at all?

I know that members get many inquiries on this very point. Much has been written and said about it, but it is far from being well understood. Let us examine briefly what is involved.

The purpose of the social security cash benefit program is to provide money to replace, in part, earnings that are lost when a worker retires in old age, dies, or becomes disabled. The system is not designed or financed to provide annuities payable merely upon attainment of a given age.

Eliminating the retirement test would increase the cost of the program by $2 billion a year now, and more in future years. Why is this so? Because benefits are not paid under the present system to people under age 72 who continue to work at sizeable earnings levels. Removing the retirement test would result in their being paid full-rate benefits.

It is important to bear in mind that most of the additional cost would go to pay benefits to people who are fully employed and earning as much as they ever did. The vast majority of social security beneficiaries would not be helped by such a change. They are unable to work, cannot find a job, or are age 72 or older and not subject to the retirement test. Since these people are dependent primarily on their benefits for support, it is of prime importance to establish adequate benefit levels under the program; and the very high cost of eliminating the retirement test would have a strong effect on the program's ability to finance improved levels of benefits.

I am glad to emphasize, however, that the committee's bill will make it possible for social security beneficiaries to earn more than heretofore and still receive their benefits. This advantage is added without excessive cost, or damage to the financial soundness of the system.

The bill also strengthens and improves the disability insurance protection of the social security program. For the first time benefits will be provided for totally disabled widows who are not old enough to get benefits under present law but who have reached age 50. Certainly these people, who by definition are totally unable to work, need benefits as much as widows who have attained age 60. In order to keep down the cost, the benefits payable will be reduced to that at age 50, 50 percent of the worker's benefits will be payable.

The bill also extends the disability protection to totally disabled young workers and their families by reducing the amount of time younger people have to work in order to be insured for disability benefits. Workers disabled early in life now have not generally had an opportunity to work long enough to meet the general requirement and they and their families cannot qualify for benefits.

In considering the pressing needs for improved benefit levels and other improvements in the protection provided by the social security program, the committee has, as always, given careful attention to the importance of keeping social security financially sound.

I am particularly pleased that the marked improvements that the bill would make in our social security system can be achieved without substantially increasing the contributions that covered workers will have to pay.

The proposed amendments would increase the protection under the program for both higher-paid and lower-paid workers without putting a heavy burden on either. Social security contribution rates would be increased only slightly. When the ultimate social security contribution rates go into effect, in 1987, a worker earning $6,600 will pay only $1.38 more a month for the added retirement, survivors, and disability protection and medicare that H.R. 12080 would provide. Workers earning less than $6,600 would pay proportionately less than $1.38 for their added protection.

The increase in the amount of taxable earnings from $6,600 to $7,600 a year, while increasing social security contributions for workers who have earnings above $6,600 a year, would enable these workers to get increased benefits beyond the increases made possible by the general benefit increase provided for in the bill.

I am confident the judgment of the country will be that the increased protection is well worth the increased cost from the standpoint of both the individual and the society.

The improvements contained in the bill before us are of tremendous importance to millions upon millions of Americans. I urge that we do everything in our power to achieve a speedy enactment of these improvements.

Mr. CURTIS. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia [Mr. BROYHILL].

Mr. BROYHILL of Virginia. Mr. Chairman, I rise in support of this legislation. I would imagine that this bill which we have pending before us at this time is more far-reaching and touches a greater number of people and has a

greater impact and effect upon the economy of this Nation, than any other bill which we will have before us during this session of the Congress.

Mr. Chairman, because it is so far-reaching, there would be a natural tendency for it to create somewhat of a controversy. It is the type of measure on which partisan lines could be tightly drawn.

But as a result of the outstanding leadership on the part of our distinguished chairman, the gentleman from Arkansas [Mr. MILLS], and with the help and cooperation of our ranking minority member, and the spirit of teamwork on the part of all the members of the House Committee on Ways and Means, we have been able to bring before the House a bill on which most of the major difficulties have been overcome and a bill which most of us can enthusiastically support.

One sobering thought, however, Mr. Chairman, which we should keep in mind is—and this was brought out very well by the gentleman from Ohio [Mr. BETTS]—that as we think about the benefits that this bill provides we must consider the increase in taxation placed upon the wage earners of this Nation. I think we have to constantly bear this factor in mind because there are certain increases in this payroll tax which is built into the system and which will continue to go up over the period of years whether or not we make any additional improvements or increase in benefits in the social security system.

Since the benefits provided are somewhat modest, they must be supplemented by other retirement programs in order to provide an adequate level or standard of living for the people on retirement.

There is always an appeal being made to Members of Congress to liberalize further the program and to increase the amount of other earnings that a recipient of social security benefits can receive and still be entitled to social security benefits. Because these appeals are so realistic and since so many recipients of social security need additional income, we have tended to want to support more and more liberalization of social security benefits which will cause an even greater increase in taxes on the wage earners of this Nation.

This bill, as modest as it actually is, provides for an $88 increase in payroll taxes for the wage earner earning $7,600 a year. That is $88 including the employer's portion and the employee's portion. The employers portion of the tax are earnings that the wage earner could receive if the employers did not have to pay social security tax.

This makes a total tax, the total payroll tax for the employer and employee on the wage earner earning $7,600 a year, $668.30 a year beginning January 1, 1968.

And if we provide for no increase in benefits over the period of years, the ultimate total tax for a wage earner $7,600 a year including the employers portion will be $896.80.

The total Federal income tax of a wage earner earning $7,600 a year with a family of four is $627.60.

In other words the payroll tax right now on that wage earner who is earning $7,600 a year is greater than the income tax for a family of four earning the same amount.

So this is not an insignificant matter. We must constantly bear in mind particularly when we have other problems for which solutions are being sought and for which perhaps a payroll tax may be suggested as a form of solution of the problem, similar to the medicare program that was enacted a couple of years ago.

As was pointed out very eloquently by the gentleman from Arkansas [Mr. MILLS], the chairman of our committee, and the ranking minority member, the committee has done a very fine job in the public welfare area.

There is a cost of $4½ billion involved in these existing programs. But the committee did attempt to consolidate some of the overlapping programs in that area and eliminated some of the duplication. I think this will be a good thing for us to do in every area. I know there are many, many Federal programs which are enacted on which there are other programs in existence that could be modified somewhat to serve as well.

I think the time has come for us to stop and review all of these programs that we now have on the statute books, to catalog them, and to see how many programs we now have and how many can be consolidated and possibly eliminated. It may prevent such a spectacle as we saw on television a few nights ago when the President conveyed to the American people that the Congress had voted down the so-called rat control bill. He attempted to make the people believe that the Congress was indifferent to the problem of rat control in this Nation. This caused a great deal of misunderstanding which caused people to come down from New York, as we saw yesterday and last week creating a scene, not knowing that there are already on the statute books other programs which could properly handle this problem.

We may unintentionally be competing with other agencies in this bill in trying to enter into the area of planned parenthood. We feel that this is a very important problem. We feel that this may help to eliminate second and third generations of families, which the chairman was talking about, on the welfare rolls.

But in discussing this particular proposal in the committee, we learned that another agency of Government appears to be working in the opposite direction.

An article appeared in the Washington Post which points out that an official of the United Planning Organization, which is an agency of the poverty program, was opposing the efforts of the Office of Economic Opportunity in the area of birth control. Here is what this official said in part:

> There will come a time when having a baby before being married won't be a horror. I do not advocate birth control at all. It is part of being a woman to get babies, and a girl does not think about the child that might come into the world when she is in love with a boy.

This official was fired when the statement came to the attention of the Office of Economic Opportunity with a protest, but then I understand the employee was hired a week later because the views she was expressing were not the official views of the Office of Economic Opportunity but her own personal views. Here we have people in high position sabotaging what seems to be or is supposed to be the intent of an agency of the Government and of Congress in enacting legislation.

The bill makes broad changes in the old-age, survivors, and disability insurance program and in the program of providing aid to families with dependent children. Significant improvements are also recommended in the medicare program; the title XIX program providing medical assistance for the various public assistance categories; in the categorical public assistance programs themselves; and in the maternal and infant health program, crippled children's program, and child welfare services. I want to discuss these items in greater detail.

IMPROVEMENTS IN OASDI

In recommending an increase in social security benefits of 12½ percent, the committee compensated social security beneficiaries for the severe inflation that has occurred since the last benefit increase. The raise also will cover the further erosion of benefits that is likely to continue in the near future due to the massive deficit spending of the Federal Government.

Although these benefits are adequate to enable our senior citizens to participate in the growing economic well-being of our society, the committee was successful in holding the tax burden imposed on our working citizens to much more reasonable limits than proposed by the administration's bill. Each employee, working at the maximum earnings base under the administration's bill, would ultimately have been required to pay a tax of $626.40. Under the committee bill, each employee working at the maximum earnings base will ultimately contribute $448.40—nearly $200 less. Similar comparisons relative to the self-employed show an ultimate contribution under the administration's bill of $842.40, while the committee's proposal will be $626.40—over $200 less.

In view of the administration's recommendations, the committe was at the crossroads concerning the future of the Nation's social security program. If we adopted the administration's recommendations, we would have been largely expanding the social welfare aspects of the program, and further undermining the insurance basis of the system. The committee wisely repudiated this approach. Instead of adopting the administration's recommendations, the committee strengthened the insurance basis of the system by improving the benefit formula to provide a fairer return on the investment of individuals at all wage levels. Additionally, the increase in the minimum benefit, from $44 to $50, parallels the general benefit increase of 12½ percent, thus devoting more of the resources of the social security system to wage-related benefits, rather than benefits based strictly on welfare concepts.

The committee bill also liberalizes the earnings test by increasing the annual earnings social security beneficiaries may realize without losing benefits from $1,500

to $1,680. This will enable senior citizens who desire or need to maintain some attachment to the work force to earn $140 per month without losing benefits rather than the $125 allowed under present law.

Other amendments to the OASDI system improving the program include: The extension of benefits to disabled widows 50 years of age or older; the promulgation of an improved definition of disability; the provision of benefits to young workers who are disabled before they have the opportunity to meet the more demanding insurance requirements for disability benefits; and the extension of additional wage credits for servicemen, bringing their social security coverage more in line with what they would have acquired if they continued to work in private employment, instead of serving in our Nation's Armed Forces.

IMPROVEMENTS IN THE HEALTH INSURANCE PROGRAM

Although the experience with the hospital insurance program financed through the payroll tax is limited to date, the committee bill does include several constructive provisions correcting shortcomings in the existing law. A real hardship often occurs today when an elderly citizen incurs heavy doctors expenses. Under present law, payment for those expenses can occur in only one of two ways.

First, the doctor can accept an assignment of the patient's claim and bill the fiscal intermediary administering the plan in his area for the amount of his services. If the doctor does this, he will be bound by the intermediary's determination of the propriety of his fee in the light of the reasonable and customary prevailing charge. Many doctors prefer to bill the patient directly, as they have a right to do under the law.

When the patient is billed directly, he can only be reimbursed by the medicare program by paying the physician himself and submitting a receipted bill to the intermediary. This involves added bookwork often confusing to elderly people, as well as requiring them to advance money that they may not be able to afford. The committee bill includes a new procedure—a third means of reimbursement—permitting the patient to be reimbursed on the basis of an itemized bill.

Another improvement recommended by the committee bill relates to physician certification. Present law requires that a physician certify that a patient, upon being admitted as an inpatient or treated as an outpatient, needs the treatment prescribed. This is demeaning to the physician as the fact that he has prescribed the treatment indicates that he feels it is medically necessary. Additionally, it creates needless paperwork in situations where too much paperwork is already a problem. The bill eliminates the requirement for initial certification. The utilization of review procedures will, of course, continue to have an influence in this area.

The committee considered the present reimbursement formula for hospitals and extended care institutions in some detail. While the consensus strongly supported the principle of full and fair reimbursement of our hospitals with adequate provision for depreciation and some allowance for growth, the committee concluded that the limited experience with the program makes any changes at this time premature.

Some increase in the hospital insurance tax is included in this bill to cover escalating hospital costs. In view of these rapidly increasing costs and the absence of complete data on the impact of the reimbursement formula on hospitals during the program's first full year of operation, the committee declined to take any action at this time. However, it wisely agreed to maintain surveillance of the problem pending a full report by HEW when the relevant data is available.

The recommendation for covering the disabled under medicare had not been adequately studied. Gaps in data relating to the extent of present health insurance coverage of both the presently disabled and those workers who will become disabled in the future prevented a full understanding of the problem. It was uncertain that the type of benefits offered by the program covering the elderly were the most responsive to the needs of the disabled. Additionally, the taxes required to cover the disabled under the hospital insurance plan, as well as the monthly premiums the disabled and the Government would be required to pay for the medical insurance plan, were higher than those thought applicable when the plan was recommended. In view of these developments, the committee bill directs that an advisory council be appointed to study the problems of covering the disabled with a mandate to report to the Congress not later than January 1, 1968.

FEDERAL EMPLOYEES

Of particular concern to me, Mr. Chairman, are the gaps in survivorship and retirement protection that our Federal employees experience when they transfer from private employment to Government service or leave Government service and resume private employment. A Federal employee does not qualify for survivorship benefits under Federal retirement plans until he has been working for the Federal Government for 5 years. During this interim, the employee may lose coverage under the Social Security Act and be without any protection for a period of time. Cases have been called to my attention where families have been left nearly destitute upon the death of a father in this circumstance, even though the father had been previously employed on a nearly continual basis. Similar misfortune can be visited on a family when the breadwinner leaves the Federal service and dies before acquiring survivorship protection under the social security system.

Less serious but equally intolerable gaps exist when an individual leaves Government service without any retirement protection under the Federal retirement plans. The employee's retirement benefits under social security will be reduced due to the fact that he had no covered earnings during the years he was with the Government.

Additionally, a serious inequity exists in the relationship of the medicare program to Federal employees. The problem arises in two contexts.

First, approximately 50 percent of the Federal employees now retiring have acquired, through defending our country in the armed services or by working in other covered employment before or after becoming a Federal employee, the requisite quarters of social security coverage to entitle them to medicare benefits on the basis of their own earnings record. Federal employees in this category can elect to participate in the voluntary supplemental which, when added to the basic medicare plan, will provide coverage approaching in scope the high option plans issued pursuant to the Federal Employees Health Benefit Act.

Federal employees making such an election may well drop their coverage under the Federal Employees Health Benefit Act and the Federal Government will be relieved of its obligation as an employer to provide hospital benefits to its retired employee. When private industry is relieved by governmental programs from providing benefits that employees have earned through their long years of service, the general practice is for the companies concerned to increase benefits in other areas. This only recognizes the equities involved, and the adjustments that the employer, in good conscience, must make to changed circumstances.

Second, Federal employees who do not have sufficient coverage to qualify for the basic hospital plan are nevertheless eligible to participate in the voluntary supplemental plan, covering doctors' services and certain incidental medical expenses, for a premium of $3 per month matched by a $3 governmental contribution from general revenues. However, since the basic supplemental plan does not cover hospitalization and related expenses, the employee will find it necessary to retain his coverage under the Federal Employees Health Benefit Act. Since the policies issued pursuant to the Federal Employees Health Benefit Act also encompass the type of benefits paid by the voluntary supplemental plan, and generally preclude payment of duplicate benefits, the voluntary supplemental plan will provide far fewer benefits to Federal employees than to the population in general, and the Federal employee may well conclude that it is impractical for him to participate.

The committee conscientiously attempted to resolve these difficult and pressing problems. In particular, we consider a transfer of credit provision as an approach to eliminating the gaps in protection. The committee also considered at length means of resolving the inequities in the relationship of Federal employees to the medicare program.

However, disadvantages in the various approaches suggested impressed on the committee the need for a complete study of the problem. The committee report specifically recognizes the hardship and inequity resulting to our Federal employees from certain provisions of existing law. The Social Security Administration has been directed to make a thorough study of the problems and report to the Congress prior to January 1, 1969. While some satisfaction can be derived from the

specific recognition of the hardship and inequity involved, we cannot rest until these most urgent problems have been resolved.

PUBLIC WELFARE PROVISIONS

Probably the most significant changes in present law contained in this bill relate to the public assistance titles of the social security law, particularly the aid to families with dependent children program under title IV. Present rules tend to perpetuate the dependency of these unfortunate individuals, barely keeping their heads above water while insuring that they never go completely under, but also offering them little hope that things will improve.

The committee bill attempts to alter this situation in several ways. The States will be required to develop a plan for each member of a family receiving AFDC payments that is designed to place adult members in employment, and to establish family stability. Day care centers will be provided for the children of working mothers. Work and training programs will be offered to enable these adults to acquire marketable skills. Earnings exemptions will permit these individuals to retain earned wages without a corresponding reduction in the assistance payments, thus providing an incentive for these individuals to seek employment that may eventually result in their independence.

The committee bill will require the states to make greater efforts to find runaway fathers and require them to support their children. Amendments to the OASDI program will require the Social Security Administration to provide information from their records to courts of competent jurisdiction to aid in the location of the runaway father.

CONCLUSION

There are other amendments, such as the restrictions on the unwarranted expansion in the medicaid program which I strongly endorse, the liberalization in foster care, and the consolidation of the maternal and child health and welfare provisions. These have been explained in some detail by our able chairman, the gentleman from Arkansas [Mr. MILLS], and the ranking minority member, the gentleman from Wisconsin [Mr. BYRNES]. When considered with the provisions that I have discussed, they result in significant improvements in the present program and reflect the concentrated efforts of the Ways and Means Committee over several months.

While the bill does not contain everything that each member considers desirable, and may contain some provisions different members would prefer were omitted, it is nevertheless a bold attempt to deal with pressing problems in the area of public welfare while updating and improving the social security program, as well as the hospital insurance program. I urge al lof my colleagues to support the Ways and Means Committee in this effort by voting for this legislation.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. BURKE].

Mr. BURKE of Massachusetts. Mr. Chairman, at the outset, I wish to commend the distinguished chairman of the House Ways and Means Committee, the gentleman from Arkansas, and also the ranking minority member of the committee, the gentleman from Wisconsin, and all the members of the House Ways and Means Committee for the diligent job they did and the long hours of deliberation which were put into this bill.

Like all legislation of this type, we cannot get everything we want, but if we get part of it, we have achieved some victory. There are many parts of this bill that are very beneficial to the public. I believe possibly the atmosphere might have been created here earlier in this discussion that only regressive steps were taken along the line of problems of AFDC and child welfare. This is not true. There were many steps of liberalization taken by the committee, particularly along the child welfare lines.

Millions and millions of dollars have been added to the child welfare part of the bill. This year, for instance, the appropriations on the child welfare would have been approximately $44 million of Federal contribution to the States, and that has been increased for fiscal year ending June 30, 1968, to $55 million. Next year, that sum, that would have been $44 million, has been increased to $100 million, and for the year thereafter it will be $110 million. Of course, this represents a large step forward in the child welfare field.

Mr. Chairman, this Nation has always had a special concern for children who, for one reason or another, cannot grow up in the secure and protected environment of happy family life. Many of the most important legislative steps which have been taken in the field of child welfare and AFDC in this century have recognized our obligation to meet the needs of these children for the best possible substitute for and strengthening of family life which our society can provide for them.

Achieving this goal has never been easy. Many of us here today know of instances where children have been shunted around from one foster home to another throughout their childhood. These children are likely to grow up with a feeling of insecurity which seriously hampers their ability to take responsibility for their own lives. If they become parents, the emotional scars which they suffered in childhood may be passed on to their own children.

The House Ways and Means Committee worked long and hard to develop provisions which are financially feasible and at the same time will protect and safeguard the most vulnerable children. The amendments they have submitted under HR. 1280 do provide for some important improvements in the area of child welfare and that part of the act which relates to old-age and survivors insurance benefits. However, in most other respects these amendments are, at best, disappointing.

It is particularly distressing to note how differently the bill deals with two groups of children in our society. To those who are the beneficiaries of survivors insurance, it promises increased benefits. To those who are dependent upon public welfare programs, it threatens a return to discredited policies of restriction and coercion.

Mr. MILLS. Mr. Chairman, will the gentleman from Massachusetts yield?

Mr. BURKE of Massachusetts. I yield to the gentleman from Arkansas.

Mr. MILLS. I want everyone who is interested in and concerned about the problems of child welfare to know they owe a deep sense of gratitude to the gentleman from Massachusetts for the leadership he has given in this field. If ever a member of the committee made a fight for his viewpoint in executive session, my friend from Massachusetts made it. I congratulate him.

Mr. BURKE of Massachusetts. I thank the chairman of the committee. I might have been a little bit aggressive, but the chairman has been very understanding and sympathetic in respect to this problem, and I congratulate him for his broad views, and for helping us to take this great step forward in the field of child welfare.

Mr. MILLS. My friend has convinced all of us.

Mr. BURKE of Massachusetts. Mr. Chairman, the most casual review of this bill will quickly reveal the tenor of the changes which are being suggested for title IV, and to some extent for title XIX. They are regressive and they are primitive, and if enacted will adversely affect the well-being thousands of children who must depend upon society for sustenance and protection.

There are many provisions which reflect this new tone and direction, but just a few of the most drastic will point to the backward steps we are asked to take.

There is, first, the unbelievable proposal that the Federal Government should henceforth withhold its support from those children who represent an increase in the proportionate number receiving aid to dependent children in a State. This provision will require us to retract a commitment made 30 years ago to the children of this country, and to say instead that children deprived of parental support can no longer look to the Federal Government for aid.

In my own State, Massachusetts provided for children in such circumstances long before there was a Social Security Act, and I am confident that it will not allow children to suffer for lack of Federal funds. But I cannot believe that this Nation actually intends to abandon those children, who, through no fault of their own find themselves in need.

Second, there is the emphasis on assuring to the maximum extent possible that adults and older children in AFDC families enter the labor market and accept employment so they will become self-sufficient. The original concept of AFDC was to keep families together. Any requirement that a mother enter the labor force would negate this original concept. We too often forget that in many families there is only one parent, a mother, and if she be required to work, the care of preschool children would necessarily be left to others.

My third concern is the provision which would have Congress restrict its

commitments to the States with regard to medical assistance under title XIX. Two years ago we undertook to assure that no aged person and no child would be without medical care because of lack of funds. Now we are asked to revert to the situation in which only the poor or the very affluent can obtain the medical services they require.

And finally there is the suggestion that we abandon the concept of comparability in medical services as originally mandated in title XIX. This would have the effect of downgrading standards of medical care for children in AFDC families, their caretakers, and the disabled and blind. It is neither credible nor acceptable that a society as wealthy as ours cannot provide comprehensive and high-quality medical services for the most dependent and vulnerable of its members.

Many of our States, including my own, the Commonwealth of Massachusetts, are moving forward by placing control of welfare programs at the statewide level; however, the AFDC restrictions contained in this bill would reemphasize the role of the local agencies by requiring that they be responsible for such moral judgments as the limiting of illegitimate births, provision for family planning, and the determining of what constitutes a "suitable" family homelife.

The major problem with the involvement of the Federal Government in the field of family planning is not the enactment of legislation or the appropriation of funds. It is the use made of this legislative enactment and of the appropriations made.

It is also in the interpretations made of the congressional intent in the legislation and appropriations.

It is my understanding that the intent of Congress that any implementation of legislation relative to family planning proceed in a completely voluntary manner. Implementation of such legislation, therefore, should guarantee the absence of any semblance of pressure or coercion related to the use of nonuse of family planning.

The responsibility for assuring this voluntary character rests with the Department of Health, Education, and Welfare. It shall be incumbent upon this Department to make sure that any State which has a family planning program in which Federal funds are used includes in the program provisions for the completely voluntary character of the program, including the absence of pressure on local operating subdivisions or on workers in local operating subdivisions.

Persons applying for or receiving financial, social, or health services provided in whole or in part by the Federal Government shall be given positive assurance that receipt of such financial assistance, social, or health services is in no way related to or dependent upon the use or nonuse of family planning services.

Those choosing to use such services shall be assured the freedom of choice according to their own consciences in the method of family planning.

This represents my understanding of the provisions of this bill and the intent contained therein.

Once again the Federal Government is pointing the finger of moral justice at one class of our population. I do not believe we in the Federal Government are qualified to make moral judgments of this nature, and should exert every effort to remove rather than encourage the stigma which has long been attached to those families receiving AFDC and other public assistance funds.

The most tragic fact about these regressive proposals is that they are all to be at the expense of children. It is understandable that some of us should be perplexed and frustrated over the growing number of families requiring public support and services. But the problems which these families face, and which we are attempting to solve are extremely complex and have been generations in the making. There can be no immediate and simple solution. If we believe otherwise and pursue easy answers, then 5 years from now we shall find ourselves lamenting our failures as we today complain about those of the past 5 years. We must, therefore, reconcile ourselves to a long and sustained and, no doubt, costly effort and meanwhile refrain from imposing upon defenseless children the cost of society's or their parents' failures or inadequacies.

I am sure that Members are familiar with my conviction that our goal for child welfare services must be to steadily enhance our ability to prevent family breakdown and the unnecessary separation of children from their parents. For this reason I introduced legislation this year, H.R. 1977, which had been originally proposed by our late, beloved colleague John Fogarty who had devoted the majority of his years of public service to meeting the needs of deprived young children. Unfortunately the amendments recommended by the House Ways and Means Committee are not as far-reaching as the original provisions in H.R. 1977 and identical bills introduced by a number of our colleagues who share this concren. The increased authorization does represent, however, a significant step in providing funds for child welfare services. It is hoped that as the committee reviews the child welfare program in future years we shall take other significant steps to make possible services for all children who need them.

Section 235 of H.R. 12080 moves the existing child welfare programs from part 3 of title V, and provides that child welfare services be as fully available to children and families receiving AFDC as they are to all other children. This would be a progressive step if the program can assure the establishment and maintenance of standards and the extension and improvement of services such as have been developed by the Children's Bureau. The Children's Bureau has developed an approach to the total problems of the individual and provided the first grant in aid to the States in 1921. It has made certain that services would be available to children where and when needed. I trust the Department of Health, Education, and Welfare intends to assure the continued administration of child welfare services by the Children's Bureau after the transfer of part 3 of title V into title IV. I am greatly disappointed that administration officials did not move to correct the above mentioned inequities in these restrictive amendments, and did not care to point out the difficulties these provisions would create for the States in discharging their responsibilities to dependent and deprived children, or the shocking fact that by enactment of these proposals we are forcing needy children to continue their suffering in a most deplorable environment.

I cannot believe the House Ways and Means Committee would deliberately choose to take giant steps backward in the interest of children, and destroy the valuable work it has done in the past to assist in avoidance of the social damage which occurs when children are neglected and abused. I cannot believe this administration would deliberately condone this action by remaining silent during their testimony before the committee, and by not clarifying the disastrous results of these restrictive amendments.

I would like to serve notice on all Members of this Congress that I am vehemently opposed to the damage perpetrated by the changes in the AFDC program and were it not for provisions contained in these amendments offering relief to our senior citizens and increased authorizations for child welfare, I would not be voting in favor of this measure today.

It is my ardent hope and prayer that in the very immediate future this Congress will see the errors of this legislation and will find the time and energy to reverse the damaging and destructive amendments contained in H.R. 12080. I am in the process of drafting new legislation along these lines, and I encourage every Member of this Congress to join in my efforts and concern for our unprotected children.

Mr. CURTIS. Mr. Chairman, I yield 5 minutes to the gentleman from Montana [Mr. BATTIN].

(Mr. BATTIN asked and was given permission to revise and extend his remarks.)

Mr. BATTIN. Mr. Chairman, I rise in support of H.R. 12080 and, like other members of the committee, wish to extend my congratulations to the chairman of the committee and to the ranking Republican who, as I review and calculate the time spent, spent almost 6 months going over the original provisions of H.R. 5710, boiling it down to the bill before us today.

If I could have the attention of the chairman for 1 minute, I would like to say this: Earlier we discussed the section about disability, but I would like to go into a little legislative history here if we could, Mr. Chairman.

We did amend the bill so that a person who was entitled to a disability check would be able to get 80 percent of his actual earnings whereas before, under the offset provisions, he was limited to 80 percent of actually the earning base, if he made that, or 80 percent of his actual earnings.

Mr. MILLS. Of his taxable earnings.

Mr. BATTIN. Under the amendment adopted, it deals now with actual earnings rather than taxable earnings.

Mr. MILLS. If the gentleman will yield, it might be pointed out that the gentle-

man from Montana called this to the attention of the members of the committee and is largely responsible for this change which was made in the basic law. We think it is a material improvement in this area.

Mr. BATTIN. I thank the chairman.

There was also language adopted in the committee report on page 30 dealing with this problem of a person, under the definition of a disabled person, as to when he would be entitled or not entitled to continue on the disabled role. There was some language added at my request, because cases have been called to my attention where people are being taken off the disabled list because the Department of Health, Education, and Welfare had determined that there were jobs in the economy available that they could handle but they would not take them because they were some miles away. To clear that up, what I am asking for now is to see if this is the chairman's understanding. We adopted the language:

It is not intended, however, that a type of job which exists only in very limited numbers or in relatively few geographic locations would be considered as existing in the national economy.

Mr. MILLS. I suggest that the gentleman read the remainder of the paragraph, too, because I think it bears on this point.

Mr. BATTIN. I shall continue quoting.

While such factors as whether the work he could do exists in his local area, or whether there are job openings, or whether he would or would not actually be hired may be pertinent in relation to other forms of protection, they may not be used as a basis for finding an individual to be disabled under this definition.

So with regard to some of the questions alluded to earlier, I recall in executive session asking people who are responsible for the administration of the bill as to whether or not this meant any basic basic change in the rules, and it was my understanding it did not.

Mr. MILLS. This goes back, as my friend from Montana will recall, to a reemphasizing of the original intent which we had in the initial provision providing disability insurance. What we are trying to say here is that we want this type of rule applied uniformly throughout the United States and not in one area in one way and in another area another way, as we have had some evidence leading us to believe the situation had developed.

Mr. BATTIN. This comes about, as I recall it, as a result of two court decisions.

Mr. MILLS. Well, there were more than two, but at least two.

Mr. BATTIN. Two specifically.

Mr. MILLS. But two very definitely wrong decisions, as we recall.

Mr. BATTIN. I thank the chairman of the committee for at least clearing that up in my mind.

The CHAIRMAN. The time of the gentleman from Montana has expired.

Mr. CURTIS. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. WAMPLER. Mr. Chairman, I rise in support of the general provisions of H.R. 12080. I am deeply concerned, however, with the possible effects of one small but important section of this bill, and I would like to devote a few minutes to an examination of this disturbing section.

I refer to section 156, which presents a new definition of disability. I believe this revised definition to be both unwise and unfair, and it appears that its inclusion has come as a result of a few court decisions which were not favorable to the Social Security Administration.

Under section 156, an individual would not be able to receive disability benefits through the Social Security Administration unless his impairment is of such severity that he cannot engage in any kind of substantial gainful work which exists in the national economy. The fact that no such work exists in the general area in which he lives would not be a factor.

Mr. Chairman, I would be among the first to applaud and support reasonable requirements to insure that the disability program does not become a vehicle of support for those who lack the will to work. I submit, however, that this new definition of disability will not accomplish this goal, but instead will create an undue hardship for thousands of honest Americans who feel responsibility to their families and who have a history of diligent labor.

In the past several months, I have been conducting a series of "open door" meetings around the Ninth District of Virginia. I have had the privilege of meeting hundreds of people face to face and discussing their problems and viewpoints. Many of these people are receiving disability benefits, and many others have applications pending for these benefits.

Several counties of the Ninth District produce large quantities of coal, and I have thousands of constitutes who are actively engaged in this production. Coal miners will not be the only persons affected by this new definition, but I believe coal miners are typical of the type of people who will feel the effects of the unwise provision.

Of course, the life of a coal miner involves more danger than that of the average worker. The possibility of accidental injury is present every working hour of every working day, and the less obvious threat of silicosis hangs over every man who has accumulated a number of years in the mines. Those who have met with some unfortunate accident may be able to establish a clear need for disability benefits, whereas those who have been stricken with an occupational disease such as silicosis may have a more difficult time, even though the disability is just as real and the effects upon the family just as devastating.

Consider, if you will, a coal miner with an education of 6 years or less, in middle life and without any skills other than those he learned in his work underground. Consider the economy in which he lives, an economy based on coal and not likely to develop a high degree of diversification for geographical reasons. Are we now to tell this man that we recognize that he cannot continue to work in the mines and that there are no jobs available for which he can qualify within the area in which he lives, and yet tell him that some vocational expert believes he can do a job which exists several hundred or several thousand miles away? Are we to force relocation among persons who have worked hard for years and who suddenly find themselves unable to perform the only duties they know? Are we to invite another migration to the cities under the false mask of opportunity?

If we do, I believe we will be doing a great disservice to the people and to the Nation.

The provisions of section 156 would make location a prime factor in an individual's ability to support his family. This is a large Nation, and much of its strength lies in its diversification. But we have to recognize its size along with its diversity and face the fact that a job which is "available" in the national economy may be unavailable to the great majority of those who would otherwise seek it. Distance is a factor, and it is particularly important to a man who is having difficulty obtaining the necessities of life and has no resources to fall back on. Yet this provision says, in effect, that distance is not a factor.

Mr. Chairman, approximately 3,800 individuals in the coal mining areas of my district have applied for disability benefits since the establishment of this program under the Social Security Administration. Of this number, 72.6 percent have been successful in obtaining awards. I doubt seriously if this figure would be so high if these individuals had been called upon to show that they were unable to perform a job which may exist in New York of Birmingham of St. Louis. And I can only speculate on the effect of my area and the Nation had a substantial number of the 3,800 been forced to pack up their families and move to an urban environment. I do not think this would have been good for my area, the urban centers, or the individuals.

The Social Security Administration makes much of the fact that a larger number of people are qualifying for disability benefits than had been anticipated. This is attributed to, first, greater knowledge of the protection available; second, improved methods of developing evidence of disability; and third, more effective methods of determining the total impact of an individual's impairment on his ability to work. What has not been stated is that the problem of disability has been brought into focus through the operations of this program. The accumulated neglect of large segments of our population through inadequate educational, health, and welfare services is coming home. Yet instead of recognizing the scope of this problem, the solution sought in section 156 would merely negate a series of court decisions favorable to disability claimants and in keeping with the tenor of the times and what I believe to have been the true intent of Congress.

If this new definition becomes law, the role of the vocational expert will become as important as the role of the medical physician in determining disability. The challenge to bureaucracy will be to pinpoint some chore at which an individual may use his remaining abilities, little though they may be. It will not matter where the job can be located or whether

it would be feasible for the individual to relocate. This concept can have only one of two effects. It will either accentuate the flight to overcrowded city slums or overload the existing relief rolls in the area in which the individual resides. In certain sections, such as the coal mining areas of rural Appalachia, the effect on local government units could be staggering.

The decisions which have been made, particularly in the Leftwich against Gardner case, only serve to highlight the fact that the courts are more in tune with the times than the bureaucrats. I believe my colleagues will find the text of the Leftwich against Gardner case to be most interesting, and I am including this at the conclusion of my remarks.

Mr. Chairman, in summary, I would like to emphasize that I support the general provisions of H.R. 12080 and that I intend to vote for the bill. However, I believe that section 156 will be harmful to the Nation and its people and I would like to urge that serious consideration be given to a full and thorough study of the problems this section will create.

The following is the text of the decision of the Fourth Circuit Court of Appeals rendered on May 1, 1967, by Circuit Judges Craven and Sobeloff and District Judge Harvey:

CRAVEN, (circuit judge). In this unusual social security case, claimant Leftwich was denied disability benefits at the administrative level largely because he has the admirable motivation to insist upon working for the support of his family despite physical inability to do so. There is more logic than common sense in such a result, and there is irony not intended, we think, by the Congress. We affirm the decision of the district court granting Leftwich a period of disability and disability insurance benefits.

We have carefully reexamined the record as a whole before deciding that the decision of the Hearing Examiner and the Appeals Council is not supported by substantial evidence. "The substantiality of the evidence to support the Secretary's findings is the issue before each court." *Thomas v. Celebrezze*, 331 F. 2d 541 (4th Cir. 1964), citing *Farley v. Celebrezze*, 315 F. 2d 704 (3rd Cir. 1963), and *Ward v. Celebrezze*, 311 F. 2d 115 (5th Cir. 1962).

Although we review the same record and make the same determination as made in the district court, "it should hardly require articulation to note that an appellate court gives great weight both to the reasoning and conclusions of the district courts." *Farley v. Celebrezze, supra*, 315 F. 2d at 705 n. 3. There is here no inconsistency: we are influenced by the decision of the district court, but we are not bound by it. *See Roberson v. Ribicoff*, F. 2d 761, 763 (6th Cir. 1962); *Flemming v. Booker*, 283 F. 2d 321, 322 n. 4 (5th Cir. 1960).

In the Hearing Examiner's decision appears the following:

"The Hearing Examiner will not attempt to describe in detail each of the medical reports relative to the claimant or to describe the two hearings previously referred to,[1] since the Hearing Examiner feels that the primary issue to be resolved herein is whether or not the claimant's present job as a dishwasher at the Pinecrest Sanitarium, which he has been doing since around June 1960 to the present, constitutes the ability to engage in substantial gainful activity within the meaning of the disability provisions of the Social Security Act and the regulations implementing such provisions."

Consistent with that position, the hearing held at Beckley, West Virginia, on September 7, 1965, lasted exactly fifteen minutes. At that hearing, the Hearing Examiner said:

"It would appear to the Hearing Examiner that the reason the claimant's application was denied was because of his work at the Pinecrest Sanitarium as a dishwasher and they apparently considered this as the ability to engage in substantial gainful activity."

We agree with the Hearing Examiner that it is unnecessary to narrate in great detail the medical history of claimant. Only a small part of it will make it crystal clear that but for the question posed by his minimal employment he would unquestionably have been found unable to engage in substantial gainful employment.

WORK HISTORY AND DISABILITIES

Leftwich is now fifty-two years old. Although he has a high school education, his entire work history consisted of manual labor in the coal mines, where he suffered two severe back injuries, one in 1951 and another in 1953. In the first accident he suffered a fractured right clavicle, fractures of the ribs, and injuries to the lower back. In the later accident he suffered a ruptured disc, which was removed by surgeon in 1954.[2] Since that year, he has suffered from spondylolisthesis. He also has a congenital marked scoliosis (curvature) of the spine. Flexion of the spine is limited to two-thirds and side bending and extension nil. As of 1963, Dr. Stallard reported that claimant's condition had grown progressively worse and that claimant could not stoop, bend, or lift. In a 1964 report, Dr. Raub concluded that the claimant was "quite disabled" and could not return to the mines.

The Hearing Examiner noted in his decision that one doctor "further commented that under modern screening processes and pre-employment examinations the claimant is barred from securing employment."

Typical of medical opinion in the file is that of Dr. C. W. Stallard, who concluded as of May 12, 1961, "this patient is totally and permanently disabled from work."

In addition to the extremely limiting physical disability, Leftwich suffers from psychoneurotic symptoms which the neuropsychiatrist has predicted will continue "unabated". This condition was described as "moderately severe" and sufficient to make him a poor candidate for rehabilitative retraining.

Despite the foregoing, and much more, the Hearing Examiner concluded "that the objective medical evidence of record establishes that the claimant has suffered moderate impairments to his musculoskeltal [sic] system that would preclude him from engaging in any work requiring heavy manual labor or lifting, bending, stooping, etc. But the Hearing Examiner does not feel the objective medical evidence of record establishes that the residuals of the claimant's impairments to his musculoskeltal [sic] system would preclude him from engaging in all substantial gainful activity, particularly of a light or moderate type, and he so finds." We think it apparent that the Hearing Examiner and the Appeals Council accorded too much weight to

THE DISHWASHING JOB

Much of the record and the Hearing Examiner's decision is devoted to consideration of claimant's having worked for approximately the past five years as a dishwasher at Pinecrest Sanitarium. Claimant says in explanation of his employment that his job is rather easy and that he is not pushed by his supervisor. He also says, and it rings true when read with the rest of the record, that he works days when he does not feel like it for the sake of his family. He has nine children dependent upon him. By way of corroboration, claimant has repeatedly advised doctors who examined him that he endures pain while he works for the sake of making a living for his family, that he has pain if he sits more than ten minutes, and that his back hurts all the time while he is standing.

Claimant started his dishwashing job on May 25, 1960. He put in ten hours a day at first, 240 hours a month, and earned $130.00 a month. As of 1965, his work day was eight hours, totaling 184 hours per month, for which he was paid $150.00. Although he is present at the place of work for an eight-hour day, he actually works only four to five hours per day. He washes dishes by the use of a dishwashing machine and scrubs aluminum pots by hand. He does no lifting. Claimant's supervisor testified that he was not capable of doing anything but dishwashing and pot washing, and that if he were, she would have assigned other duties to him. She disclosed that he could not have obtained his job without political influence and stated that a lot of employees at the sanitarium are persons who could not handle jobs in private industry.

The Hearing Examiner conceded that claimant "may well have gotten his job on the basis of politics", but he felt that claimant's position was not a "made" job involving minimal or trifling tasks which make little or no demand on the individual and are of little or no utility to his employer or to the operation of a business, and refused to apply the exclusion in the Regulations.[3] In making this determination, the Hearing Examiner adverted to *Hanes* v. *Celebrezze*, 337 F. 2d 209 (4th Cir. 1964), and acknowledged that counsel for claimant urged its similarity to the instant case. The Hearing Examiner rejected the analogy in these words:

"The Hearing Examiner also invites attention to the fact that the Administration does not acquiesce in either the results or the opinions expressed by the Fourth Circuit Court of Appeals in the *Hanes* case, and that it does not feel that the decision in the *Hanes* case is binding on it with respect to any other disability case."

We recognize that we are neither final nor infallible. However, we respectfully suggest that Hearing Examiners in this circuit may with some profit consider our prior decisions to see whether or not they have value as precedents.

In *Hanes, supra*, this court held that evidence of claimant's eranings of $125.00 per month as a building custodian did not by itself and in view of other evidence constitute substantial evidence to support the Secretary's decision that cliamant was disqualified for benefits due to ability to engage in substantial gainful activity. Judge Boreman, writing for the court, expressed the view that "the court below erred in ascribing controlling significance to the evidence of claimant's earnings." The decision of the district court affirming denial of benefits by the Secretary was reversed.

[1] These were Workmen's Compensation hearings.

[2] Despite his serious injuries, claimant worked in the mines (after periods of recuperation) until in 1959 he was rejected by the company doctor.

[3] The exclusion reads as follows:

" 'Made work', that is, work involving the performance of minimal or trifling duties which make little or no demand on the individual and are of little or no utility to his employer, or to the operation of a business, if self-employed, does not demonstrate ability to engage in substantial gainful activity." 20 C.F.R. § 404.153

In *Flemming* v. *Booker*, 283 F. 2d 321 (5th Cir. 1960), despite evidence that the claimant averaged five days a week work at a used acr lot for which he was paid $15.00 or $20.00 a week, it was held that, nevertheless, the claimant had established his inability to engage in any *substantial* gainful activity. Judge Rives, speaking for the court, thought it not inappropriate to borrow tests of disability from other areas of the law. The quotations relied upon by the Fifth Circuit are worthy of reproduction here:

"In *Berry* v. *United States*, 1941, 312 U.S. 450, 455, 456, 61 S. Ct. 637, 639, 85 L.Ed. 945, Mr. Justice Black, speaking for a unanimous Court, said:

" 'It was not necessary that petitioner be bedridden, wholly helpless, or that he should abandon every possible effort to work in order for the jury to find that he was totally and permanently disabled. It cannot be doubted that if petitioner had refrained from trying to do any work at all, and the same evidence of physical impairment which appears in this record had been offered, a jury could have properly found him totally and permanently disabled. And the jury could have found that his efforts to work—all of which sooner or later resulted in failure—were made not because of his ability to work but because of his unwillingness to live a life of idleness, even though totally and permanently disabled within the meaning of his policies.'

"In *Mabry* v. *Travelers Ins. Co.*, 5 Cir., 1952, 193 F.2d 497, 498, Judge Holmes, for [the Fifth] Circuit, said:

" 'Pinched by poverty, beset by adversity, driven by necessity, one may work to keep the wolf away from the door though not physically able to work; and, under the law in this case, the fact that the woman worked to earn her living did not prevent a jury from finding, from the evidence before it, that she was totally and permanently disabled even while working.' " 263 F.2d at 324.

The similarity of Leftwich's situation to those of claimants in *Hanes* and *Booker* is apparent.[4] No two cases are, of course, exactly alike. But Hearing Examiners may not quit thinking when a claimant's earnings reach a magic mark.[5] The test is not whether Leftwich by willpower can stay on his feet yet another day—but whether objectively and in the totality of circumstances, including especially his afflictions, he is disabled within the meaning of the Social Securtiy Act. Substantial medical evidence establishes that claimant was totally and permanently disabled. In spite of such disablement, he chose to work every day to support his family. The statute defines disability as an "inability to engage in any substantial gainful activtiy." In this case, the emphasis properly is on *inability*. We think the Congress did not intend to exclude from the benefits of the Act those disabled persons who because of character and a sense of responsibility for their dependents are most deserving.

Affirmed.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the distinguished Speaker of the House of Representatives, the Honorable JOHN MCCORMACK, who, as I recall, is the only Member now in the Congress of the United States who was a member of the Committee on Ways and Means when the original Social Security Act was passed.

The CHAIRMAN. The Chair is privileged to recognize the distinguished Speaker of the House of Representatives for 5 minutes.

(Mr. MCCORMACK asked and was given permission to revise and extend his remarks.)

Mr. MCCORMACK. Mr. Chairman, 32 years ago last Monday, on August 14, Franklin Delano Roosevelt affixed his signature to the Social Security Act, the original act. That monumental, far-reaching piece of legislation, was the product of the Committee on Ways and Means under the leadership of that tiring but great chairman of the Committee on Ways and Means, the late Robert L. Doughton, of North Carolina.

Mr. Chairman, the 1935 act was the "keystone in an arch" of security which has been strengthened by every Democratic administration. And, while my Republican colleagues on the Ways and Means Committee in 1935 saw fit to oppose the original bill, and later improving bills, they have seen the light in more recent years and I am happy to welcome their support of the bill that is now pending before us today, which bill merits the support of all of us.

Mr. Chairman, I congratulate this bipartisan support of the bill by the House today.

This is a historic occasion. Both Chairman MILLS and the ranking Republican member of the committee, my good friend, the gentleman from Wisconsin [Mr. BYRNES], are supporting this measure. Through the recently revised rules of the House of Representatives, they have jointly introduced the bill which we are now considering.

I commend both of these distinguished gentlemen for their able efforts and for their nonpartisan cooperation.

I also highly commend other members of the Committee on Ways and Means, without regard to party affiliation.

Yes, social security today is and should remain a nonpartisan piece of legislation. It should remain above party and above politics. It is part and parcel of our national life. It is vitally important to the 23 million persons who receive social security benefits each month. It is important to the 75 million taxpayers who contribute to it. It is essential to the 195 million people in our Nation because it gives all of us the assurance that when income loss occurs due to retirement, death or disability, there will be some help to those who are covered by the program.

But it is also of great significance to our free enterprise economy. It enables persons to take risks without fear of becoming destitute.

The social security program strengthens our free enterprise economy because it is wage related. It is contributory. It emphasizes thrift and individual responsibility. It is a great American institution and one in which all of us can take great pride.

I congratulate again the chairman and the members of the Committee on Ways and Means for this fine bill which they have brought to us. I know there are some provisions which some Members do not like. I know there are some provisions which can be improved. But that is a matter of legislation and a matter of harmonizing differences in order to make progress.

I have been here long enough to know the other body will also make some changes and that these differences will be reconciled in conference.

The final bill will be the distillation of the ablest minds in both Houses. That is our legislative system. It works well, and it will work in this instance again.

The committee labored long and hard on this bill. The committee held 65 executive sessions and after profound consideration reported the pending bill to the House. Honest differences of opinion were harmoniously adjusted in a spirit of further progress in this important field which is of such interest and concern to countless of millions of our people.

I am particularly pleased, Mr. Chairman, because, as my distinguished friend, the gentleman from Arkansas, and great chairman of the Committee on Ways and Means, said a few minutes ago, I am the only Member of the House of Representatives who was a member of the Committee on Ways and Means when the original bill, the pioneering bill which became the Social Security Act, was drafted and enacted into law some 32 years ago.

It happens also that I was a member of the subcommittee that contributed to and helped to draft the original Social Security Act. I have every confidence that the House of Representatives will pass the pending bill by an overwhelming vote.

Again I congratulate the chairman, the ranking member and all members of the Committee on Ways and Means for the wonderful spirit in which they approached the consideration of this bill, and for the very fine harmonious relationship and adjustments that were made among the members. That is the way progress is made—through reasonable compromise.

I am particularly proud on this occasion, as a Member of the House of Representatives, to make these few remarks in view of the fact that I am the only Member of the House of Representatives who, when the original bill was drafted, was a member of the Committee on Ways and Means.

Mr. WATTS. Mr. Chairman, I yield 5 minutes to the gentlewoman from Michigan [Mrs. GRIFFITHS].

(Mrs. GRIFFITHS asked and was given permission to revise and extend her remarks.)

Mrs. GRIFFITHS. Mr. Chairman, I was sitting in the Committee on Ways and Means when we first learned that Mr. Califano announced that there were only 50,000 people drawing welfare payments who could be removed from the rolls and be given a job.

That came as quite a surprise to all of us. On a little further inquiry, I discovered that he had released a number of other statistics and, of course, I knew where Mr. Califano had received his information. He had gotten it, of course,

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[4] *But cf. Canaday* v. *Celebrezze*, 367 F.2d 486 (4th Cir. 1966); *Simmons* v. *Celebrezze*, 362 F.2d 753 (4th Cir. 1966); *Brown* v. *Celebrezze*, 347 F.2d 227 (4th Cir. 1965).

[5] 20 C.F.R. § 404.134 provides in pertinent part:

"(b) *Earnings at a monthly rate in excess of $100.* An individual's earnings from work activities averaging in excess of $100 a month shall be deemed to demonstrate his ability to engage in substantial gainful activity in the absence of evidence to the contrary."

from HEW. I think there should be some tolerance here because HEW does not live in the same world that the rest of us are living in.

In HEW you can look at this bill and tell that in their theory a female human being is a child, a wife, a mother and a widow. In HEW women do not work.

Now, I have checked carefully in American history and, Mr. Chairman, not only does this generation not live in a world like that, but there has never been an American generation that lived in the gingerbread world of HEW.

I would like to give real credit to this committee for the fact that in this bill for the first time some survivors of a woman worker have some rights that cannot be taken away from them.

One of the most pathetic letters I have ever received I received from a woman in Alabama, who told me that she had a most unusual case. She said:

My husband had been in a mental institution for 35 years. At the beginning of each month I have sent him $10 for his incidentals, $10 for medicine, and I have taken care of his clothing. But now I am 65 years of age and I am going to retire. But under Social Security I can't give him half of my Social Security, which, if the tables were reversed, he could give to me automatically.

HEW, of course, approves of this. To them only men work, in spite of the fact that one-third of all the poor families in this country are supported by women.

Now I would like to say a few things about HEW's idea of welfare. In the same speech in which Mr. Califano released his statistics on those who could be removed from welfare he pointed out that there were a million women enjoying aid to dependent children, but that, of course, it would be better for them to stay at home.

I would like to ask this question: Do you really feel that it is a good idea for a woman with a 400-word vocabulary to remain at home with 13 illegitimate children, or have a little 14-year-old girl saddled with an illegitimate child never to have the opportunity to be trained, never to have the opportunity to get out of that house, and never have day care for that child? How silly.

The answer is that we will never solve the welfare problem under HEW rules. We will have to establish the rules and those rules should stick. This bill should pass. If there are any amendments that should be made to this bill, it should be that a widow who is left with children should be permitted to go to work without losing any social security. It should be that a woman should be able to give to her husband social security benefits. It should be that a man and a wife should be able to combine their social security credits and draw on one record. But not the amendments that HEW is suggesting. They are not even in the 20th century. There is no world like the world they are talking about. In the real world women work, and they should not be denied the fruits and the rights of their labors.

Mr. WATTS. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. VANIK].

(Mr. VANIK asked and was given permission to revise and extend his remarks.)

Mr. VANIK. Mr. Chairman, I want to express my support of the provisions of H.R. 12080—and in particular of the changes that the bill would make in the social security program.

In many ways this bill does not go as far as some of us on the Democratic side of the House had hoped that it would. Many of us would have liked to see a bigger increase in benefits than the 12½ percent provided in H.R. 12080. We would have liked to see a bigger increase in the ceiling on earnings that are taxable and creditable toward benefits. And, we would have liked to see provision made for health insurance protection for the disabled.

But the bill as reported by the committee—and I want to emphasize that thanks to the leadership and statesmanship of the distinguished chairman of the committee, the decisions of the committee were very nearly unanimous—is a great forward step toward the provision of adequate social security protection for the American people. The bill provides for the largest percentage increase in benefits since 1952 and the largest dollar increase ever approved. This is certainly a bill that we can be proud of and support wholeheartedly.

The 12½-percent benefit increase for beneficiaries on the rolls will greatly improve the ability of the beneficiaries to get along. It restores much of the purchasing power of the benefits eroded by higher prices. Average benefits paid to retired workers and their wives now on the rolls would be increased from $145 to $164. Although I would have preferred a higher increase in minimum benefits, the minimum benefit under this bill would be increased from $44 to $50 a month. Under the bill monthly benefits would range from $50 to $159.80 for retired workers now on the social security rolls who began to draw benefits at age 65 or later. Under existing law, the benefit range for those now receiving old-age benefits is $44 to $142 a month.

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

For the first time benefits would be provided for disabled widows and widowers under age 62. I regret to say that these benefits would be payable in amounts that would be reduced below the percentage of the worker's benefit—82½ percent—that is now payable at age 62, so that if the benefit is first payable at age 50 it would amount to only 50 percent of the worker's benefit. I am sorry that these reductions in benefit amounts had to be put into the bill, since the resulting benefits are likely to be quite inadequate. Nevertheless the situation of these widows and widowers, who cannot work and who are not old enough to qualify for benefits on account of age, will be greatly improved by the provision of even a small benefit.

Next, the bill would increase the amount that a person may earn without having his benefits withheld. Under present law if he earns more than $1,500 a year he loses some or all of his benefits, although he is paid benefits for any month in which he does not earn more than $125. Under the bill the amount a person may earn and still get all of his benefits would be increased from $1,500 to $1,680 a year, and the amount he may earn in a month and still get full benefits for that month—regardless of how much he earns in the year—would be increased from $125 to $140.

I am glad to say also that the protection provided under the program on the basis of a married woman's earnings record will be improved. This provision was the result of the vigorous efforts of our distinguished colleague from Michigan, the Honorable MARTHA GRIFFITHS. For some time I have had complaints from married workingwomen about the inadequate protection provided for their families. That protection is now improved in two ways. First, a child would be deemed dependent on his mother under the same conditions as those under which the child is deemed dependent on his father under present law. As a result a child could become entitled to benefits if at the time his mother dies, retires, or becomes disabled she was either fully or currently insured. Under present law, currently insured status—coverage in six out of the past 13 calendar quarters ending with death, retirement or disability—is required unless the mother was actually supporting the child. Second, under the bill the husband or widower of a workingwoman who is dependent on her would be eligible for benefits based on her earnings whether or not the wife had recently worked in covered employment. Under present law she must have been currently insured in order for him to get benefits.

Another improvement that the bill provides is related to the eligibility for benefits of workers who are disabled while still young. The bill would make a worker eligible for benefits if he becomes disabled before age 31 and if he worked in one-half of the quarters between the time he is 21 and the time he is disabled, with a minimum of six quarters of coverage. This requirement would be an alternative to the present requirement that the worker must have had a total of 5 years in covered work out of the last 10 years.

So far as medicare is concerned, while I am disappointed that the provision recommended by the administration for health insurance protection for the disabled was not adopted by the committee, I am glad to report that some improvements have been made in the health insurance program. Most significant, perhaps, is that the number of days of hospitalization which could be covered in a spell of illness would be increased from 90 to 120 days. However, the patient would have to pay a coinsurance amount of $20 per day for those additional days—subject to adjustment after 1968, depending on the trend of hospital costs.

I am happy that the committee adopted provisions making possible the direct payment to patients under circumstances where a doctor elects not to take a medicare assignment. This provision was the subject of a bill which I introduced earlier along with my distinguished committee colleague, the Honorable AL ULLMAN and our distin-

guished colleague from Wisconsin, the Honorable CLEMENT ZABLOCKI, and others.

My attention was directed to the need for this provision by an elderly gentleman in my district who held up a critically needed cataract operation waiting for the enactment of medicare. After his operation, he discovered he had utilized the professional services of a doctor who would not take a medicare assignment. This patient had no resources to advance payment for his doctor's bill. No social agency or financial institution was available to advance his medical expenses. His only alternative was to cash in his burial insurance or to dispose of some of his household goods to pay the doctor's bill.

I do not believe it was intended that part B of medicare operate that way. This new provision corrects just this type of situation and permits the patient to submit an unpaid bill to the insuring agency, receive that portion from the medicare fund as is justified by his claim and then pay the bill by adding his own contribution. In addition, a number of other changes have been made to improve medicare protection and facilitate administration of the program.

I am pleased to note that while the committee did not find it possible to recommend adding the disabled to the health insurance program, the bill require the Secretary of Health, Education, and Welfare to establish an advisory council to study the problems relative to including the disabled under the health insurance program, and also any special problems with regard to the costs which would be involved in such coverage. The council is to make its report by January 1, 1969. I am hopeful that the report of the council will lead the way toward the provision of health insurance for the disabled, a change that is sorely needed.

PUBLIC ASSISTANCE AND WELFARE

The welfare provisions of the bill emphasize individualized planning for employable people under the AFDC Program with greatly expanded training, work experience, and child care facilities. The purpose of this is to substantially expand the number of dependent children who grow up in self-supporting households rather than as recipients of assistance. I certainly am in accord with this objective. However, I think we must be perfectly clear that there are a limited number of training facilities that can provide the kind of training that will result in families, particularly those headed by mothers, becoming self-sufficient. While more can and should be done than is being done at the present time, I am not at all sure that the goal can be achieved at any early date.

Coupled with the planning for employment is a limitation that I believe is most unfortunate. This says flatly to the States that if the number of children with absent parents who require assistance grows at a more rapid rate than the child population of a State, the Federal Government will not participate on behalf of the additional children. This arbitrary cut-off penalizes States and will probably be most acutely felt in the large cities where this type of dependency occurs. If the training and job placements work, then there should be a leveling off and possibly a decline in the number of recipients of aid. In this event, the limitation is unnecessary and would be inoperative.

I applaud the earnings exemptions provisions of this bill. In the State of Ohio and my own city of Cleveland, we have engaged in a highly successful experiment involving the exemption of some earnings. It should be most helpful for these provisions to be extended to the country as a whole.

The child health provisions, provisions for emergency assistance, the provisions for alternative forms of payment where families are unable to manage money, increased foster care and child welfare allocations, should help to improve the situation of children. In addition to limiting the future Federal financial liability under the medicaid program—title XIX—many improvements in that program are included.

The public assistance amendments give me very grave concern. While I recognize the need for restraining the drain on Federal resources, I do not believe that we can limit our responsibilities to the unfortunate, needy people of America simply by placing a formula in effect which provides a dollar limitation. We can estimate the need, we can endeavor to hold down the cost, we can endeavor to train adults capable of work and rehabilitate families, but we must not deny help to those who remain among the needy after our best thought out plans.

The increase in overall welfare funding from $4.1 billion to $4.5 billion does not provide any substantial increase in this program. Spiraling costs have increased general expenses by almost 5 percent while drastic increases in the cost of medical and health services account for at least another 5 percent.

I doubt that $4.5 billion in fiscal 1968 will buy as much welfare and health care as the lesser amount of $4.1 billion bought in fiscal 1967.

In order to provide adequately for the clear-cut cases of need, local and State administrations will be required to produce an exacting degree of care and efficiency. Under these pressures, there is danger of error which may be regrettable.

The community work and training program will provide a challenging approach in directing dependent Americans toward job-responsibility and independence from the need for public support. It is my fervent hope that this program will be entirely free from any form of compulsion. It is my hope that the legislative history we make today makes that point abundantly clear so that there is no risk of misinterpretation at the local level.

In my opinion, the added cost of the community work and training program will limit its size. This program will not be financially capable of accommodating the thousands upon thousands of citizens on welfare rolls who would prefer work over public assistance. This fact will be proven by the success of this program.

In this public assistance program, the attempt to limit Federal expenditures to present levels has dangerous implications. There is very little likelihood that this legislation will provide higher welfare standards and very much likelihood that they will be reduced. The increased burdens on local governments may reach the point of intolerance.

I hope that the increased burdens on local governments will not reach a point of intolerance. Our welfare costs are indeed burdensome but Americans at all levels of government must never overlook legitimate needs of children and those who are charged with their custody. Although our Nation is heavily in debt, it is not quite that poor.

Mr. MILLS. Mr. Chairman, I yield 13 minutes to the gentleman from New York [Mr. GILBERT].

(Mr. GILBERT asked and was given permission to revise and extend his remarks.)

Mr. GILBERT. Mr. Chairman, first may I congatulate the very distinguished chairman of the Ways and Means Committee, my chairman, the gentleman from Arkansas [Mr. MILLS], and the ranking minority member of the committee, the gentleman from Wisconsin [Mr. BYRNES], and all the members of the Ways and Means Committee for the many hours of deliberation and time and effort that they gave to the bill before us today.

Mr. Chairman, I am supporting the bill before us today, because it represents an improvement in living standards for thousands of Americans. But I cannot conceal my disappointment at the scope of the bill, which I believe does not reflect an adequate awareness of the needs of those members of our society whose resources are fewest. I proposed an across-the-board increase in retirement benefits of 50 percent, which would bring the living standards of most recipients of social security no higher than a decent minimum. The administration proposed 15 percent, a disappointing figure. The committee voted only 12.5 percent, which I regard as clearly insufficient.

The minimum old-age and disability benefit was raised, you will note, from $44 to only $50, which does not offer even a subsistence level of existence. I believe that men and women who have spent their lives as productive citizens, hard at work, deserve a better retirement than we are providing for them in this legislation.

But, Mr. Chairman, I would like to concentrate my attention on two specific provisions of this bill to which I vigorously dissent. They are the new standards that narrow the implementation of title XIX, the program known as medicaid, and the new limitations on the matching payments that States may receive for the operation of their aid to families with dependent children—AFDC—programs. Both take funds away in a manner which I regard as inequitable and to ends which I believe are shortsighted.

Establishing the new standards for medicaid, I think, creates the unfortunate precedent of default by the Federal Government on a commitment to the States. I am familiar with the situation in my own State, New York, but similar patterns have occurred elsewhere. The States have devised and put into effect

medicaid programs based on legislation passed in 1965 and which they had every reason to believe would remain unchanged. The legislation contained a Federal commitment for assistance. The States acted in good faith on that commitment. Under the amendment included in the current legislation, the Federal Government would be backing out of the obligation it assumed. Ironically, it takes that action not because the program in question has been a failure but because it has been a success. It has helped so many needy persons that it has cost more than originally anticipated. No reason, I think, could be less justified for reducing the program's scope.

I believe, furthermore, that this amendment is a serious mistake because it penalizes productive members of the community. By setting arbitrary income limits for eligibility, it cuts out those families and individuals who work but who lack sufficient income to pay for medical expenses. It will not, in most instances, penalize welfare recipients, but only those who are struggling by the sweat of their own brow to make ends meet. I need not emphasize that the amendment will deprive children of the care they need, and in recent years, have acquired under this program. The decision to reduce the scope of the program is, in my view, an inadvisable one.

I am gratified that the committee has agreed to achieve its goal of establishing eligibility on a three-step basis. But even the first step will reduce eligibility for families and individuals by substantial amounts. It appears that thousands of self-supporting, self-respecting families will now have to go on the welfare rolls for medical assistance.

I object, furthermore, to this amendment because it penalizes the State of New York more than any other. New York has, throughout recent history, been a pioneer in social welfare legislation. It has had in effect a program similar to medicaid dating back to 1929. Its program is the best in the country. Under the standards established in this amendment, thousands of New Yorkers will be stricken from the eligibility rolls.

New York is also hit hard by the new limitation on aid to the States under the AFDC program. But like the medicaid standards, New York is not alone in paying the penalty. Hardest hit are the States with the most effective programs, the programs that bring assistance to the greatest number of needy persons. Hardest hit are the States that show the most concern about their underprivileged citizens. I deeply believe that we take the wrong approach when we take funds away from the States that are meeting their responsibilities to the poor, while asking no sacrifice of the others.

The AFDC amendments provide that no State can receive funds for a greater percentage of children in the category where one parent is absent from home than was received in January 1967. According to the committee's example, if a State had 3 percent of its minor children on AFDC in January 1967, the State would not get Federal matching payments, for this group of children, in excess of 3 percent of the population under 21 years of age in 1968 or in later years.

I understand the motivation for this provision, Mr. Chairman, and I do not quarrel with it. It seeks to get welfare recipients off the dole and into productive work. It seeks to stimulate the States to devising practical programs for diminishing the public assistance rolls. But this is only one of several requirements designed to achieve that end—job counseling, family planning, child protection, management improvement, and others. The new AFDC limitation, however, is discriminatory and, furthermore, it is dangerous.

Let me explain why.

We all know that our major industrial cities are magnets for the rural poor of the South and Puerto Rico. These people are driven off the land, which no longer supports them, and they come looking for a new life in the cities. Unfortunately, they are poorly prepared for the job demands and the patterns of living that they find. Through no fault of their own, they often wind up unable to support themselves. The cities cannot let them starve. The only answer is welfare, of which AFDC is a major program.

The press recently reported that studies by Federal bureaus have disclosed that this urban migration will continue at an undiminished rate at least for another decade. These studies suggest that the burden on the cities will continue to get heavier, whatever the cities may try to do to lighten them. This migration means that more people will have to be fed, no matter how many are put to work by other commendable programs. Let it be noted that the States from which these people migrate are doing little or nothing to create the necessary conditions to keep them. The cities to which they move thus have no choice but to shelter them.

Thus this provision discriminates severely against the cities—against New York and Detroit and Chicago and Newark and Cleveland. These cities cannot hold back the tide. It is inevitable that the flow continue into its neighborhoods where the pressures of poverty are already greatest. Meanwhile, the States from which these poor unfortunates depart are not penalized at all, because the percentage of those on welfare decreases. The imbalance of justice in this situation is grievous. The potential is explosive.

I feel that this is a particularly inopportune moment for the enactment of these amendments to the Social Security Act. It is inopportune because we are seeking to persuade the less fortunate segment of our Nation to take courage. These amendments will break the hearts of thousands who are decent citizens but who are not the successful members of our society. They will, furthermore, thrust new and undeserved burdens on those States that can least afford them. It simply is not right for this Congress to penalize the conscientious States, while it in effect rewards the indifferent States for doing nothing. In view of the domestic turmoil through which this Nation is now suffering, I believe it is unwise to disable those States that are doing the most to eliminate the sources of discord and those people who live perilously at the margins of our economy.

Mr. Chairman, we are still a wealthy nation. We are fighting a war but let us not deceive ourselves when we pass amendments like these. We are making our poor pay for that war, not our rich. We are attempting—in many of the President's programs—to establish a stake in our society for the poor, yet we snatch away from them the hope we extend. I believe that we as a nation with all the wealth we possess, can do much better. I would look to the other body to restore some equity in these matters.

Mr. Chairman, the people of Puerto Rico, Guam, and the Virgin Islands are U.S. citizens who, in the past, have not benefited fully from Federal grants to public assistance. I am happy to say that, in the proposed social security amendments, the Ways and Means Committee has taken steps to alleviate welfare inequities in these jurisdictions.

To better understand the problems in these jurisdictions, we look at Puerto Rico. First, let us look at the optimistic side. Puerto Rico has accomplished a tremendous amount in the past 25 years: the illiteracy rate has dwindled to almost nothing; the per capita income has more than quadrupled; and the economy is growing by 10 percent a year. Another area which the Puerto Rican government should be commended is public health. Federal funds, through medicaid, have helped in covering costs of services to the "medically indigent"—a heading which describes more than half of the population of Puerto Rico. The Commonwealth government has gone ever further, though, by providing medical services to all citizens who wish to use them.

Puerto Rico, then, has made progress in a number of areas. However, massive problems still exist. Twelve percent of the population was unemployed in January 1966—over 3 times the rate in the continental United States. Per capita income in Puerto Rico—though it has improved—is still only $977 a year—as compared to $1,600 in the poorest State and $2,700 as a national average. Over two-thirds of the families on the island earn less than $3,000 a year. And yet, with poverty this widespread, only about 10 percent receive any public assistance. Furthermore, few of us realize just how low welfare payments are. The average adult recipient receives only $8.65 a month—a mere $104 a year. And children receive less than half this much. Imagine buying food and clothing for a child with less than $50 a year—less than $1 a week.

Puerto Rico has faced these problems and has worked to solve them. Her effort in public assistance—in relation to personal income—is 42 percent more than the average State.

On the other hand, Federal participation has been maintained at an extremely low level. Congress has always placed a limit on Federal funding for public assistance in Puerto Rico, the Virgin Islands, and Guam. No such limit is imposed on grants to the States. Furthermore, the ceilings for these jurisdictions are extremely low—only $9.8 million for

Puerto Rico—while sums from four and one-half to eight times as large are paid to States with even smaller populations.

Because of the low public assistance payments, thousands of Puerto Ricans have been forced to live in poverty that we could hardly imagine. Large numbers—over 600,000 since 1945—have had almost no choice but to leave their homes and to look for a better life on the mainland.

The social security amendments we are considering would help with the special problems of Puerto Rico, the Virgin Islands, and Guam. First, in the area of public assistance, changes would be made in the ceilings on Federal payments. Though the dollar limitations would not be removed, there would be five annual increases until a much more reasonable level is reached. The amounts proposed are consistent with additional effort that we understand the Commonwealth is ready to make. With this increased funding, Puerto Rico will be able to improve assistance payments.

Second, in the area of medical assistance, H.R. 12080 would place special limitations on payments to Puerto Rico, the Virgin Islands, and Guam, because those proposed for the States would be inappropriate for the three jurisdictions. A ceiling of $20 million would be placed on Federal contributions to title XIX programs in Puerto Rico, with proportionate ceilings for the Virgin Islands and Guam. It is regrettable that a limit must be set but I am glad, at least, that the amounts proposed are reasonable.

The Resident Commissioner from Puerto Rico [Mr. POLANCO-ABREU] stated the case of Puerto Rico quite well when he appeared before the Ways and Means Committee. He said:

Certainly the problems of poor, handicapped and sick American citizens living in Puerto Rico are not different from those of citizens living on the mainland. Certainly our blind are no less blind, our disabled no less disabled, our dependent children and impoverished elderly no less needy, our sick no less sick, than those residing in the States. Certainly the Federal government cannot be less concerned about the desperate needs of the afflicted and the impoverished American citizens in Puerto Rico than it is about those residing in the States.

I feel that, with the proposed social security amendments, we would be proceeding in the right direction—toward fuller recognition of the problems of our citizens in Puerto Rico, the Virgin Islands, and Guam.

Mr. BINGHAM. Mr. Chairman, will the gentleman yield?

Mr. GILBERT. I am glad to yield to my distinguished colleague.

(Mr. BINGHAM asked and was given permission to revise and extend his remarks.)

Mr. BINGHAM. Mr. Chairman, I thank my colleague from New York for yielding. I would like to commend the gentleman upon the statement which he has made, especially with reference to the cutback in medicaid, which is a backward step and a most unfortunate development. As the gentleman knows, I supported his effort in the Committee on Rules to obtain a modified closed rule so as to permit an amendment in that respect to be considered.

As I pointed out in the debate on the rule, my State will be hard hit by the medicaid provisions of this bill.

Nevertheless, as the distinguished gentleman has stated, overall, this is a bill which we have no alternative but to support.

Mr. GILBERT. I thank my distinguished colleague, the gentleman from New York [Mr. BINGHAM].

Mr. HANLEY. Mr. Chairman, will the gentleman yield?

Mr. GILBERT. I yield to the gentleman from New York.

(Mr. HANLEY asked and was given permission to revise and extend his remarks.)

Mr. HANLEY. Mr. Chairman, I rise to join with my colleagues in support of H.R. 12080, the Social Security Amendments of 1967. The great Committee on Ways and Means is to be congratulated for the outstanding efforts which have gone into the preparation of this legislation. The bill deserves the support of all of us.

I would like to use the time allotted to me to comment on the changes which the committee has proposed for the title XIX program of medical assistance for the needy. Basically, title XIX authorizes a Federal-State-local program designed to assist low-income persons unable to pay the costs of medical care. All of us realize the importance of medical care, and it was right and just that we attempt to make medical care available to those whose incomes precluded it.

There were basic flaws in the title XIX legislation which we approved in 1965, and it did not take some of the States long to make these absolutely apparent. The State of New York, a portion of which I am privileged to represent, moved swiftly to show us the error of our ways. New York used title XIX to create a medical assistance program designed to provide a substantial portion of the adult working population of moderate income with an absolutely free, absolutely complete, credit card for any and all medical or hospital costs. New York's medicaid program was off and running in July of 1966, and the results have been disastrous. I am very concerned about the costs of this program to the citizens of New York as they pay their taxes at the Federal, State, and local level.

Mr. Chairman, our best understanding of the impact of this program comes when we realize what it is doing on the county level of government in New York. Onondaga County, which comprises my congressional district, found it necessary to borrow $7.9 million just to cover the first year costs of medicaid. This $7.9 million represented a 30-percent increase in the county's public assistance budget.

New York's counties are now in the process of preparing budgets for the coming year. The Onondaga County welfare commissioner is requesting a budget of $40.7 million, about $9 million over this year's budget. This $40.7 million for welfare represents a figure that is more than the entire county budget 4 years ago. The county's property owners are faced with the possibility of a tax increase amounting to $9 per $1,000 simply to cover the costs of the welfare budget.

Since late spring of 1966, I have been urging Federal action to place limits on the power of the States to set income eligibility standards for the medicaid program. I had also hoped that the committee would have seen fit to mandate the States to provide reasonable and effective deductibility clauses in their programs. At any rate, the committee has recommended cutoff points for Federal matching funds under title XIX. By 1970, when the Federal matching limits are fully operative, we assume that our responsibility to the U.S. Treasury, at least in this regard, will have been fulfilled.

The committee, wisely, I believe, chose to set up a cutoff limit above which Federal financial matching would no longer be available. Such an action leaves squarely in the hands of each State the responsibility for disposing of its own treasury. With this action, it will be completely clear to all of the citizens of the States who is really responsible for gigantic welfare budgets.

If I am any judge of the sentiments of those I represent, the people of New York want this medical assistance program scaled down. They want a program they can afford to support. They want a program that is disciplined, one that is limited to providing medical aid to those who are truly in need.

Mr. Chairman, I congratulate the Ways and Means Committee on the work it has done to place limitations on title XIX, and I urge the committee, respectfully, to continue its interest in this program with a view toward making it a more reasonable and more meaningful response to the problems of the medically needy.

Mr. CURTIS. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. BUSH].

(Mr. BUSH asked and was given permission to revise and extend his remarks.)

Mr. BUSH. Mr. Chairman, the Committee on Ways and Means has spent months in careful consideration of all aspects of the social security and public welfare bill, as well as child health programs. The bill which has been reported out by the committee reflects our arduous labor on these matters.

Mr. Chairman, I certainly will enthusiastically vote for this bill.

However, I would like to call the attention of my colleagues to one area in which I have a particular interest, because I think this area will have an important impact upon poverty and dependency and will do much to strengthen the individual family. I am referring, Mr. Chairman, to family planning.

Mr. Chairman, great advances have ben made in family planning and to be more specific and to be more blunt about it, in birth control.

One cannot help but be alarmed when he looks at the world population growth figures. Similarly, one cannot help but be alarmed at the ignorance about family planning among many people in this country.

Mr. Chairman, science has now made great strides—we now have the IUD and the pill. Further dramatic scientific improvements lie ahead. These advances offer a partial solution to the world population problem and certainly a partial solution to the problem of domestic poverty.

Mr. Chairman, I was pleased to see the Committee on Ways and Means give consideration to family planning, but this is only a beginning. This bill comes to grips with family planning in two principal ways; both, I might add based upon a voluntary approach.

First, we are making it a requirement that all States offer family planning services, voluntarily, and it is up to families to decide whether to accept it or not, particularly family planning services to mothers receiving assistance payments and, secondly, we have added an authorization for maternal and child health service.

Mr. Chairman, when the Salk vaccine for polio was discovered, massive programs were instituted to distribute it.

In my opinion, similar voluntary programs of education and making available, on a voluntary basis, family planning devices will do much to solve the problem of poverty and will do much to reduce the rolls in the aid for dependent children program.

I am happy that the committee did come to grips with the problem.

I recognize the sensitivity in this area and I certainly understand the objections of some Members who went along with the committee results. I understand their desire and their adament demand even for making these programs voluntary. But I think it is time that this country took a good hard look at this whole area of family planning because herein lies a true, demonstrated answer to many of the problems of poverty that face us not only in this country but around the world.

I would like now to spell out in more detail my views on this subject:

A year ago last January the Secretary of Health, Education and Welfare, John W. Gardner, established a sound and progressive policy on family planning.

The Secretary said at that time:

> The objectives of the departmental policy are to improve the health of the people, to strengthen the integrity of the family, and to provide families the freedom of choice to determine the spacing of their children and the size of their families.

I commend Secretary Gardner on his leadership.

This forward looking policy was timely indeed, Mr. Chairman, but its extension to health and welfare programs has not, in my opinion, gone far enough. It has been estimated that about 5 million low-income women want family planning services—but only about 700,000 of these women now receive them through public and private services. This neglect is reflected in our Nation's infant mortality rates, which are much higher than they could be, and in the increasing rate of dependency on public assistance.

It is not yet too late, Mr. Chairman. There are many things this Congress can do to support the extension of family planning services. I am happy that the Ways and Means Committee has incorporated some of my suggestions on family planning in the Social Security Amendments of 1967. I would like to review them for my colleagues.

First, we are making it a requirement that all States offer family planning services to mothers receiving assistance payments. Testimony before the Ways and Means Committee stated that twice as many mothers availed themselves of family planning services when the services were directly offered them instead of merely provided on request. I want to emphasize that recipients will be guaranteed freedom to accept or refuse the services in accordance with the dictates of their conscience. But projects to date show that a great majority of women from low-income areas are eager to accept family planning services when they are offered.

Second, we have increased and consolidated the authorizations for maternal and child health services. These programs have furnished the major vehicle to date in providing Federal support for family planning services.

Under existing law, formula grants are allotted to States to extend and improve health services to mothers and children. As a result of the rapidly growing interest in family planning, an increasing number of State and local health departments are beginning to provide family planning services under this program. One year ago more than 40 States provided these services in some parts of the State. Three years ago the number was only 13. The bill reported by the Ways and Means Committee would increase funds to permit further needed expansion of family planning services. Though we have not earmarked funds specifically for that purpose, it is my hope and understanding that the States will be vigorously encouraged to expand their efforts in this area.

Another major source of Federal funds for family planning has been the maternity and infant care project grant program. This program supports projects to provide comprehensive maternity care for women who are unlikely to receive necessary health care because they are from families with low incomes. In addition to medical care for the mother up to the time of delivery, health care, including family planning, is also provided following child birth. These projects are making family planning services available to an increasing number of women in low-income families who have never before had access to these services. In the New York City project, 90 percent of the mothers returning for postpartum visits asked for and received family planning services.

The social security amendments as reported provide a $5 million increase for this program in the current fiscal year—an increase that is badly needed. Over the following 4 years, the bill provides substantial increases in the authorizations for project grants. The committee expects that at least $15 million of this increase will be directed toward family planning services. Under Secretary Wilbur J. Cohen of the Department of Health, Education, and Welfare has assured me that these amounts will enable us to provide services to many additional low-income mothers who want and need them.

Mr. Chairman, last month Under Secretary Cohen made an excellent speech on family planning. In it he said:

> I am confident that as family planning information is made more readily available to all who desire it:
>
> Infant mortality rates will be drastically reduced.
>
> Every child will be blessed at birth by being wanted and well borne.
>
> The dignity of the individual and his opportunities for self-fulfillment will be enhanced.
>
> The vicious cycle of poverty with its accompanying deprivation, despair and discrimination can be broken.

The Ways and Means Committee has included in its bill the means to make the services available to achieve these goals. I urge my colleagues to support the committee's bill.

Mr. MESKILL. Mr. Chairman, will the gentleman yield?

Mr. BUSH. I yield to the gentleman.

(Mr. MESKILL asked and was given permission to revise and extend his remarks.)

Mr. MESKILL. Mr. Chairman, I thank the gentleman from Texas for yielding.

I rise in support of H.R. 12080 for reasons which have nothing to do with the remarks just made by the gentleman from Texas.

This bill is a big improvement over the existing social security law. It cures many of the weaknesses of the law although in some areas to a very limited extent. I have introduced legislation—H.R. 8449 and H.R. 8971—concerning social security suggesting changes which regrettably are not reflected in H.R. 12080. In view of the closed rule, I realize that my recommendations will not be adopted by this session of Congress.

The need for an increase in old age assistance payments is caused by the rising cost of living, by inflation. Those living on fixed incomes are the first to be hurt by inflation and the last to catch up. It is unfortunate that this bill does not include a provision which I recommended calling for automatic increases in benefits tied to the cost of living. I recognize the fact that such a provision creates a fear of the unknown in the minds of the actuaries. Think, however, of the fear of the unknown in the minds of our elderly who see their monthly social security check shrinking in value as the cost of living rises.

Earlier in the debate, the distinguished chairman of the Ways and Means Committee [Mr. MILLS], in discussing public welfare portions of the bill, pointed to the attempt to get people off the welfare roles—to make taxpayers out of tax eaters. I certainly subscribe to his proposition. I wonder if the members of the committee considered the possibility that tax eaters can be taxpayers as well. I refer to removal of the earnings limitation placed on recipients of old age assistance benefits. I receive many letters which say, in effect, "we would like an increase in social security benefits but we wish we could earn as much as we like without losing our social security benefits."

I understand that the earnings limitation was put into the social security law in the 1930's in order to take people out of the labor market. This was during a great depression when we had many more more people than we had jobs. This is not the case today. While there is substantial unemployment in the country today, there are over three million jobs for skilled persons which are going unfilled. Many of our elderly are eager and able to fill these vacancies. I know that the members of the committee considered the cost to the fund resulting from raising the earnings limitation. I wonder if the committee considered that these persons would be paying substantial income taxes if they were allowed to earn all that they desired without losing social security benefits? I wonder if the committee also considered that many of these people would leave larger estates, paying inheritance taxes as well.

I recognize the fact that suggestions that social security benefit increases be paid out of general revenues has met with strong objection in the past. I believe, however, that transferring general revenue funds to the social security fund would be justified because this would offset the drain on the social security fund caused by the removal of the earnings limitation. After all, the "tax eaters" from the social security fund would be "taxpayers" to the general revenues. I shall support the bill but I shall continue my efforts to improve the program.

Mr. BUSH. In reply to the gentleman I would answer that there was some sentiment in the committee for this, but the prevailing factor, I am sure, in consideration of removing the ceiling was cost, and the figure for removing it entirely amounted to something like $2 billion. I think we were concerned about the tax increase. But the gentleman has a good point. Perhaps at some future date it will be. This took into consideration, I am told, the additional earnings that would be forthcoming and the taxes that would be received. But it was strictly a question of cost.

We were trying to keep the tax increase to a very minimum amount in the light of other tax increases. I thank the gentleman.

Mr. MESKILL. If the gentleman will yield for one more question; did the committee also take into consideration the fact that if a person were allowed to work as long as he was physically able and to earn more money, that he would probably leave a greater estate, and there would be a greater estate tax paid?

Mr. BUSH. I am sure the actuaries took that into consideration, but I believe the figure I quoted was based upon the work and the additional cost.

Mr. MESKILL. I thank the gentleman.

Mr. CURTIS. Mr. Chairman, I yield to the gentleman from New York such time as he may require.

(Mr. HALPERN asked and was given permission to revise and extend his remarks.)

Mr. HALPERN. Mr. Chairman, I rise in support of this bill, although I regret its liberalization of existing law falls short in many areas of today's realities.

It is a privilege for me to take the floor today to speak in behalf of the 15 million people who will be affected by what we decide here today. Social security has been the answered prayer to our many citizens for over 30 years.

I deem it my duty to speak in favor of the bill before this House today, but cannot consider it the full and final answer to today's needs of our senior citizens. A stronger, more effective proposal is sorely needed.

I have introduced such a bill, H.R. 12327, and I regret that, under the closed rule, we will not have the opportunity today to improve the bill as I would have liked by offering some of the provisions of my legislation, and by considering other proposals further to liberalize the law.

But the closed rule which governs debate on social security legislation unfortunately does not permit such amendments. I deplore this limitation, for it compels me, and, I am certain many of our colleagues, to accept the proposal before us, or none at all.

The fact that the bill before this House falls far short of what we owe to our senior citizens will leave me more than a little saddened. These elders, who have given their best to the Nation during their most productive years, deserve better at our hands in their golden years.

Our efforts in their behalf must not end here, and I trust the 90th Congress will yet accord further opportunity to broaden this legislation.

I, for one, shall continue to press for more realistic increases in social security benefits, and for liberalization of many social security regulations.

Social security benefits today are no longer adequate to the needs of many elderly people. While they keep 5½ million aged people out of poverty, more than 5-million still remain impoverished and needy. The main reason for this shameful situation is that benefits are too low.

How can a person be expected to live on $44 per month, or even $50 as the present House Ways and Means Committee bill proposes. A minimum benefit increase of at least 15 percent, and a $70 per month minimum, would remove 1.4 million aged from poverty. My bill, H.R. 12327, would allow this 15-percent increase and would also make automatic adjustments of benefits to go hand in hand with cost of living increase. This provision, I feel, is vitally necessary if we are to assure that social security benefits meet the future needs of our older citizens.

This 15-percent increase would be computed on a gradually increased limit on taxable wages which would reach $10,800 by 1974, yielding maximum benefits of $288 per month. This provision is one more method of assuring equitable and adequate social security benefits in the years to come.

My bill will also see to it that certain special groups are adequately recognized and cared for. Along these lines, H.R. 12327 will assure a special minimum to those who have contributed to the social security fund for long terms. It will also substantially increase special benefits for all those recipients 72 and over.

The committee bill takes a step in the right direction when it increases the amount that an individual may earn without suffering benefit deductions from $1,500 to $1,680 per year. However, this increase is insufficient and still discriminates against those persons over 65 who choose to remain actively engaged in their careers. I propose that this limit be raised to $3,000, which, even when supplemented with maximum social security benefits, is by no means an exorbitant figure.

The committee bill entirely deleted a major provision in the President's original proposal which would extend medicare benefits to 1.5 million disabled workers under 65 years of age. The present medicare law limits coverage of hospital and voluntary medical insurance to persons 65 or over. H.R. 12327 would make medicare available to this large group of deserving people that is so similar to the aged in its essential need for health insurance coverage.

I enthusiastically support the committee bill's provisions to include podiatrists services within the supplementary medical insurance program and to add outpatient hospital and diagnostic specialty benefits for the aged and disabled. I have included these worthwhile additions in my own legislation, as well as a section to eliminate the requirement of physican certification for inpatient hospital services at the time the individual becomes an inpatient.

H.R. 12327 covers a problem in medicare that has been unfairly neglected since the program's inception in 1965. Before medicare was enacted, all persons over 65 were allowed a special income tax deduction for all medical and drug expenses. Upon enactment of medicare, its recipients lost their special tax status. Thus, many of our aged are required to pay large sums of money every year, out of their own pockets, for much needed drugs and medical services. This cost would be an insufferable burden to anyone with a limited income. This is especially true of those receiving as little as $44 per month, the current monthly minimum.

In order to alleviate this imposition, my bill would include all approved drugs under medicare. Thus, this great saving to our older citizens could allow them to spend their monthly payments in far more desirable ways.

With regard to medical expenses, my bill would allow all medical costs paid by recipients to be 100 percent tax deductible. It does not seem fair to tax these expenditures which are so necessary, yet so costly.

Finally, my bill focuses on an area which has long concerned me—that of the current tax provisions with regard to pensions and other annuities. For years, I have advocated a tax exempt minimum for all pensions. H.R. 12327 provides that the first $4,000 earned every year will be tax exempt. This provision is consistent with all our concern in assuring our senior citizens of adequate funds in their retirement years.

I cannot let this opportunity go by without speaking directly in behalf of my State—New York. H.R. 12080 in-

cludes a provision which severely limits the income level for participation in the medicaid program.

Section 220 provides that the income level for participation in the program cannot be higher than 133.5 percent of the income level for eligibility for the aid to dependent children program. This ceiling will go into effect on January 1, 1967.

New York State now bases its eligibility requirement on the 1965 medicaid provisions. As a result, New York has provided many people with aid which they will not be qualified to receive under the new 133.5 ceiling. This provision, if enacted, would have a direct and very adverse effect on the citizens of New York.

New York State has always manifested a great concern for assuring needed medical care to its residents. This program is in keeping with New York State's historical humanitarian social outlook.

The present estimates for the cost of medicaid in New York State for the current fiscal year are: Federal share, $120 million; State's share, $115 million, and local share, $155 million.

The cost projections for the next fiscal year are Federal share, $237 million; State share, $210 million, and local share, $210 million.

These funds assure all families and individuals who cannot afford needed care of receiving necessary medical attention without fear of financial ruin and tragedy that often occurs with serious illness. The effect of a cut in funds cannot be measured in money alone, but must also be measured in increased human suffering.

New York State and its citizens have relied in good faith on the 1965 provisions. If the proposed amendment is enacted, this body will be responsible for the dashed hopes of many financially pressed people. Six million New York State residents now benefit from medicaid. If the proposed ceiling on Federal participation is enacted into law, at least 10 percent of them—600,000 people—who are now receiving aid will be confronted with the loss of benefits.

This provision would mean losses of Federal aid to New York State of at least $29 million the first year, $40 million the second year, and $50 million the third year. From the present estimates and cost projection figures I have cited, it becomes obvious that New York State would not only be prevented from expanding its program, but the current funds would be decreased. This situation would be intolerable. Although we are precluded from amending this bill to correct this unwarranted restriction, I for one, except to press the effort in this Congress to restore the original provision to rectify the damage that this bill will bring to my State. Likewise I intend to work toward the realization of the other goals I cited here which I regret are not included in this legislation. Because of the vital and long-overdue need to increase benefits and improve present law, I shall vote for this bill. We have no other choice. But the effort to broaden and improve our Social Security and Health Care Acts must go on relentlessly.

Mr. CURTIS. Mr. Chairman, I yield to the gentleman from Kansas such time as he may consume.

(Mr. SHRIVER asked and was given permission to revise and extend his remarks.)

Mr. SHRIVER. Mr. Chairman, I rise in support of H.R. 12080 which provides for a number of changes in the social security program including an across-the-board increase in monthly benefits.

As has been the practice for most bills which come from the House Ways and Means Committee, we are operating under a closed rule. We can offer no amendments. Therefore, we must weigh the good proposals in this bill against what we believe to be the bad.

On balance it is apparent that a number of necessary changes and improvements have been made in this Social Security legislation. There have been important deletions of the original administration requests. The bill we have before us has strong bipartisan support among members of the Committee on Ways and Means.

The committee has acted responsibly in providing for an across-the-board 12.5-percent increase in old-age, survivors, and disability insurance programs. Needless to say, senior citizens across the country have been hard hit by rising costs and inflation. They are finding it increasingly difficult to maintain their standard of living.

This legislation does not require any increase in social security taxes this year. The committee has recommended and this bill provides for increasing the taxable base from $6,600 to $7,600 in 1968 but there will be no increase in the tax rate until 1969.

We are assured that the proposed schedule of financing will enable the old age and survivors system and the disability insurance program to remain actuarially sound—meaning that estimated future income and interest will be sufficient to support disbursements for future benefits and administrative expenses.

I want to commend the committee for its action in eliminating the President's plan to make extensive changes in the income-tax exemptions for taxpayers aged 65 years and older. Under this proposal social security benefits and railroad retirment benefits would have become subject to Federal income taxes.

Earlier this year, I joined with other members of the Kansas congressional delegation in the House in introducing a resolution to express the sense of the House that social security and railroad retirement benefits shall not be made subject to Federal income taxes.

It is obvious that many Members felt the same way as our delegation about this proposal.

We are continuing to liberalize in this bill the amount of earnings which a social security recipient, under age 72, can receive without loss of benefis. This measure increases that amount from $1,500 to $1,680 a year or from $125 to $140 a month the amount such a beneficiary can earn without loss of OASDI benefits. We need to consider further liberalization of this provision for those senior citizens who want and need to augment their social security benefits by employment.

Mr. CURTIS. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. FINO].

(Mr. FINO asked and was given permission to revise and extend his remarks.)

Mr. FINO. Mr. Chairman, on numerous occasions in the past 15 years, I have taken the floor of this House to urge Congress to liberalize, humanize, and improve our social security system. While we have made progress in liberalizing our system, I still feel that we have not gone far enough in correcting and eliminating some of the unfair and unrealistic provisions of the law which still cause hardship in millions of American homes.

I will support this bill but I cannot say that the provisions of this measure will fulfill all or even a great part of my expectations.

I feel that it is of the utmost importance to give our 23½ million social security beneficiaries a meaningful increase in monthly benefits. I certainly would have preferred a 15 percent or even a 20 percent increase in benefits but even a 12½ percent raise is a great step forward. However, I cannot see why the nation's social security recipients should have to wait for administration and congressional action every time inflation mandates a benefit increase.

In my opinion, there ought to be a mechanism to provide benefit increases to reflect rises in the cost-of-living index. I first introduced such legislation early in 1966 and I am happy to say that over 110 Republican Members of this House have sponsored similar bills.

I am glad to see that Congress does not intend to cooperate in the President's unfortunate attempt to boost the social security tax base to $11,000, while raising the social security tax rate—shared by employer and employee—to 11.8 percent. It looks to me as if the President is tax happy. One minute he wants to tax one thing and, the next minute he wants to tax something else. In my opinion, the President's social security tax plans—which would boost the average worker's annual social security to $400—are tantamount to a second income tax hike. Fortunately, this House has refused to go along with this. For my own part, I do not see why social security benefits cannot be increased by resort to the Treasury instead of imposing further taxes on the workingman. Look at all the fat we have in the present Government budget: $2 billion worth of the so-called antipoverty program which we have seen is nothing but a bank roll for rioters; $4 billion for direct and indirect foreign aid; several billions of dollars for the "man in the moon" project, and of course, $20 billion a year for the misjudged, misguided, and mismanaged no-win war the Johnson administration is fighting in Vietnam. These four programs involve about $30 billion a year which is now doing America little or no good. So, I say that this is not the time to raise taxes, social security or otherwise. This is a time to stop wasting the taxpayers' money.

I believe that the whole American pension system should be restructured. Many of our American poor are senior citizens who, however thin their wallets, are a lot richer in spirit and dedication to the American way than the so-called poor who hop out of Cadillacs to loot and pillage. Is it because our senior citizens do not riot—because they do not whine about "deprivation"—that they are ignored by the Johnson administration super-social planners? I think it is time to stop giving antipoverty handouts to teenage punks who drive up to poverty offices in purple convertibles and start taking better care of our senior citizens who have worked hard all their lives. An adequate pension system is a national "must," to my way of thinking. No retiree collecting a Federal pension should get less than $200 a month, if he or she has no other income. If we can write this idea into law, we would do a lot more to fight poverty, and help a lot more deserving people, than by bankrolling left-wing agitators in the guise of fighting poverty.

I am also glad to see that the bill we have before us today makes some sound changes in the social security system. For one thing, social security recipients are to be allowed to earn up to $1,680 a year without loss of benefits and up to $2,880 with only a half loss. I am in favor of any change in this direction, and frankly, I would like to see the maximum income limitation here removed altogether as I have suggested for many years. Many people in my district who have paid considerable sums into the social security retirement program cannot presently collect any benefits because they have an income of $2,900 a year. This is grossly unfair. If you live in the slums on $2,900 a year, every bleeding heart in the Government will try to excuse you if you riot, but if you live in an ordinary residential neighborhood minding your own business and trying to make ends meet on $2,900 a year, you will get no thanks from the Federal Government—and no social security benefits.

I am pleased to see that this bill also improves the medicare program. For one thing, the hospital coverage included under medicare is to be increased from 90 to 120 days—a definite step in the right direction.

Unfortunately, I am sorry to see that this bill does not extend medicare coverage to those persons who are receiving social security disability benefits. I have introduced legislation along these lines myself, and I think that extension of medicare coverage to these deserving people is an important step which must be taken to improve the medicare program.

I am a little concerned about the way the medicare program is working. In some areas, it seems to be bogged down in red tape. Hopefully, these delays are no more than organizational difficulties, but I know that many other Members of this House share my concern, and we will be watching the program carefully.

As many Members of this House know, I have long introduced many different bills to liberalize and humanize our social security system. For one thing, I have long felt that we ought to reduce the social security retirement age for men to age 60 and for women to age 55. Now, in the light of recent riots and the growing need for slum jobs, I believe it is more important than ever that we allow men and women to retire at an earlier age, because the earlier we allow people to retire, the more jobs we open up for our younger people.

Let me say in closing that while I support this bill, I think it is inadequate. First of all, 12½ percent social security increases are not enough. Furthermore, there ought to be a $200 a month minimum for retirees with no other source of income. Also, social security benefit increases should be tied to cost-of-living index increases and not dependent on the slow processes of the administration and Congress.

Most of all, however, I do not believe that social security taxes and income base levels ought to be raised. These raises merely amount to a further tax on our overtaxed middle income group. I see no reason why the improvements we need in the social security system cannot be financed out of general revenues. Granted this will require a considerable cut in the present level of Federal spending on the space program, the so-called war on poverty and foreign aid, all of these expenditures are getting us nowhere, and we would do better to spend the money on tangible assistance to our senior citizens and thereby lessen their financial burdens.

I urge the Members of this House to support this bill, but I also hope that real consideration will be given to cutting back on wasteful Federal spending at home and abroad so that we can use the money to set up a broad program of improved pensions for our senior citizens.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from North Carolina [Mr. WHITENER].

Mr. WHITENER. Mr. Chairman, the distinguished chairman of the Ways and Means Committee and his colleagues on that committee certainly have my respect and admiration. I know the job they have done has been one which was difficult, and that they have undertaken to do the best they could with this legislation.

I must say, though, that there is one area in the existing Social Security Act which gives me as much concern as anything I have come into contact with in performance of my duties as a Member of Congress. That concern is based on the application of the present Social Security Act as to when a person is totally disabled.

I was, therefore, somewhat taken aback to observe that the committee in this bill has gone even further than existing law in limiting the eligibility of disabled persons who apply for Social Security Act benefits. It will appear, on page 88 of the bill, that the committee has carried forward the present definition of disability but has added the words:

* * * engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.

Then on page 88, at line 18, it says:

For purposes of this subsection, a "physical or mental impairment" is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrabe by medically acceptable clinical and laboratory diagnostic techniques.

When we look at the committee report, on page 30, we find this language:

The impairment which is the basis for the disability must result from anatomical, physiological, or phychological abnormalities which can be shown to exist through the use of medically acceptable clinical and laboratory diagnostic techniques. Statements of the applicant or conclusions by others with respect to the nature or extent of impairment or disability do not establish the existence of disability for purposes of social security benefits based on disability unless they are supported by clinical or laboratory findings or other medically acceptable evidence confirming such statements or conclusions.

It seems to me this is probably the first time in the history of American jurisprudence that what is normally accepted as substantive evidence is converted into mere corroborative evidence.

In this particular case it is said in the committee report, in effect, that the intent of the legislation is that the testimony of a wife or a member of the applicant's family is not admissible, or, if admissible, is not to be considered by the Social Security Administration or by the courts, unless that evidence is merely corroborative of some medical statement.

This to me is a little harsh.

I believe also that to provide that because an individual may be able to do some particular type of job which is available to a resident of Alaska, that an applicant in Florida is disqualified to receive disability benefits because there is a job there since that job is one which is available to people in our national economy. That kind of test is making it entirely too difficult for these disabled people.

This provision in the bill is even stricter than the present terrible definition of total disability. A worker who has suddenly become disabled, whose family must bear the burden of the additional expense of his disability, and has to support him and maintain him, creates a situation which is much more harsh than the application of the Social Security Act to a deceased employee and his family. It seems to me that we could be a little more helpful to those who are stricken down in their health.

Every weekend in my district office people come in who are totally disabled to carry on a gainful occupation. It is saddening to see we are turning our backs upon them even further by the new language set forth in this bill regarding disability benefits under the Social Security Act.

It is my earnest hope that when this legislation is considered by the other body of the Congress there will be a proper revision of the disability eligibility definitions.

Mr. CURTIS. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. UTT].

Mr. SCHWENGEL. Mr. Chairman, will the gentleman yield to me?

Mr. UTT. I yield to the gentleman from Iowa.

(Mr. SCHWENGEL asked and was given permission to revise and extend his remarks.)

Mr. SCHWENGEL. Mr. Chairman, the House of Representatives today is considering one of the most important bills of the 90th Congress. The Social Security Amendments Act of 1967 provides some much-needed raises to the 22 million Americans who depend on their social security checks for their daily needs.

This legislation is long past due. Funds have been available for almost a year to provide for an increase in social security benefits. Early this year I called for an immediate 8-percent across-the-board increase in benefits. Later, when no action had been taken, I called again for the largest possible increase in payments consistent with the fiscal soundness of the trust fund, retroactive to January 1, 1967.

I support the Social Security Amendments Act of 1967. The principal provisions of the bill provide for a 12½-percent across-the-board increase of social security benefits. Minimum social security benefits will be raised from $44 to $50. The maximum benefit is raised from $142 to $159. The increase in social security payments will provide for the much-needed additional income to our retired citizens, who, through no fault of their own, have seen their income cut unfairly by the malady of inflation.

It is a disappointment to me that the Ways and Means Committee did not include a cost-of-living clause in their bill. Legislation introduced by myself along with theirs would have increased social security benefits automatically whenever the cost-of-living index rises. It is a firm conviction of mine that retired citizens deserve this type of protection and security. Now if inflation remains unchecked, the purchasing power of social security payments will very shortly slip again. Once more Congress will be called upon to raise the benefits. If my proposal were adopted, increases in payments would come automatically when the cost-of-living rises.

The failure of the committee to reinstate the full deduction for the medical expenses of our older citizens was also disappointing. Next year our elder citizens will be faced with a bigger tax bill because needed action was not taken.

The Ways and Means Committee, however, did wisely reject President Johnson's proposal to eliminate the "double exemption" for individuals over 65. The President's proposal to increase the income taxes of our retired citizens would have further cut retirement income.

To pay for the increased social security benefits, the bill calls for an increase in the earnings base from $6,600 to $7,700. A slight increase in tax rates is also included in the bill. I had hoped that an increase would not have been necessary. But rising hospital costs and the necessity for maintaining a fiscally sound social security trust fund makes this action necessary.

A number of changes will be made in the medicare law by this bill. These changes will help improve the administration of the program. The number of days of hospitalization under medicare has been raised from 90 to 120 days, with the patient paying for half the per-day cost of the additional 30 days. The bill also permits reasonable changes for inpatient radiological and pathological services and payments for outpatient physical therapy and diagnostic X-rays.

One other significant change in the medicare law is the provision that outpatient hospital services, now covered under the health insurance program, will be covered by the supplementary medical insurance program in the future.

A provision of the bill which has my hearty endorsement calls on the Secretary of Health, Education, and Welfare to conduct a study of medicare law and the supplemental insurance program.

The proposal in the legislation will make significant and long overdue changes in the law which governs aid to dependent children, and child welfare programs. Each State will be required to develop a program for each family on ADC rolls designed to get the job for the adult member of the family so that the family can be removed from the welfare rolls.

Specifically, States will be asked to establish family planning programs, provide employment counseling, testing, and training. It will bring child neglect cases to the attention of the courts and take steps to more effectively enforce child support laws, especially in regard to deserting fathers. The new bill also makes it mandatory for those on welfare rolls to participate in community work and training programs or lose their assistance. Aid to children of unemployed fathers will also be suspended if the father refuses to participate in job training programs.

The legislation recommended by the House Ways and Means Committee takes important and meaningful steps toward helping those on welfare rolls become economically self-sufficient members of society. The bill will encourage the States to accelerate their efforts in this area.

The emphasis on job training is most desirable. It is my hope that the legislation will be just the first step in what eventually will be a complete revamping of present public assistance programs.

There is no doubt that the increase in social security benefits provided in the bill before the House is needed because inflation has cut the retirement income of our retired citizens. The action to raise the social security payments is needed, but not enough. To adequately protect retirement income a sound and sane fiscal policy is needed. Inflation must be stopped. Then, and only then, will our retired citizens be sufficiently protected.

Mr. UTT. Mr. Chairman, I yield to the gentleman from Wisconsin [Mr. SCHADEBERG].

(Mr. SCHADEBERG asked and was given permission to revise and extend his remarks.)

Mr. SCHADEBERG. Mr. Chairman, I am pleased to join my colleagues today in supporting this long-overdue increase in social security benefits. It is not a credit to our society that our senior citizens are the forgotten group. These are the men and women who have made the sacrifices, taken the risks, and laid the groundwork for our affluent world of today. They now find themselves the victims of the system which they created. As living costs have soared, their retirement incomes have remained static. Dollars can be stretched only so far, and yet expenses continue to mount.

No tax bill can satisfy all the Members of this House nor will it meet all of the requirements which each of us feels must be in such a bill. The bill before us is, by and large, a good bill. It will provide a 12½-percent general increase in benefits and broadens the base of coverage for our older and disabled citizens. Yet, I am dismayed that it does not contain more of the recommendations which I had offered as legislative measures in this Congress. The rising cost of living demands a substantial increase in social security benefits but I am sorry that this bill makes no provision for an automatic cost-of-living increase in these benefits as called for in my bill, H.R. 8997. We are voting today to liberalize the limitations on earned income of social security beneficiaries. I, however, would prefer to see the limitation removed entirely, and I introduced legislation to this effect earlier this year. As I stated at the time, the Government should not limit the standard of living of any citizen nor should it stifle anyone's incentive to work.

Also directed to assisting the older citizen was legislation which I sponsored to remove all limitations on the amount of medical expenses which may be deducted in computing Federal income tax. Persons over 65 had the privilege of such a deduction until recently and I feel very strongly that they should have it again. Although the bill before us today carries no provision for revising the income tax structure, let us hope for early action on such a measure and on the suggestions which I have made earlier.

I take issue, also, with the unfair burden which this legislation places upon the wage earner who will be required to contribute a larger portion of his earnings to the social security system, not only through the increased rate but by reason of the raising of the base upon which contributions are paid. Furthermore, a number of the bill's provisions are directed to groups of our citizens who make no contributions to the social security trust fund from which they receive benefits. Their need is real, without question. Such benefits as they receive, however, should come from general revenue funds rather than from the social security trust fund. The integrity of this fund must not be compromised.

I look forward to further study on this point as well as on the inclusion of other health services within the benefits provided through the medicare program.

(Mr. UTT asked and was given permission to revise and extend his remarks.)

Mr. UTT. Mr. Chairman, my purpose in taking the floor at the conclusion of this debate is for the purpose of explaining my reasons for offering a motion to recommit. However, before doing that I would like to pay my respects, my regards, and offer my compliments to the chairman of the committee, for whom I have high affection and a deep regard for his ability in this field of taxation. I want to pay my special respects to the gentlewoman from Michigan, Mrs. MARTHA GRIFFITHS, who fought day in and day out for the recognition of the woman worker and made some impression at least on the Department of Health, Education, and Welfare. I am sure she will conclude that battle next year, as we have other amendments offered and adopted.

Let me say that I attended 90 percent of the hearings and executive sessions and took an active part in and supported the amendments put into the bill. They graciously accepted three or four of my own amendments which had been introduced as bills to correct some of the inequities in social security.

I appreciate the remarks of Speaker MCCORMACK when he said it was a truly bipartisan effort to whip out a good social security bill. I am in support of about 207 pages out of 208 pages in the bill. You may say "What are you nit-picking about with regard to one page in the bill?" I nit-pick on that, if you call it that, because I think it is wrong in principle, I think it is wrong in fact, and I think it is wrong in theory. You might call it nit-picking, but I do not, for the simple reason that if I have here about 5 ounces of clear water which I would like to drink of, and if somebody puts in one-half an ounce of arsenic, I am not going to drink it. I think in this bill there is one-half ounce of arsenic which we will live to regret in the future. This is found on page 29 at the point where we raise the base for taxation by $1,000. That converts this bill into a gross income tax on a graduated basis.

Now, in America there are only 25 percent of the workers who will pay on this higher base. They are contributing $1.4 billion, half of which will go to those people on social security who do not contribute anything in that bracket of from $6,600 to $7,600. Therefore, again we convert the bill to a social welfare bill, taking from those in the middle- and upper-income brackets who earn this greater amount of money and not returning it to them in replacement of wages but assigning it to the people in the lower wage scales. That is a matter which to me is a welfare matter and should be spread over the entire country, coming from all the taxpayers and should be contributed from the general fund and not contributed by that little select group of workers who happen to be earning $7,600 a year.

Thereafter in the future it is proposed that this base should be raised even as high as $10,000. If we do that we come to the point where less than 10 percent of the 88 million people who work and are self-employed will be contributing on that higher base and yet they will not be receiving the benefits of their own contributions. The bill then has lost its original concept of a relationship between wages and benefits. It turns social security into a social welfare bill.

I would like to be able to support the other 99 percent of this bill, because I think it is proper and good, and there was good cooperation in working up a good bill.

Mr. BURTON of California. Mr. Chairman, will the gentleman yield?

Mr. UTT. I will be glad to yield to the gentleman from California.

Mr. BURTON of California. Does the gentleman concur in the estimate that under title XIX alone the State of California will lose money in terms of Federal contributions on existing medical care programs in the scope of $100 million to $150 million each year up to some $250 million and bordering on $300 million in fiscal year 1972?

Mr. UTT. Yes; I agree with the gentleman from California [Mr. BURTON] to the effect that the differential will run up as high as $300 million. But I must say that if there were not placed in this bill this limitation on title XIX, insofar as the State of California is concerned, and insofar as some of the other States are concerned, we would be facing a $4 billion or $5 billion increase in the social security tax.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. BURTON of California. Mr. Chairman, will the gentleman yield further?

Mr. UTT. Yes, I yield further to the gentleman from California.

Mr. BURTON of California. Would the gentleman, a member of the committee, agree that, if the Congress is going to limit—despite the higher cost of living—the level of benefits to Californians, it might be in order to have some limitation upon how much money they expect to get into the Federal Treasury from the taxpayers of California?

Would the gentleman not say that, if it is fair to limit what a given State receives from the Federal Government, it is only fair to limit what the Federal Government takes from that State?

Mr. UTT. The only way to get to that is to reduce the Federal income tax, a move which I have supported. But it is true that the State of California pays about 10 percent of the total tax in the United States, while it does not receive back an equal apportionment. But that has not been changed in this legislation.

Therefore, Mr. Chairman, I conclude my remarks while saying to the Members of the Committee that I support 99 percent of this bill, this one page of the bill and the provisions contained therein provide that the expense thereof will be borne by less than 25 percent of the 88 million workers, including the self-employed; that the benefits are going to those who are not contributing. I think it is wrong in theory, wrong in principle, and wrong in practice.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. STRATTON].

(Mr. STRATTON asked and was given permission to revise and extend his remarks.)

Mr. STRATTON. Mr. Chairman, I rise in support of this legislation. I think the committee has done an outstanding job in reporting back a bill that will increase the benefits within the social security program. And I want to say at the outset that I support the legislation wholeheartedly.

However, as a Representative from New York, I do want to comment particularly upon what the committee has done with respect to title XIX, the medicaid provision, the provision already referred to by the two distinguished gentlemen from California, with respect to my own State. I take this time because I have had occasion to speak frequently in the past on this subject to various members of the committee and to the distinguished chairman of the committee, and to testify before the committee as to the urgent need for Congress to place some reasonable financial limitation upon what the individual States can do in implementing title XIX, because ultimately, the costs of these programs must be borne by the Federal taxpayers.

Mr. Chairman, I want to commend the committee and to commend the distinguished chairman of the committee for the recommendations which they have made in section 2, title II of this bill beginning on page 143. The problem of dealing with legislation of this kind was a very difficult one, as I well realize, and it is my opinion that they have handled the job most skillfully indeed.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. STRATTON. I shall be happy to yield to the distinguished chairman of the committee.

Mr. MILLS. Mr. Chairman, I want to commend the gentleman and to thank the gentleman for the many, many conversations that he took the time to speak with me on this problem, and in bringing my attention to it and in giving me information in depth about the operation of it and for his insisting that something should be done.

I appreciate the gentleman's statement that he thinks the committee has accomplished some good results in this regard.

Mr. STRATTON. I thank the gentleman for his generous comments.

Mr. MCCARTHY. Mr. Chairman, will the gentleman yield?

Mr. STRATTON. I yield to the gentleman.

Mr. MCCARTHY. I want to point out that the medicaid program did create a veritable storm, especially in upstate New York. I think that some of the recriminations that we have heard here today about who the culprit in this piece is, have been unduly directed and laid at the doorstep of Washington.

I think it is clear to anyone who has studied this as we have, that Governor Rockefeller went far beyond the intent of the Congress. I would point out that it was never intended to go that far. Now, if at a later date, Congress decides to enlarge title XIX, that is something else. But it is simply a fact that in 1965 Con-

gress did not intend a medicaid program of the scope enacted by New York State.

Mr. STRATTON. Mr. Chairman, I thank the gentleman for his contribution, and I am sorry that I cannot yield to him further because my time is limited.

I certainly agree with what the gentleman has said. I am a New Yorker, too, and naturally I want to see my State get as much of the available Federal benefits as it is properly entitled to. But the way in which New York State implemented title XIX, the medicaid law, that we passed in 1965 did indeed go, as the distinguished gentleman from New York [Mr. MCCARTHY] has just said, far beyond what this Congress ever intended to do. As a matter of fact, it became clear that if this New York type of title XIX implementation were allowed to stand and if it were then to be adopted by the 49 other States in the Union, it would impose an intolerable financial burden, not only on the taxpayers of our own State, but also on the Federal taxpayers as well.

Let me just recite some of the things that the New York implementation of title XIX did:

It made medicaid available to 40 percent of the population of the State, and in some areas as high as 79 percent of the population.

It made a family of four with an income of $6,000 after taxes or $7,500 before taxes, eligible for free medical assistance. And for families with more children that figure could go as high as $9,500.

It precipitated a movement toward rescinding existing labor-management contracts under which employees were getting medical insurance as a fringe benefit, because now they could get it free from the State under medicaid.

It even undermined the great medicare program itself, which I have always solidly supported, because people were encouraged, even by the city health commissioner in New York City, not to buy into the $3 a month medical insurance program under medicare, because they could get it free under medicaid.

Finally, it created the incredible situation where the estimated costs of the New York State program were twice the amount that had been estimated to cost the Federal Government for programs in all 50 States.

Obviously, such an anomalous situation could not be permitted to continue. And the formula which the committee has devised in this bill does, I believe, put safe and sane financial limitations on title 19, on the medicaid program. It brings this legislation into line with our original intentions. None of the basic purposes of title 19, which the gentleman from Arkansas [Mr. MILLS] helped to devise, have been harmed or injured in any way.

But in addition to that, by passing this bill we are going to save the taxpayers some $500 million a year in excessive medicaid costs—and with a $29 billion deficit, gentleman, "that ain't hay."

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Illinois [Mr. O'HARA].

Mr. O'HARA of Illinois. Mr. Chairman, I have such a deep respect for the scholarship and the mastery in debate of the members of the Committee on Ways and Means that I would not be emboldened to participate in this debate except to the extent only of making some philosophical observations.

Recently I have read in the newspapers that a colleague of mine, possessed of profound wisdom and not loath to share it with an admiring world, had declared in a thundering voice that the Constitution should be changed and that no Member of the Congress should be seated if 65 years old or over. Well, I was 67 years old when I came here 18 years ago. So when I read these things—well, they stir up something. Amusement mostly I would say, and perhaps a bit of leveling tolerance.

During this debate, and it has been a long and brilliant debate, I have looked around, and most of the time I have seen on this floor three Members of the House who are past 80 years old. During some of the time I have seen four Members of this House who are past 80 years, listening to this debate. The debate has to do with the welfare of old people, and naturally these Members who are over 80 have a deep and abiding interest.

Then I have looked around and I have gone out and looked in the corridors and even under the tables and I even looked up into the rafters, and I could not see any young and coming man of destiny who had called upon the gods and the would-be rewriters of the Constitution to close the doors of Congress to anyone 65 or over. Where, oh, where, does one hide when there is legislation on the floor to bring a little greater richness into the lives of the aged?

Well, Mr. Chairman, I have been told that the number of old people in the United States is equal to the combined population of 20 States of the Union. I have been told, too, that the life expectancy of a baby born in 1967 is 70 years. I have been told, also, that Benjamin Franklin was an outstanding member of the Constitutional Convention when he was past 80, and that in every Congress of the United States there have been members of leadership who were past 80. My own State of Illinois was brilliantly represented in the Senate by Senator Cullom when past 80, and in the House by Speaker Joe Cannon when close to 90, and by Adolph Sabath and Thomas O'Brien when well past 80. Sabath and O'Brien were of the alltime greats of the House.

Mr. Chairman, this is a good bill. It will benefit 23 million men, women, and children, and most of the men and women are old men and women. Maybe it does not go as far as I would go, but I know full well that in my arithmetic book there have never been any tables of multiplication, addition and subtraction, only charts of the heart. I know you cannot have fiscal responsibility and follow that kind of arithmetic. But this is a good bill. It will bring some measure of happiness to 23 million American people, most of them old people. And I call that a good bill. It is a bill of the heart, and it is fiscally sound.

I commend the members of the Ways and Means Committee for agreeing on this bill. Compromise by earnest and sincere people produces the best in legislation. I would call this a day of happiness, when we have reflected in this historic Chamber congressional functioning in its finest expression. The bill before us is cosponsored by the chairman of the great Ways and Means Committee and by the ranking minority member of that great committee. It is a bill that has the backing of the Democrats and the Republicans, and it is a bill of the heart. I am happy to support it.

But when I leave this Chamber tonight, I am going to read the newspapers in the dim hope that somehow, somewhere I can discover a trace or anything in the nature of a clue as to the hiding out place of the critics of older Congressmen when under discussion was a bill to do something for the old people, to do a little something for unhappy people, for needy people, for the aging and the aged. Where today when this debate was on, and those past 80 were here, were those who had shouted to the winds "No Member of Congress should be over 65"? Where were they? I wonder where. Are they out chasing the angels or the butterflies? I do not know.

Mr. Chairman, I am extending my remarks to include the following telegrams:

CHICAGO, ILL.,
August 15, 1967.

BARRATT O'HARA,
U.S. House of Representatives,
Washington, D.C.:

We are wiring to ask for your support for amendments to the social security bill H.R. 12080 as an official of a union with a large membership in the Chicago area. I feel that you as one of our Representatives should be aware of our thoughts on this important matter.

EDWARD J. O'BRIEN,
Recording Secretary, Gas Workers Union, Local 18007.

CHICAGO, ILL.,
August 15, 1967.

Hon. BARRATT O'HARA,
House of Representatives,
Washington, D.C.:

The 65,000 members of Building Service Employees International Union in Illinois urge your support of H.R. 12080 social security amendment bill of 1967. The 12½ percent increase in benefits is vitally needed. Would appreciate reply.

EUGENE R. MOATS,
Midwest Director, BSEIU.

CHICAGO, ILL.,
August 16, 1967.

Congresman BARRATT O'HARA,
House Office Building,
Washington, D.C.:

We urge your favorable consideration of House bill H.R. 2–12080 which is of such prime importance to working men and women of your district. Thanking you for your previous courtesies.

Sincerely,

FRANKLIN P. SMITH,
Secretary-Treasurer, Building Service Union, Local 189.

CHICAGO, ILL.,
August 15, 1967.

BARRATT O'HARA,
House Office Building,
Washington, D.C.:

The members of Local 321 BSEIU are interested in seeing social security amendment bill H.R. 12080 of 1967 passed. We urge you

to support in passing said bill. Reply to telegram requested.

DAVID C. SULLIVAN,
Secretary and Treasurer of Local 321.

CHICAGO, ILL.,
August 15, 1967.

HON. BARRATT O'HARA,
House of Representatives,
Washington, D.C.:

As the representatives of four thousand workers in Chicago area hotels, motels, and nursing homes who urgently need the benefits of adequate social security, we urge you to support H.R. 12080 and to persuade others to support it.

LOCAL 4, BUILDING SERVICE EMPLOYEES INTERNATIONAL UNION (AFL–CIO),
ROBERT JOHANSEN, *President.*

CHICAGO, ILL.,
August 15, 1967.

Representative BARRATT O'HARA,
House Office Building,
Washington, D.C.:

On behalf of over 10,000 members of Building Service Municipal Employees Union Local Number 46, B.S.E.I.U. AFL–CIO 318 West Randolph Street, Chicago, Illinois, we urge your support in approving the social security amendments bill of 1967, H.R. 12080. Please notify me as soon as possible as to your decision.

JOHN J. MASSE,
President.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. BURTON].

(Mr. BURTON of California asked and was given permission to revise and extend his remarks.)

Mr. BURTON of California. Mr. Chairman, I am certain that no one in the Chamber will assume that the remarks and observations I have to make will in any way reflect anything but the highest esteem and affection for the diligence and energy of the chairman and various members of the Ways and Means Committee.

The fact of the matter is that in this legislation there is not a single dime for the 7 million poorest people in America—not one dime. I assume when I finish, if my figures are challenged, we will see whether I am right or whether someone else is right in that respect. There is not one quarter given in raising the aged and disabled, the blind, or those on aid to families for dependent children in this bill. There is some marginal improvement in permitted earnings for children in this bill, unless you are currently working in a poverty program, and in that instance your permitted earnings are decreased. They are decreased from the current level of $85 permitted a month and half the amount thereafter—down to $30 a month, to one-third of the next $60.

There is another problem the bill poses, and I hope the chairman of the full committee will help clarify the record in this respect. This bill requires that an adult in virtually all circumstances be required as a condition of aid to accept work. There is no limitation whether that assigned work be as a strikebreaker or not. There is no statement as to the minimum wage, and there has been some speculation the work credit wage will be the learner's rate of 75 cents an hour. There is no provision for unemployment insurance of social security credits for these people once they are put to work. I do not think any of us have to conjure for very long to see how a man, in order to receive AFDC must work—or lose public assistance for himself—at 75 cents an hour and he can even be sent into a strikebreaking situation. This is hardly the kind of national policy some of us want to see adopted.

A third weakness in this bill, which was a weakness a year ago, and which is a weakness today, is that the poorest of all those receiving the veterans' pension, those veterans receiving $100 or so a month, are completely disqualified from the transitionally insured program for the 72-year-olds and over. This was an oversight when this was taken up in conference last year, and it is an oversight in this bill. I hope we will see the poorest of the veterans—or their widows—who receive veterans' pensions, are given equivalent rights with their peers, who have outside income but receive veterans' pensions of $23 or $35 a month, because they have that small outside income. Right now, we are stuck with the ludicrous position that if a veteran (or his widow) receives $125 outside income a month, we can get the supplemental benefits for the transitionally insured. But if he has no income at all, and is not insured under social security, he cannot receive any transitionally insured benefits.

Fourth. I think the Republicans are right. We should have had a cost-of-living provision in this bill. I regret it is not in this bill.

It should be funded out of general funds. I hope the Senate does something about that.

Let me get to another matter. The proproposed title XIX amendments, contrary to that which has been said on this floor, are absolutely antagonistic to the legislative history and the thrust of the Kerr-Mills Act. They are absolutely contrary to the original title XIX legislative intent. The intent of title XIX and the Kerr-Mills Act was to provide the medically indigent an equivalent degree of medical care provided public assistance recipients under PAMC—some means by which they could receive medical care benefits. The medically indigent by definition were those whose income did not permit them to qualify for a public assistance grant, but whose income was so limited they would not be able to meet medical costs in addition to minimum non-medical expenses.

What position are we in with this bill? It is going to reduce Federal contributions under title XIX to California—in the next few years—by $200 to $300 million per year.

What else will it do? If one is on old-age assistance in the State of California, the average income is about $150 a month. For a married couple it can be $300 a month, if they are on old-age welfare. What if one is too proud to take welfare and the combined social security benefits between the husband and wife are a lesser amount than that which they would receive on welfare?

Under the proposed title XIX income limitation we have people drawing old-age security benefits—whose income is less than someone drawing old-age assistance, and they will be precluded—under the clear language of this bill—from getting equivalent medical care that is received by their better-off counterparts on OAA. I do not think that is a thoughtful legislative product.

My colleagues, I have made a number of statements. It can be demonstrated, if someone chooses to take issue with them, whether I have misstated the case or not. I have a few minutes of my time left, which I will not yield back. However, I invite anyone to take issue with those statements.

In the absence of being questioned, I assume—in the record—they will have to remain unchallenged.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. BURTON of California. I yield to the chairman, the gentleman from Arkansas.

Mr. MILLS. Mr. Chairman, if the gentleman will read the report, he will find some parts of his fears are laid to rest. On page 105 there is specific reference to the minimum wage laws and things of that sort to which the gentleman referred.

It is true with regard to title XIX, as the gentleman stated, the State of California would be affected in that the Federal Government would not participate to the extent that the State desires it to participate in helping these people in that State.

The gentleman is correct in that.

Mr. BURTON of California. Am I not correct that the minimum wage standard is not $1.25 and not $1.40, but may be $1, or perhaps the learner's rate of 75 cents an hour?

Mr. MILLS. It could be a learner's rate, yes.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. BURTON of California. I yield to the gentleman from Missouri.

Mr. CURTIS. This is a subject which the chairman knows I was very much concerned about, and from the other angle, in order to get these people back into the labor market, as to whether or not they would be impinging on the minimum wage. The Assistant Secretary for Health, Education, and Welfare, Mr. Cohen, reported back to the committee that he had worked closely with the Labor Department in respect to how this geared in with the minimum wage. This is the occasion for the remarks in the committee report.

I believe it is accurate to say that apparently the Secretary of Labor feels this is geared properly.

Mr. BURTON of California. In other words, I stated the fact right—it may be 75 cents an hour.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. Chairman, will the gentleman yield?

Mr. BURTON of California. I yield to the gentleman from Arkansas.

Mr. MILLS. It hurts me to note that the gentleman finds so much wrong with this bill that apparently he cannot support it.

Mr. BURTON of California. The gentleman from Arkansas is stating the dilemma confronting the gentleman from California. As the gentleman knows, under the closed rule, we cannot amend this bill on the floor.

I might say in all candor that though this bill will help the near needy, this bill will not in any manner, shape or form help the poorest—underscore the poorest—in the land. It will, however, be of modest help to the near poor.

I am confronted with the fact, number one, that we cannot make amendments to the bill; and, number two, does one punish someone in need, knowing the neediest of the land is without assistance?

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. BURTON of California. I yield to the gentleman from Arkansas.

Mr. MILLS. About a million people draw public assistance because they are 65 years of age or older who also draw social security.

Mr. BURTON of California. That is correct.

Mr. MILLS. To the extent that the States will allow it, they may pass some of this through without reducing their welfare payments. We do not control that.

Mr. BURTON of California. May I interrupt at that point? The gentleman is absolutely correct. The States can pass on up to $5 of the social security increase if they will.

I submit that there are not 5 percent of the aged in the land who live in the States which require or permit this to be passed on. I submit that the States are going to lower the old-age public assistance dollar for dollar, for every increase in the social security bill.

I would ask the chairman of the committee, is my figure right or wrong that less than 5 percent of the concurrent recipients of old-age assistance and social security live in States which require the passing on of social security increases?

Mr. MILLS. There is not any requirement anywhere, that the States must pass on social security benefit increases.

Mr. BURTON of California. Then they all live in States where it is not required. Therefore, they will get nothing from the bill.

Mr. MILLS. So far as Federal law is concerned, we do not require it and have never required it. We allow the States to do it.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. BURTON of California. I yield to the gentleman from Missouri.

Mr. CURTIS. I believe the gentleman is misconceiving the theory of this program. The States set what they believe to be the need of these people. If they do not gain from their own resources or from social security this income, then they match additional amounts. In theory, if there is an increase in social security and they do not increase the amount they set as the need, it does not pass on. The States can pass it on.

The CHAIRMAN. The time of the gentleman from California has again expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman an additional minute.

Mr. BURTON of California. I am not so sure I disagree with the notion that the States should be entitled to set the standards. I would note that while this setting of standards for grant programs is said to be all right, we will not permit the States any longer, if this bill becomes law, to set standards in the medicaid area.

Mr. MILLS. Mr. Chairman, I yield myself 2 minutes.

I know the gentleman from California, the gentleman from the State of New York, and from some other States who have spoken, regret very much the fact that the committee has seen fit to put some limitations on the operation of title XIX.

Title XIX, Mr. Chairman, was not developed within the administration. Title XIX was developed within the Ways and Means Committee in the year 1964. It was then taken in 1965 in total as a part of the administration program which became the Social Security Amendments of 1965.

As one member of the Committee on Ways and Means, I want it clearly understood that had I had any thought in my mind that any State would set an income test for a man, his wife, and two children at $6,000 after the payment of income taxes, bus fare, insurance, and so forth, I would never have voted to allow that provision to come out of the committee. I would never have been interested in the first place in developing it within the committee.

I will say here on the floor what I have said in executive session in the committee; namely, I thought it was incumbent on the Secretary of Health, Education, and Welfare at the time to turn down such a plan on the ground that it did not comply with the intention of the Congress with respect to the establishment of a reasonable needs test. That is what we said. It is only because of what we walked into with this program that the committee has seen fit to put limits on it. For about the year 1972, without any changes in the law, when it has to be fully implemented by all of the States and jurisdiction, the Federal cost of this program would amount to in excess of $3 billion. I do not think it is fair to tax people through the general funds of the Treasury to pay for the medical costs of those who undoubtedly have the means to buy insurance and to defray their own medical costs. Under this bill everybody who is in need of medical attention is going to get it. They are going to be required to institute these programs by 1970 in all of the States.

Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. RYAN].

(Mr. RYAN asked and was given permission to revise and extend his remarks.)

Mr. RYAN. Mr. Chairman, as I did yesterday, when I voted against the previous question in an effort to defeat the closed rule so that the bill would be open to amendment, I rise to express my concern about several aspects of this bill.

One is the restrictive medicaid formula, a formula which will result in a penalty to the large States of New York and California. The effect will be to cost New York City and the State in the next calendar year $40 million in the loss of Federal funds for the New York City medicaid program.

In 1965 there was a major breakthrough in the Congress. With the passage of medicare and title XIX. New York State already had a medical assistance program which was expected to reach an eligibility level of $5,700 without title XIX. So there is only a $300 difference, with the $6,000 for a family of four that was set for medicaid. Under this bill eligibility will be reduced to some $5,292. The intent, certainly of this Member of Congress, in voting for title XIX, was to reach those who were medically indigent. Unfortunately, this is a step backward.

The other formula, which I spoke of yesterday, and which again will cost the city of New York a great deal of money, is the AFDC formula. By imposing a ceiling on AFDC families, not only will needy children be deprived of necessary services, but the New York City program will lose $60 million in the next calendar year, 1968, in Federal funds, of which $30 million will be supplied by the city and $30 million will be supplied by the State.

These two formulas for medicaid and AFDC will result in a loss to New York City programs of $100 million, at least, in the next calendar year. I do not have the figures for the loss to the part of the State outside of the city.

The effect is to penalize the children.

It has been argued earlier today that some of the features of this bill, such as the work training program, the education program, and the incentive through earnings program, will reduce the number, or should reduce, the number of children on AFDC so that the loss of which I have spoken will not occur. If that is true, if the theory of the bill will work, then I do not understand why the freeze is imposed. I believe that the program is unworkable and coercive. The "work" feature is mandatory for mothers, regardless of the health of the children or their age. I doubt that this can be forced.

I think the separation of families results in a great deal of cruelty.

Mr. Chairman, there is another feature of this bill which again has a restrictive effect, and that is the unemployed fathers feature. In order to be eligible under this section, it is necessary that the father have worked at least 6 out of the preceding 13 calendar quarters or have received unemployment compensation. And, the clear fact is that in many areas, and certainly in New York City and in New York State, a great many of those fathers are not and have not been employed for a substantial period of time. Therefore, they are not drawing unemployment compensation.

I suggest that despite the improvements which are contained in this bill, there are certain features which simply will not work, features which are coercive, and which will cost the city of New York a great deal of money.

Mr. Chairman, we have to recognize that urban problems are essentially

problems related to minority groups, and that all of the major cities are receiving into their midst people from other parts of the country who come to New York, Los Angeles, and Chicago, and other cities, under conditions over which those cities have no control. This in-migration into the cities—will increase and not decrease in the coming years. This will also result in an increased cost to these particular localities. I take strenuous exception to these formulas which impose ceiling and represent an increase in additional costs to our cities.

I have briefly noted several restrictive elements of H.R. 12080.

I will now elaborate on the details of my reservations about the bill.

Mr. Chairman, notwithstanding a number of improvements of the existing Social Security Act proposed in H.R. 12080, many of the proposed revisions do not, in my opinion, go far enough. Moreover, the bill as reported by the House Committee on Ways and Means contains certain provisions clearly inconsistent with the philosophy embodied in our present laws.

The proposed provisions do not go far enough in several respects.

In his state of the Union message, this year, President Johnson recommended a 20-percent overall increase in social security payments. This would have increased by 15 percent the payments now received by 23 million Americans. He also recommended an increase in the minimum monthly payment from $44 to $70, an increase of 59 percent; as well as a guaranteed minimum benefit of $100 per month for those with a total of 25 years coverage.

The bill before us provides an increase of only 12½ percent. The minimum benefit is raised a mere $6, from $44 to $50 per month, for retired workers now on the rolls who began to draw benefits at age 65 or later. This raise is less than 14 percent. The President recommended 59 percent

The bill increases by a paltry $5 the special benefit paid to certain uninsured individuals over 72 years old. Such a person would receive the "magnanimous" payment of $40 per month. A couple would receive $60 per month. Such "generosity" in the world's richest nation is indeed overwhelming.

Unquestionably, section 104 of the bill amending section 202 of the act (42 U.S.C. 402) so as to provide benefits for disabled widows and disabled dependent widowers who are not old enough to qualify for benefits, now provided for aged widows and dependent widowers, is a step in the right direction.

Despite this amendment—including persons heretofore not eligible for benefits under the act—the strictness of the proposed test of "disability" is such that the gains made by section 104 of the bill may well prove illusory. The test proposed in section 156(b) of the bill, adding subsection (d)(2)(B) to section 233 of the act (42 U.S.C. 433) provides a more rigorous test for the newly included disabled widows and widowers than that required for other disabled beneficiaries. The former group must be physically or mentally impaired such as to preclude them from "engaging in any gainful activity," while the impairment for the latter group—persons eligible for disability payments other than widows and widowers between 50 and 60 years old—need only be such as to preclude one from engaging "in any other kind of substantial gainful work."

Athough this more rigorous test of disability applies only to widows and widowers between the ages of 50 and 60 years old, section 104(c)(4) of the bill adding (C) and (D) to section 202(q)(1) of the act, and section 404(c)(11) and (12) of the bill, amending section 202(q)(6) and (7), respectively of the act, would impose an additional reduction in benefits received by beneficiary widows and dependent widowers who are over as well as under retirement age. Moreover, this new reduction applies to widows who under the present law would receive payments prior to the age of 62 years old, as well as to widows and widowers who received disability payments if 50 years or older.

In my opinion, payments permitted under the proposed law, not to speak of the existing law, are such that these added reductions of forty-three one-hundred-and-ninety-eighths of 1 percent of the benefit multiplied by a specified number of months is completely unwarranted.

There is an obvious need to expand the law to include categories of dependents who would become eligible for benefit payments if those upon whom they are dependent become disabled or die.

The bill before us does not provide for benefits for a parent, dependent upon a worker who becomes disabled or retires and who himself is eligible for benefits. The present law under section 202(h)(1) (42 U.S.C. 402(h)(1)) precludes payments to a parent dependent upon a disabled or retired worker. Only if the fully insured offspring dies, will the dependent parent become eligible for payments. My bill, H.R. 1237, introduced earlier this session, would provide payments were the offspring to become disabled or retired.

Except for broadening the category of widows and dependent widowers who become eligible for benefits because of their own disability, the bill before us fails to include new categories of dependents.

The provisions of H.R. 1238, which I introduced this session, would expand the category of dependents now eligible to receive benefits if the person, upon whom they depend, is entitled to old-age or disability insurance benefits or if that insured person should die. This category would include, among others, a grandson, granddaughter, brother or sister if they were under 18 years of age or were 62 years old or older.

The time is long overdue to provide benefits for dependents not heretofore covered by the law.

The present law is carried over from a period which did not provide disability benefits. The law should be amended so as to reflect the fact that primary beneficiaries now receive payments for disability and, therefore, their dependents, defined by reasonable criteria, should likewise receive benefits. As modern medicine helps increase one's lifespan, the number of direct beneficiaries upon whom their parents depend will increase.

The increase in the amount from $1,500 to $1,680 per annum that a beneficiary is permitted to earn before partial withholding of benefits, as provided in section 107 of the bill, amending section 203 (f) and (h) of the act (42 U.S.C. 403 (f) and (h)) is entirely too small. This represents an increase of a mere $15 per month compared to my bill, H.R. 1238, which provided for an increase of $175 per month.

Nor does the committee bill provide coverage for a large number of Federal employees as would be provided under my bill, H.R. 1240. There exists no good reason for treating public employees differently than those in the private sector. Social security should be provided as a basic plan in both the private and public sectors for all employees. Employer plans can offer supplementary protection.

The present bill, in fact, takes a step backwards in this respect. Section 116(b)(2)(c) of the bill, adding (E) to section 218(c)(6) of the act (42 U.S.C. 418(C)(6)), precludes the inclusion of certain temporary State employees who, under the present law, could, at the option of the State, be included under voluntary insurance plans—section 218(c) of the act.

The committee did not provide for the deduction from earnings in excess of the proposed $1,680—section 203 (f) and (h) of the act as amended by section 107 of the bill—of uninsured medical expenses as proposed in my bill, H.R. 1241. Such expenses, which are deductible for purposes of the Federal income tax laws, should likewise be deductable under social security provisions which reduce a receipient's benefits if earnings exceed the specified level.

Nor does the committee's bill eliminate the residence requirements in the present cash assistance programs. My bill, H.R. 1239, provided for the elimination of such requirement, found in following sections of that act: 402(b), (42 U.S.C. 602(b)); 1002(b)(1) (42 U.S.C. 1202(b)(1)); 1402(b)(1) (42 U.S.C. 1352(b)(1)); 1662(b)(2) (42 U.S.C. 1382(b)(2)). To elimnate such requirements would conform with the policies embodied in title 19 of the act. The same considerations which caused the Congress to preclude residency requirements for the purposes of title 19, apply as well to the assistance programs. One who needs money to meet the minimum requirements of life needs it regardless of the length of time spent at a particular address.

I am greatly concerned about the new test for general disability proposed by section 156(b) of the bill which would add subsection (d) to section 233 of the act. As I have pointed out, this proposed amendment imposes an unnecessarily strict standard for determining disability of widows and dependent widowers. Although in one sense the general test of disability for the nonwidow-widower disabled is less exacting, it imposes a barrier much greater than found in the present law. Section 223(c)(2) (42 U.S.C. 423(c)(2)).

Under the present law, one is disabled if one is unable "to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months."

Under the present bill, before one is considered desirable not only must he meet the foregoing requirement; it must also be shown that one cannot in the light of his condition, engage in any "kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work."

In its report filed with the bill, House Report No. 544, at pages 28–31 the committee, citing the rising proportion of disability claimants, stated that it "has become concerned with the way that—present—definition has been interpreted by the courts—and therefore includes in its bill more precise guidelines."

The report noted that a court, in interpretating the existing statute, said:

The standard which emerges . . . is a practical one: whether there is a reasonably firm basis for thinking that this particular claimant can obtain a job within a reasonably circumscribed labor market.

In annulling this seemingly reasonable interpretation, the bill provides that one cannot be considered disabled, in the words of the report, "regardless of whether or not such work exists in the general area in which he lives or whether he would be hired to do such work." Such factors of "whether he would or would not actually be hired—because the employer prefers one without some handicap—may not be used as a basis for finding an individual to be disabled."

This is harsh indeed. That there exists a job 3,000 miles from his present home which he might fill, apparently is enough to preclude a finding of disability. I agree with the committee, as stated in its report, about the desirability of establishing national standards in the area of social insurance and welfare. But in what way does defining disability in terms of a reasonable geographic limit beyond which one would not be required to look for employment militate against setting national standards?

Most of us find it difficult to leave surroundings with which we are familiar, to leave friends for strange environs; it is that much more difficult for one suffering from a physical or mental handicap.

Moreover it is unclear upon whom the burden of proof is placed; nor does the committee's report, citing a summary by the Social Security Administration to the effect that there is "an increasing tendency to put the burden of proof on the Government to identify jobs for which the individual might have a reasonable opportunity to be hired, rather than ascertaining whether jobs exist in the economy which he can do," indicate to what extent the claimant must show the nonexistence of employment.

Even were he to prove this, under the new standard he cannot claim disability if there exists substantial gainful work which he could perform, but for which his application is denied, because employers would "prefer to avoid what they view as a risk having a person having an impairment even though the impairment is not such as to render the person incapable of doing the job available."

Strange indeed is this concept of disability.

In addition under the bill "a physical or mental impairment is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques."

If one is left in doubt as to the meaning of this provision, the report adds further confusion in stating:

Statements of the applicant or conclusions by *others* with respect to the nature or extent of impairment or disability do not establish the existence of disability unless they are supported by clinical or laboratory findings or *other medically acceptable evidence confirming such statements or conclusions.*" (Italic added.)

Are conclusions of doctors unacceptable under the bill unless substantiated by "medically acceptable clinical and laboratory diagnostic techniques?" But what then is the meaning of the report's language:

. . . supported by clinical or laboratory findings or other medically acceptable evidence confirming such statements or conclusions.

Does this import a different standard, less strict, than the one apparently requested by the bill?

As strict as are the new provisions proposed for section 223(d) (2) and (3), the language of (4) implies that the Secretary may establish even stricter criteria. The force of the language in proposed (4) of section 223(d) of the act, in fact, reads as mandating the Secretary to prescribe such criteria. Nor are any guidelines provided limiting the Secretary in this respect.

This revision of the disability test may have the effect of precluding benefits from many who are unable to provide for themselves. It is, indeed, ironic that, as the gross national product and our ability to provide more benefits to those heretofore inadequately assisted increases, more obstacles are put into the legislation.

The restrictive measure proposed by section 160(a)(1) of the bill amending section 212(t)(1) of the act concerning suspension of benefits to aliens in effect reduces the time an alien may remain outside of the United States from 6 to 5 months. Not only is the amendment petty, the Committee report provides no justification for the reduction. Moreover, the original provision, not to mention the amendment, offends the concept of reciprocity. Under section 202(t)(2) of the act (42 U.S.C. 402(t)(2)), the provisions of 202(t)(1) are waived for an alien whose country has a social insurance program similar to that in the United States, if an American citizen can receive payments under said country's system no matter how long the American remains outside of the other country.

In the same breath, section 160(b)(1) of the bill, amending section 202(t)(4) of the act, demands reciprocity by other nations by suspending benefit payments to an alien who has 40 quarters of coverage or who has resided in the United States for 10 years or more if that alien's country refuses to pay benefits to Americans, eligible under that nation's social insurance system, while the American is outside of that country notwithstanding the length of time.

While this latter amendment is consistent with concepts of reciprocity, except as to the time period involved, it is inconsistent with the policy underlying the social security laws, the concept of mandatory saving for one's old age or disability. Why deprive one of benefits occurring as the result of services performed in the United States just because he is an alien?

The amendment adding paragraph (10) to section 202(t) of the act, provided in section 160(c)(1) of the bill prohibiting payments to an alien otherwise eligible for such benefits, for the time he spends in Communist controlled countries, defined in 31 U.S.C. 123, violates all concepts of equal treatment. For what reason should an alien be deprived of his lawful benefits merely because he spends some time in such countries? That a check sent to a beneficiary residing in such a country might not be delivered to him is perhaps a plausible reason for withholding benefits until he returns to the United States. To withhold such benefits after he has returned, is inexcusable.

Similar criticism applies to section 160(c)(3) of the bill.

In short, the old age and disability features of H.R. 12080, as reported, propose meager increases in benefits; it grants practically no increases to those who need it the most; it does little in terms of broadening coverage of those heretofore not covered. At the same time it imposes numerous harsh restrictions which constitute severe deviations from our social insurance policies.

Mr. Chairman, now I shall turn to title II, the public welfare amendments.

Long overdue is section 203 (a) of the bill amending section 407 of the Social Security Act (42 U.S.C. 607 (a)) which includes in the definition of a "dependent child," for the purpose of aid to dependent children, one whose father is unemployed.

It is my understanding that section 203 (a) would make mandatory what heretofore has been optional. That is, states must, by July 1, 1969, offer assistance under State plans to dependent children living with unemployed fathers.

The fact that, prior to the temporary legislation passed in 1961, the definition of a dependent child requires the "continued absence from the home—of a parent"—section 406 (a) (42 U.S.C. 606 (a))—in effect, forced an unemployed father to "desert" his family if they were to receive payments under this program. The proposed change will eliminate this invidious requirement, and should strengthen family bonds.

Representing as it does an improvement, section 203(a) of the bill amending section 407 of the act, does not in my judgment and go far enough.

First, and most importantly, in order that a family be eligible for AFDC payments when the unemployed father is living at home, that father must have had six or more quarters of work, as defined, in any 13-calendar-quarter period ending within 1 year prior to the application for such aid. A quarter of work includes participation "in a community work and training program." Despite this definition, the requirement that one must have six or more quarters of work will obviously force those, who are unable to find work, or who have exhausted any community work and training program, to leave their families if AFDC payments are to be received.

The family would also be eligible if the father had received unemployment compensation within 1 year.

Because such a large number of unemployed men have not been in the labor force for a long time, this amendment would exclude those families most in need from assistance unless the father leaves the home. This is clearly inconsistent with the proclaimed goal of the committee—that of strengthening family bonds.

The bill is designed to prevent one from "avoiding" work if work is available. As proposed, section 407(b)(1)(B) of the act would require such a father, except for good cause, to accept "a bona fide offer of employment or training for employment." Moreover, section 407(b)(2)(A) requires a State plan approved under section 402 of the act (42 U.S.C. 602) to provide for the establishment of a work and training program, which is defined in proposed amendments to section 409 of the act (42 U.S.C. 609) and assurances that such fathers will be assigned to projects under the program.

Section 204(a) of the bill, amending section 409 of the act, provides for community work and training programs that must meet standards prescribed by the Secretary.

Section 204(b) of the bill also provides for adding clause 21 to section 402(a) of the act. Section 402 contains the criteria for a State plan which is a prerequisite to payments under the program. Proposed clause 21 would require such a plan to include a "work and training program meeting the requirements of section 409." The bill also would add clause 19 to section 402(a) requiring periodic registration of children sixteen years of age and over and relatives, whose needs are taken into account, under clause 7, with public employment offices of the State and clause 20, which would preclude payments to one who refuses to register and to accept appropriate training or work.

Section 203(a) of the bill which would add subsection (2)(D)(v) to section 407(a) of the act denies assistance to families where the father is in the home and receiving unemployment compensation. This would force a father to leave his family so it could qualify for AFDC payments. This is not only harsh, but it is obviously inconsistent with the proclaimed policy of the committee favoring family unification. Since levels of unemployment compensation vary among the States, it is also inconsistent with the trend toward the establishment of national standards indicated by the proposed amendment that the Secretary shall prescribe the criteria to determine unemployment under proposed section 07(a) of the act rather than adhering to State standards as provided by the existing law. Section 407 (42 U.S.C. 607).

Unemployment compensation varies considerably among the States, both as to the amount paid and the length of time for which compensation can be received. The father of a family living in a State paying relatively low unemployment compensation may find it to the benefit of his family were he to "desert" so as to make his children eligible for AFDC payments.

The Federal contribution for the AFDC program is to be frozen under subsection (d) of section 403 of the act (42 U.S.C. 603) as proposed by section 208(b) of the bill. This is not only completely unwarranted; it will, in effect, discriminate against States whose population is expanding as the result of migration; and it may well have a retroactive effect on those now receiving AFDC payments.

This freeze imposes a penalty on States and potential recipients of assistance because of factors completely beyond their control. As proposed, a State in which the number of children who are receiving assistance under the AFDC program because of the "continued absence from the home of a parent" cannot receive Federal payments for assistance to children of that category in excess of a specific number determined by the ratio of such children to the total population under 21 years of age as it existed on January 1, 1967.

That is, the number of children of that category for which the State can receive Federal funds must bear the same relation to the total population under 21 years old as established by the ratio for the calendar quarter beginning January 1, 1967.

Thus:

$$\frac{\text{After 1967: Children dependent due to desertion}}{\text{After 1967: Total population under 21 years old}} \text{ must} = \frac{\text{1st quarter 1967: Children dependent due to desertion}}{\text{1st quarter 1967: Total population under 21 years old}}$$

It is obvious that this formula can produce a variety of results, depending upon the factors.

If, for example, subsequent to 1967, a number of families, including those receiving AFDC support for reasons other than continued absence of a parent, migrate out of the State, and the number of children receiving assistance because of absence of a parent remains the same, the ratio would change. In effect the total under 21-year population could decrease leaving the AFDC group constant, thereby raising the ratio. To restore the ratio to that established in January 1, 1967, the number of children for which the State can receive Federal funds must be reduced. This could effect States subject to emigration—States which may already suffer from high unemployment and social welfare problems.

Affect, as it might, States from which people are migrating, the results of this "freezing" formula can be devastating for States into which these families are immigrating. The probability is high that families migrating because of impoverished conditions will include potential AFDC recipients due to desertion of a parent. Their migration would lower the ratio for the State they leave, assuming other factors constant, but will increase the ratio for the State in which they settle.

For example, assuming the number of AFDC recipients whose parent has deserted is smaller than the total under 21 population, a subsequent immigration of families with children in this particular AFDC category, both categories—AFDC and total population under 21 years old—will increase, but the resulting ratio will exceed that established in 1967. The State will be ineligible for Federal assistance for some of the children.

What control does a State have over the immigration and emigration and the resulting increases or decreases in its population? Notwithstanding the moral implications, what legal jurisdiction does a State to which a family has immigrated, have over a parent who, for whatever reason, refuses to join his family?

Moreover, in many cases certain groups of people have migrated out of specific States because of the social policies under which they were forced to live. The fact of the matter is that certain other States have received those who have migrated. Nor is this a phenomenon of the past. According to a recent article in the New York Times, August 3, 1967, by Will Lissner, recent studies indicate "that the migration of white and Negro poor from the country's rural areas, mainly in the South, to New York and other cities, will continue into the mid-1970's."

The article quotes a report by Jonathan Lindley, Deputy Assistant Secretary of the Economic Development Administration as stating:

A startling potential mismatch of jobs and people threatens the major urban complexes like New York with a serious problem in the decade ahead.

Moreover, Mr. Lindley is reported as having said:

Many agricultural communities have ill-treated the Negroes.

Will Lissner's perceptive article follows at this point in the RECORD:

[From the New York Times, Aug. 13, 1967]

MIGRATION OF POOR TO CITY LIKELY FOR DECADE MORE

(By Will Lissner)

New studies by several Federal bureaus have indicated that the migration of white and Negro poor from the country's rural areas, mainly in the South, to New York and other cities, will continue into the mid-nineteen-seventies.

Mayor Lindsay has pointed out that New York's soaring expenses for public assistance are "largely the result of the influx of relatively unskilled persons to New York City from Puerto Rico and the American South."

Jonathan Lindley, deputy assistant secretary of the Economic Development Admin-

istration, summed up the migration studies in a report now being circulated to development specialists.

BLAME RURAL CONDITIONS

According to the report "it has been the push of poor rural conditions rather than the pull of urban economic opportunities" that produced the migration of more than 10 million persons from rural to urban areas in the 1950–60 decade.

Mr. Lindley said that it was the rapid growth of productivity in agriculture, mining and other extractive industries, effected through the introduction of labor-saving equipment and techniques, and the depletion of mineral and other resources in many rural areas that produced the migration.

"There is every indication that the growth in productivity in agriculture and extractive industries will continue over the next 10 years," he declared, "and consequently that the migration of people from rural to urban areas will also continue."

Mr. Lindley said that the Economic Development Administration had undertaken projections of where people and jobs would be situated in 1960–1975.

According to some of the preliminary results of this work, he said, a "startling" potential "mismatch of jobs and people" threatens the major urban complexes like New York with a serious problem in the decade ahead.

POOR ILL-TREATED

Also in social terms, Mr. Lindley said, many agricultural communities have ill-treated the poor, especially the Negroes. On the other hand, big cities have traditionally attracted the impoverished and the minority groups, and Negroes have flocked to the large cities because a friendly Negro community exists there.

In this manner, he said, migration to the large cities becomes self-reinforcing, but it does not have the prospect for job growth that earlier waves of migration have had because many of the old urban industries that offered work for the unskilled have moved out of the central city.

One "economic" pull of the large cities is public welfare, necessary for temporary support of a migrant, Mr. Lindley noted. Few such amenities exist in rural towns, he said, and many small rural towns have shown hostility rather than empathy for the disadvantaged.

PRESSURES IN RURAL AREAS

Some economists argue, Mr. Lindley reported, that the recent increase in urbanization has not been in response to attractive economic advantages in the large cities.

Rather, he said, it "is the result of the very severe economic and social pressures in the rural areas." On this account, he held, it is likely that a large flow of migrants "will continue to move from the hinterlands to the urban complexes."

The abject poverty of nonwhites now living in the country's rural areas, and also of whites there, has been measured by the United States Public Health Service's National Center for Health Statistics in reports just published. The service studied a national sample of 259,000 persons from 80,000 households between 1961 and 1963, obtaining estimates from the sample for the population of the entire United States.

The 1962 farm population studied in the health survey totaled 14,367,000, with 12,628,000 whites and 1,739,000 nonwhites. Since then the farm population has declined further. The Current Population Survey in 1965 found the farm population to be 12,633,000, with 11,115,000 whites and 1,518,000 nonwhites.

Records show that the farm population had been cut in half in 20 years. In 1942 the farm population was estimated at 28,914,000.

The health survey found that 34.1 per cent of nonwhites in the 1962 farm population, living in families of 2 to 7 or more persons, had total family incomes of less than $1,000 a year. The corresponding figure for whites was 8.7 per cent. Of nonwhites living alone on farms, 80 per cent had annual incomes of less than $1,000.

Most of the nonwhites in the farm population have family incomes of less than $2,000 a year, the health survey indicated. Of the nonwhites living in families, 69.1 per cent fell into this category. So did a substantial number of whites, 21.4 per cent.

HEADED BY WOMEN

The report showed that 148,000 nonwhites on the farms live in families headed by a woman under 65 years old. Of these, 80.8 per cent were in families with total family incomes of less than $2,000 a year and 54.8 per cent in families with annual incomes less than $1,000.

Another social problem is presented by the fact that about 213,000 nonwhites on the farms live in families of which the head was 65 years and over. Of these 213,000, 74.8 per cent are in families with less than $2,000 annual family income and 35.4 per cent in families with less than $1,000.

The health survey, in relating health measures to family characteristics, including family income, produced as a by-product new data on the comparative incomes of nonwhites and whites, urban as well as rural.

Thus of the 19,771,000 nonwhites living in families, 48.2 per cent had family incomes under $3,000 a year. Of the corresponding group of 150,161,000 whites, only 15.7 per cent fell in this class.

In the income levels above the poverty line but below the level of affluence—levels between $3,000 and $6,999 in annual family income—there is relatively little difference between whites and nonwhites. Such modest incomes supported 40.9 per cent of nonwhites and 48.2 per cent of whites.

Great disparities mark the distribution of higher incomes.

While 36 per cent of whites had annual family incomes of $7,000 and over, only 11 per cent of nonwhites fell into this group.

Nonwhite families with incomes of $10,000 a year and over include 711,756 persons. They number only 3.6 per cent of all nonwhites living in families. At this income level are 15.3 per cent of whites.

Mr. Chairman, even were the proposals designed to force recipients of AFDC assistance to take jobs or enter training programs under the threat of a withdrawal of that assistance considered desirable, it is highly probable that certain areas will be faced with a vast problem, soluable only over a period of time, of matching people with jobs. This assumes that the jobs exist, an assumption tenuous indeed with an unemployment rate of over 4 percent.

Need more be said to point up the effects this provision holds in store for urban areas, the populations of which are expanding by the immigration of people many of whom will need economic assistance—immigration often the result of social policies of certain States?

The provision in the bill completely disregards the differences among States—not only as to unemployment compensation but payments by States for children under this program. To some extent, migration of population reflects the low level of public assistance in certain States.

If it has heretofore been unclear, certainly it is by now obvious that the problems faced by many States concerning the welfare of certain of their residents are problems of national magnitude, requiring resources and coordination unable to be provided by a single State or even a group of Sates cooperating on a regional basis. These problems spring from a variety of factors including discriminatory treatment of minority groups; unemployment—for what ever reason; emigration of the talented and trained; the immigration of these fleeing oppression, or unemployment as well as those seeking a better opportunity.

The results have created overwhelming economic burdens for many State and local governments—burdens which, if they are willing to meet them, more often than not they are unable to adequately bear absent assistance from other sources. These same governments are usually unable to exercise control over shifting population.

A recent article by Ralph Blumenthal in the New York Times, August 11, 1967, indicated the pressures created by migration. According to the article, the welfare roles in Westchester, N.Y., have increased 18.8 percent since December adding 1,689 cases. By comparison, New York City's welfare population grew by 12.7 percent during the same period. The official explanation given focused on "general population shifts and the increased availability and publicity of public assistance programs." Figures compiled by the Westchester County welfare commissioner indicate that:

The applicants major reason for seeking aid was health problems, followed by unemployment and a deserting or absent father.

The administration of the welfare program—the largest of which is aid to dependent children which accounts for more than half of all welfare recipients.

Not only are local governments unable to "control" migration, neither do they command the resources to meet the human needs involved.

Our system of welfare, both on the local and Federal level, has been the product of necessity; and, as is often the case of such products, its growth and development has been uneven and chaotic; often resulting in unduely harsh and inequitable treatment for the human beings involved.

The time is long overdue when we must recognize these problems to be national in scope, and to approach them from that perspective. This does not mean a decreasing role for local government, for it is precisely on this level that the human problems involved must be solved. It does mean, however, that more coordination from the Federal level is necessary in terms of programing; in allocating the resources involved; and establishing uniform standards, if we are to develop a more rational system; if we are to experiment with new methods and programs; and if we are effectively to achieve the goal which we seek, that of providing meaningful solutions for human problems.

To date, we have approached the well-being of the less fortunate of our society on a piecemeal basis. Federal resources and ingenuity have been applied only where those of the States stretched to the breaking point. The concept of the dole provides the foundation of our present

welfare system—the dole, which gives people enough to keep starvation from the door, but zealously bars entrance to the gate of dignity; the dole, which is designed to constantly remind those dependent upon it of their station in life; the dole which has created a constituency many would prefer to perpetuate.

The relationship between the proposed freezing provision added by section 208 (b) of the bill and the broader definition of "dependent child" (section 203(a) of the bill) which permits an unemployed father to remain with his family is such that under certain conditions a father will be forced to desert the family if it is to receive AFDC assistance.

As amended by section 203(a) of the bill, section 407(b)(1)(C)(i) precludes a father from living with his family receiving AFDC payments, if that father has not worked six or more quarters or has not received unemployment compensation as defined by the bill.

If a father does not meet these requirements, he is forced to leave the family if it is to qualify for AFDC payments; yet section 208(b) of the bill, "freezes" the rate of children dependent because of continued absence from the home.

Notwithstanding the harshness of requiring a father to leave his family if it is to qualify for assistance, proposed section 407(b)(1)(C)(i) of the act contradicts the professed intent of the committee to strengthen family unity. Combined with the "freezing" provision, it could well result in withdrawal of assistance from current recipients.

I have grave reservations concerning the proposed amendments adding clauses 19, 20, and 21 to the State plans required by section 402(a) of the act (42 U.S.C. 602(a)). As proposed in section 204(b) of the bill, clause 20 would preclude assistance to any "appropriate child"—over 16 years who is not in school—or relative who refsues without good cause to register at State public employment offices and accept employment in which he is able to engage, or to participate in a work and training program. The needs of a relative, refusing employment or training, would not be taken into account in making the determination required under clause 7 of section 402(a). A child refusing employment or training would be precluded from assistance.

It appears that all appropriate relatives including mothers and children over 16, who are not in school, must under proposed clause 20 accept any "employment in which he is able to engage." One can refuse employment only with "good cause." Not only does the provision fail to stipulate who is to decide what constitutes "good cause," it fails to indicate any guidelines whatsoever. Such wide-open provisions are subject to great abuse—abuses which the recipient is almost completely powerless to remedy.

Section 409 of the act, proposed by section 204 of the bill, would require States to establish community work and training programs. As previously mentioned, clauses 20 and 21 would make participation in such programs, except for good cause, a prerequisite for relatives, including mothers and children over 16 years of age not in school, if assistance is to be made available. As proposed, section 409(4)(A) requires community work and training programs to conform to standards prescribed by the Secretary. The implication from the failure to specify who is to determine State employment standards is that the States are to establish standards by which to judge what employment one is able to engage in under proposed clause 20 of section 402(a) of the act.

If proposed clauses 19 through 21 are added to section 402(a), I would hope that the Secretary would set the appropriate standards as he is specifically authorized to do for the proposed section 409 community work and training programs.

I point out that proposed section 409 (4)(D) would appear to permit a State to establish standards for health and safety applicable to such programs to be lower than might otherwise be required by the Secretary.

The sliding scale formula, proposed by section 202(b) of the bill amending section 402(a)(8) of the act, permitting a State to disregard certain proportion of earned income in determining need, represents a vast improvement. However, the basic figure should be much higher than the recommended $30 per month.

The objections to the provisions providing for precluding assistance to those who refuse employment or participation in the community programs, apply as well to section 202(b) of the bill amending 402(a). Under proposed 402(a)(C) the income earned that month by a child over 16 not in school or any relative who refuses to accept any employment in which he is able to engage as determined by the State cannot be disregarded by the State agency in determining need under section 402(a)(7) of the act.

Mr. Chairman, I fully approve of job training programs and other forms of assistance being made available to those who need to acquire skills needed to complete in the labor market. However, the coercive system proposed in the bill before us is not in keeping with voluntary programs. Unemployment is currently above 4 percent; programs and appropriations needed to stimulate employment and to retrain those who need have never been adequate, and they have been severely reduced. The philosophy underlying these coercive proposals is one which puts the blame for unemployment and lack of opportunity on those trapped in conditions beyond their control which our Nation has failed to overcome. In the world's richest nation, this is inexcusable.

In the Social Security Amendments of 1965—Public Law 89-97—a major breakthrough was achieved in the enactment of the much-discussed title XIX of the Social Security Act. It was particularly in New York State, which has always been a frontrunner among the States in providing care and services to its residents, that the new thrust and concept of this legislation was recognized and implemented. According to estimates supplied by the New York City Commission on Social Services, New York City will sustain, if H.R. 12080 is enacted, an initial loss of at least $40 million for its medicaid plan in the calendar year 1968, and greater losses in succeeding years. Twenty million dollars of this loss would be borne by New York City alone, the other $20 million by the State.

In the actual details of the New York State medicaid plan under title XIX we do not find the enormous leap forward either in income eligibility limits or in the extent of services that outraged critics of the New York State plan would have us believe. In point of fact, the income eligibility limit for a family of four to receive medicaid is only $300 beyond the figure that would have obtained under the State medical assistance program which has been in existence since 1929. Title XIX, even as utilized in New York State's naturally "most liberal of all" State plan, is no panacea nor answer to the physical ills which beset Americans and so often ruin not only their physical lives, but hinder their economic and social lives, reducing their productive capacities, and diminishing their taxpaying abilities. When proper medical and preventive health care is not obtained, the loss is not only to the individuals involved but to all of society.

If the "breakthrough" was not in a precipitous increase in eligibility requirements, then what was the actual import of this legislation which inspired so many fervent supporters and brought forth hysterical opposition with cries of "treasury robbery," "tin cup," "the entry of Marxism into American life?" It was simply that title XIX wrote into law the concept that health and medical care should be a right for all citizens of the most affluent country on earth—not just for the very poor or the very rich. It did this by establishing in law the concept of "medically indigent" as opposed to simply "indigent." As the Department of Health, Education, and Welfare said in a publication, "To Improve Medical Care," dated April 1966:

> The Social Security Amendments of 1965 reflect a determination by the American people and the Congress that needed medical care is not to be denied to any person regardless of age, because he, individually, cannot afford to pay the costs.

Title XIX asks that minimum standards of health care exist for all groups, regardless of their ability to pay. It asks that the Federal Government participate in beginning to devise conditions whereby a family's financial stability need not be threatened by the incidence of disease and illness. Section 1902(a)(10)(B)(i) of the Social Security Act provides that under state medicaid plans which may be approved for Federal participation, medical or remedial care and services may be provided to persons not eligible for aid or assistance under any prior State plan by reason of excess income or resources but "who have insufficient income and resources to meet the costs of necessary medical or remedial care and services."

The controversial point here is, of course, that some persons are included for medical assistance who are not related to traditional concepts of welfare cases. They do not carry the usual stigma of the poor—they bear the dignified title of middle class and challenge the accustomed disdain and latent hostility

with which most welfare programs are tolerated in our society. They upset the classical stratification to which we apparently still fiercely cling. Perhaps the introduction of some middle-class services would raise the level of treatment for all concerned. It is this that was the historic breakthrough which occasioned hysterical outrage in certain quarters, even among some Members of my own New York State delegation.

As my colleagues will surely remember, the Nation was enthused and concerned mainly with the historic title XVIII—"medicare"—at the time that the Social Security Amendments of 1965 were enacted. Relatively little press or national attention was given to title XIX. This enabled opponents of title XIX to claim later that it was passed unknowingly by legislators who were unaware of its implications; that, if they had envisioned the "lengths" to which the New York State Plan would go, they would surely have limited its scope or refrained from its passage. This is hardly the case.

In section 1903(e) of the Social Security Amendments of 1965, as carefully fashioned by the Committee on Ways and Means, we find the following provision:

> The Secretary shall not make payments under the preceding provisions of this section to any State unless the State makes a satisfactory showing that it is making efforts in the direction of broadening the scope of the care and services made available under the plan and in the direction of liberalizing the eligibility requirements for medical assistance, with a view toward furnishing by July 1, 1975, comprehensive care and services to substantially all individuals who meet the plan's eligibility standards with respect to income and resources, including services to enable such individuals to attain or retain independence or self-care.

Lest there be any doubt as to the intentions of the Ways and Means Committee at that time, its report, House Report No. 213 on the Social Security Amendments of 1965 gave the following commentary:

> Before an individual is found ineligible for all or part of the cost of his medical needs, the State must be sure that the income of the individual has been measured in terms of both the State's allowance for basic maintenance needs and the cost of the medical care he requires. The State may require the use of all the excess income of the individual toward his medical expenses, or some proportion of that amount. In no event, however . . . may a State require the use of income or resources which would bring the individual below the test of eligibility under the State plan.

Mr. Chairman, the meaning of title XIX was both clear and vastly to the credit of the U.S. Congress. Today we are faced with the dismal prospect of cutting back out lawful commitment and diminishing the benefits that our entire society was to derive from this landmark legislation. In hysteria and in haste this House is being asked to strip away the very gains that we have so recently acquired.

In H.R. 12080, section 220, on page 143, is the key provision which would limit the intent and scope of state medicaid plans under title XIX. Section 220(a) amends section 1903 of the Social Security Act by adding a subsection (f) which provides that the Federal Government will not participate with matching funds in payments to anyone whose income and resources exceed 133⅓ percent of the State public assistance standard as defined with relation to the aid to families with dependent children program in the State.

In other words, lest anyone not be clear that this is still a welfare program and that the poor shall remain in their place, a State's welfare standard shall be used as a yardstick to determine local eligibility. This is not to mention the reduction in numbers of people eligible for coverage under a State medicaid plan —people who have resources adequate for ordinary needs, but who are not equipped to meet unanticipated medical expenses not covered by ordinary medical insurance—people who, worst of all, have been led to believe that the Government has acted in their behalf only to find that the proferred coverage may be withdrawn.

Subsection (f) of section 1903 as proposed by section 220(a) of H.R. 12080 would include a number of procedural maneuvers. Among them is the provision in paragraph (1)(C) of subsection (f) that, in case a State is fairly generous in its public assistance standard while having a sizable population of low-income people so that its average per capita income figure is lower than that of the public assistance standard, the per capita income figure shall be substituted for the public assistance standard. In other words, the eligibility limit shall be 133⅓ percent of whichever figure is lower.

In estimating the immediate effect of section 220 on the State of New York, one must take into consideration the further exception under section 220(b)(2) which provides that a State medicaid plan approved before July 26, 1967, will proceed to the 133⅓-percent standard in three stages. In the last 6 months of 1968, the figure is 150 percent of the appropriate financial yardstick; during 1969 it is 140 percent; and finally it reaches the required 133⅓ percent as of January 1, 1970.

According to information obtained from the State Welfare Department, in New York State for calendar year 1966, the average per capita income was $3,480. There is an operational assumption of a 6-percent annual increase in the per capita income, but the figures do not come out until October of each year and variations are frequent. However, normal expectations lead us to estimate a possible approximate $3,689 per capita income for calendar year 1967, and $3,911 for calendar year 1968.

Should these estimates hold, the initial estimated comparison suggests that the 1968 public assistance standards will be lower than both the estimated average per capita income for 1968 and the then actually available figure for 1967. The aid to dependent children-public assistance standard for a family of four for 1965 was $3,067.80. Assuming a 3-percent cost-of-living increase per year, the estimated new standard for January 1, 1968, could be, for a family of four, $3,528, or a grand total of $882 per year per person, 150 percent of the estimated 1968 public assistance standard figure for a family of four would be $5,292. Then, this would be the income level limit for New York State medicaid eligibility for the latter half of 1968—prior to further percentage reductions in the two succeeding years. It is a full $408 less than the State's anticipated 1967 eligibility figure for medical coverage under State plan prior to the Federal enactment. It is over $700 less than the present eligibility standard under the federally approved medicaid plan which now exists in the State.

What is more, under section 220(D)(4) the Secretary shall promulgate the per capita income of each State each year, and should economic events such as recession, unemployment, and so forth, occur on any considerable scale in any given year, the yardstick for eligibility measurement could be reduced even further with the net effect that less people again would be eligible for coverage with Federal participation. Unless the State then dropped people from the rolls, the State would be faced with an increased medical bill and decreased Federal support in the face of adverse economic conditions.

This possibility of fluctuation is in itself an incentive for the States to invest as little as possible in medical services. This is, of course, contrary to section 1903(e) of the Social Security Act which provides that the Federal Government shall not participate financially in a State plan "unless the State makes a satisfactory showing that it is making efforts in the direction of broadening the scope of the care and services made available under the plan and in the direction of liberalizing the eligibility requirements for medical assistance."

The 1965 House Ways and Means Committee Report No. 213 itself said, in commenting on section 1903(e):

> This provision was included in order to encourage the continued development in the States of a broadened and more liberalized medical assistance program. . . ."

However, the damage goes further than mere indirect pressure for reduced State effort. Section 221 of H.R. 12080 would amend section 1117 of the Social Security Act by providing greater latitude, at the option of the State, in the definition of the State's previous level of effort which must be maintained. By various methods, including allowing the State to compute previous effort by money payments alone instead of money payments plus the cost of medical care, and by broadening the definition option to include child welfare expenses plus money alone or child welfare expenses plus money payments plus medical expenses, the State may choose to compute a lower figure of State effort to be maintained. One must remember that not all States share the attitudes and efforts of New York. Some States make little effort indeed to help even their most desperately needy citizens, and the provision for reduced effort may well occasion such reduced effort so that even with the injection of Federal support, little may be gained in the actual expansion of services.

Thus, the large urban centers, now in crisis with untenable overcrowding will continue to face a migration of people who seek improvement in their conditions of life. Even in New York, with the great financial strains its own budget shows, and in particular the political pressure that has mounted almost daily against the new concepts embodied in title XIX, the pressure will be extreme to conform with the Federal limitations reducing the assistance level to the extent that it is not backed up by Federal support. Such reduction is highly likely and would indeed be a tragedy in our State.

There are additional problems and weakening in the amendments to title XIX which are overshadowed by the first two I have mentioned, but some of which should surely be listed for the record. They are a part of the same trend—the same willingness to defeat the spirit by changing the letter of the law.

Section 224 of H.R. 12080 would amend section 1902(a)(13)(A) of the Social Security Act which provides "for inclusion of at least the care and services listed in clauses (1) through (5) of section 1905(a)" as a condition for Federal approval of a State plan. These five were presumed to be the basic services required to ensure adequate minimum standards of health care. Section 224 on page 153 of H.R. 12080 permits the substitution of "(ii) the care and services listed in any seven of the clauses numbered (1) through (14) of such section." Thus the original standards may be diluted at the option of the States.

Section 229 on page 158 of H.R. 12080 would amend section 1902(a) of the Social Security Act by adding a paragraph 25 which provides:

(A) That the State or local agency administering such plan will take all reasonable measures to ascertain the legal liability of third parties to pay for care and services;

(B) That where the State or local agency knows that a third party has such a legal liability such agency will treat such legal liability as a resource of the individual on whose behalf the care and services are made available;

(C) That in any case where such a legal liability is found to exist after medical assistance has been made available on behalf of the individual, the State or local agency will seek reimbursement for such assistance.

Section 1902(a) of the present law clearly states:

A State plan for medical assistance must . . . (17) include reasonable standards (which shall be comparable for all groups) for determining eligibility for and the extent of medical assistance under the plan which . . . (D) do not take into account the financial responsibility of any individual for any applicant or recipient of assistance under the plan unless such applicant or recipient is such individual's spouse or such individual's child who is under age 21 or is blind or permanently and totally disabled.

In addition to the possibilities for interpretation of this provision, the reluctance of some to seek needed care if a financial burden will thereby be placed on others, and other such considerations, the irony remains that anyone with experience in welfare agencies knows that detailed investigations conducted to make sure that no one abuses the stated limits of a particular means test by availing himself of services to which he should not be entitled are often more costly than the actual services which are hoped to be withdrawn. They are as well consuming of the time and energies of already overburdened personnel. In this particular case, the present law clearly puts a limit on the scope of liability under the premise that medical services should be readily available to all who need them without undue redtape and untoward financial burden on any party.

Section 230 of H.R. 12080 is a very questionable provision which has possible implications for serious protest on the part of some medical assistance recipients who might feel that they are not receiving equal treatment under the law.

Section 1905 of the Social Security Act entitled "Definitions" now reads:

(a) The term "medical assistance" means payment of part or all of the cost of the following care and services . . . for individuals who are—

Section 230 of H.R. 12080, which bears the title "Direct payments to certain recipients of medical assistance," would amend section 1905 to read:

(a) The term "medical assistance" means payment of part or all of the cost of the following care and services . . . *for* individuals, and, with respect to physicians' services, at the option of the State, *to* individuals not receiving aid or assistance under the State's plan approved under title I, X, or XVI, or part A of title IV. (Emphasis added.)

Lest there be any doubt as to the meaning and intention of this provision, the committee report—House Report No. 544—says on page 123 in explanation of this inclusion:

Under the current provisions in title XIX, Federal participation is limited to payments made by the State agency directly to suppliers of medical service, that is, only the vendor payment method. Your committee . . . is . . . including in the bill a provision to make possible Federal sharing for the cost of payments made by the State directly to the recipient for physician bills, whether paid or unpaid. This provision would not apply to those recipients who are receiving cash assistance; it would apply only to the medically needy.

I think at this stage in our Nation's history, the problems raised by this inclusion are self-evident.

President Johnson said in his health message of February 10, 1964:

The American people are not satisfied with better-than-average health. As a nation, they want, they need, and they can afford the best of health—not just for those of comfortable means—but for all our citizens, old and young, rich and poor.

Apparently Congress does not recognize this vision.

Mr. LANDRUM. Mr. Chairman, I yield 3 minutes to the gentleman from Texas [Mr. GONZALEZ].

(Mr. GONZALEZ asked and was given permission to revise and extend his remarks.)

Mr. GONZALEZ. Mr. Chairman, the social security program is today of vital importance to practically all Americans. For this reason, I am highly gratified that the Committee on Ways and Means has given thorough study to many proposed amendments aimed at improving and strengthening this program. The scope of this bill recognizes that laws dealing with social security need almost constant attention to make sure that the provisions keep up to date with changing times.

I take this opportunity to congratulate the members of the Committee on Ways and Means and its very capable chairman, the gentleman from Arkansas, for reporting out this fine and comprehensive bill. It contains some excellent provisions and I support it fully.

I would, though, like to have seen an additional proposal included in the bill. One large group in our society will not share or will share only partly in the valuable protection provided under this bill. I am speaking of the many thousands of farmworkers in our Nation.

For years farmworkers, especially the large number of seasonally employed workers whose employment is determined not by their abilities or job opportunities but by the calendar, have been denied much of the social security protection available to most other workers. A large proportion of farmworkers have only short-term employment at relatively low pay. Their wages from a single farm employer are not high enough to meet the present farmworkers coverage test and hence none of their wages are covered, or their work is scattered among several employers so that only part of their wages are covered.

A substantial number depend for a large portion of their income upon nonfarm work, where all of their wages are covered under social security, but are denied social security protection based on part or all of their farm earnings. There thus is a clear need to improve the social security protection of hired farmworkers.

H.R. 5710, containing President Johnson's proposals which the Committee on Ways and Means considered, included provisions designed to remove some of the handicaps facing farmworkers under social security, and to bring their coverage more into line with that of workers in commerce and industry. The changes in the coverage provisions for agricultural labor contained in H.R. 5710 would have increased the social security protection of over 500,000 farmworkers, and their families, by covering more of the earnings of these workers under the program and by making it easier for them to become insured for social security benefits.

I know that many of my colleagues share my deep concern about the situation of farmworkers. Practically none of them have any protection from sources other than social security; they are sorely in need of additional protection.

I fervently hope that our omission of the proposal that was in H.R. 5710 that would improve the plight of farmworkers will be rectified when the measure now before us is considered by the other body.

Also, I should like to add, my vote in favor of the bill before us is unhesitating under the circumstances but is tinged with a good deal of disappointment. Frankly, I would have liked to offer amendments to bring the bill more in line with what I consider to be the very sound

recommendations made by President Johnson.

What we are doing in the present bill is, of course, no trivial thing. This bill contains sound provisions. It makes improvements that will certainly help a great many men, women, and children.

But I cannot believe we could not do better. The benefit increase recommended by President Johnson strongly appealed to me as justifiable, badly needed, and at the same time sounded prudent. In addition to raising the general level of benefits considerably more than did the bill we have now before us, it would provide a very substantial and meaningful increase in the minimum benefit under social security. The bill we have here would increase this minimum by $6 a month—to a total of $50. My very strong view is that this is simply not enough.

We have far too many people, all across this rich and prosperous country, who are strugging along from day to day and month to month, trying to stretch this minimum social security benefit to make ends meet. It is hard to see how they do it at all and I would very much like to do something about it.

Almost equally disappointing to me is the fact that the bill does not follow President Johnson's recommendation to give medicare protection to the unfortunate men and women who are severely enough disabled to qualify for the social security disability benefits. They are many in actual number, but would amount to only a small proportion of the number of people over retirement age who now have medicare coverage.

These disabled people, Mr. Chairman, surely stand in as great a need of protection against the awful and ruinous costs of severe illness and hospitalization as any group of people in the country. The very fact that they qualify under the social security law's definition as disabled people means that they have lost the capability to do any substantial work. For the most part, they and their families must depend for a living on the social security disability benefits they get. The average monthly benefit for a disabled worker is now $98. On an income in this range a disabled person would find it hard indeed to squeeze out enough to buy a health insurance or hospitalization policy. The fact is that even if he could find the money to pay for one of these policies, he would still face the problem of finding some company who would be willing to sell a person in his condition an adequate kind of policy.

And I was and am convinced that President Johnson's recommendations for raising the so-called wage base under social security is sound and well considered. I believe with him that the social security system must be looked at as a dynamic instrument for serving the needs of the American people, and that it must be adjusted and updated to meet changing needs and times. One of the important adjustments that needs to be made is to keep this earnings base—which is the maximum amount of earnings per year that a person can count for social security purposes—in reasonable relation to changing levels of earnings in the country.

For example, social security started with an earnings base of $3,000 a year. No one could pay social security on more than that figure or get benefits based on more than that figure. If we had not increased this as earnings levels rose, the social security system would be pretty much of a small and flat-rate benefit type of program.

The bill we have increases the wage base from $6,600 to $7,600 a year. This is a small step in the direction the President recommended but it seems to me clearly to fall short of the needs. I would much prefer President Johnson's plan of increasing the wage base in steps over the next few years to the maximum of $10,800 a year. This would enable more and more people to pay social security taxes on all of their earnings and therefore qualify for benefits for themselves and their families in an amount bearing at least a relation to their accustomed earnings and accustomed level of living.

I dislike adding taxes as much as anyone but I feel very strongly that the great majority of people that would be affected by this increase in earnings base would want to pay the modest additional tax involved in order to assure themselves of the higher benefits and greater protection for their families.

We will pass the bill today and I think by an overwhelming majority. But I hope that before it is finally enacted it will be strengthened and brought much closer into line with President Johnson's recommendations.

He would not give us a set of recommendations that were in any way impractical or far fetched. Instead my study of them convinces me that they were prudent, reasonable and well within our capacity to afford. I would very much like to see them adopted and their benefits brought at the earliest possible date to the men, women and children in every part of the country whose circumstances are such that they look eagerly to this year's social security legislation for the means of making their lives and conditions a little bit better and easier.

Mr. DONOHUE. Mr. Chairman, although many of us here have grave doubts about the adequacy of the limited increase in and expansion of benefits, as well as serious misgivings about the possibility of extreme hardships, however much unintended, developing from the proposed revisions in the present welfare and public assistance programs, as presented in this bill, H.R. 12080, the Social Security Amendments of 1967, I, nevertheless, hope that it will be overwhelmingly approved by the Committee as a further, even if somewhat faltering, step along the right road of legislative concern for a major segment of the American people. I also urge its approval because, under the procedures being followed today, we are afforded no opportunity to alter the measure by amendment action; it is either this bill or no bill.

In general, the bill would principally provide an increase of 12½ percent across the board in current social security benefits for some 23 million of our older citizens with a minimum monthly benefit of $50; an adjustment in the earnings base so that the retirement benefit of a man 65 and his wife will be at least 50 percent of his average earnings under the social security program; a limited increase from $35 to $40 a month in the special payments now granted to citizens 72 years of age or older who did not work long enough to qualify for the regular benefits; an increase, much too moderate in the opinion of many committee members here, from $1,500 to $1,680 per year in the amount an individual may earn and still be eligible for full social security benefit payments, and it would provide monthly cash benefits for disabled widows and disabled dependent widowers at age 50 at reduced rates.

The bill also attempts to provide certain other improvements in the health insurance benefits, the system of doctor bill payments by medicare patients, and the administrative procedures affecting hospital and medical care for eligible persons.

Despite the widely held deep convictions about serious shortcomings and possible projection of real hardships inherent in many provisions of this measure, it does represent an earnest nonpartisan effort by the committee to reach a compromise agreement on cost of living benefit increases under modern conditions and more efficient administrative operation of the various Federal and Federal-State joint programs. The dedication and industry of the committee is unquestioned and the overall impact of the bill does contain a certain, if limited, measure of progress in the challenging legislative area of establishing an adequate social security system for our American people.

Let us, then, Mr. Chairman, accept this bill now while at the same time we pledge ourselves to its strengthening, liberalization, and expansion to more fully meet the basic needs of our older citizens, at the earliest opportunity in the future.

Mr. FEIGHAN. Mr. Chairman, I strongly support the Social Security Amendments of 1967. I have introduced several bills this session designed to improve the economic position of our social security and public assistance recipients. The amendments before us today incorporate the basic import of three of my bills. I believe that it is essential that the less fortunate members of our society—the disabled, the retired, the widowed, children of unemployed fathers—be afforded an income sufficient to help them live and maintain some degree of self-respect. The amendments of 1967 will do this. The scope of the amendments is most impressive. They cover virtually every aspect of social security and public assistance. I commend the members of the committee for their extensive analysis of the programs and the formation of the necessary amendments.

With the rise in living costs, the 12½-percent increase in retirement benefits is a much needed change. This increase is essential to guarantee our older citizens enough money for a secure retirement. Under the bill, $3.2 billion in additional retirement benefits will be paid to 23.7 million people next year.

In the area of health insurance, I was pleased to see significant changes, particularly the new provision permitting the physician to submit his itemized bill directly to the insurance carrier for payment. This will avoid the present undesirable situation whereby the doctor refuses to accept an assignment of the right to reimbursement because he will not agree that his total bill will not exceed the reasonable charges under the medical insurance plan. This results in serious financial hardship for the patient who is not in a position to pay the fee in advance of medicare reimbursement. Since medicare was designed primarily for individuals of this economically deprived class, the new method of billing will eliminate a gross injustice that has been imposed upon them.

I approve the changes in the program of aid to families with dependent children. For the first time, this program will be characterized by the positive approach of working with the members of the recipient family to get them jobs and off welfare. The States will be required to establish a comprehensive program to get employment for the adult members and older children not attending school. The State would be required to set up job-training programs, to set up day-care services when needed for children of mothers who are working or training, to offer family planning services, to establish programs designed to reduce illegitimate births, and to try harder to make deserting fathers support their families. An editorial discussing the proposed changes in the ADC program appeared in the Plain Dealer of August 15, 1967, which I am inserting in the Appendix of today's RECORD. This editorial disapproved the compulsion features.

The most significant change in the public assistance category will permit each State to have an earnings exemption under its program. This permission will become mandatory for each State after July 1, 1969. Under this provision, the first $30 of earned family income plus one-third of additional earnings would be retained by the family. I have favored legislation of this type for quite some time and feel that it is of paramount importance to give such an incentive to these people so that they will be stimulated to seek work. Thereby, those who help themselves will have their efforts rewarded.

The passage of these amendments will profoundly affect millions of our citizens. I believe that each recipient will be benefited by the changes. I urge each of you to support this bill.

Mr. PHILBIN. Mr. Chairman, this was a very difficult bill to write and to handle on the floor, but the able, esteemed chairman of the committee, and his fellow members, have done a very commendable job. And among the fine presentations was that of my dear, able friend and esteemed colleague, Congressman JAMES A. BURKE.

His speech was of the highest order—well documented, well conceived, and well delivered. Moreover, his total contributions in the great Ways and Means Committee, and in the House, constitute a very impressive, convincing, and most valuable effort that has greatly helped the cause of social security in the Nation. He deserves special commendation for his untiring, effective labors for the dependent children and other needy groups in our society.

I was a pioneer in social security legislation long before I ever came to this illustrious body. In fact, it was my high privilege to work and strive for this cause in the other body under the leadership of the late, lamented, great American statesman, Senator David I. Walsh, when the first social security bill was under consideration.

In the early days of the program, there were relatively few engaged in fostering social security. The program was challenged and misrepresented by those who saw in it a danger to our free economy and an experiment in visionary, ultraliberal, or even socialistic ventures.

But the passage of time has disposed of these criticisms more effectively than any words could do, and today the idea of social security is accepted without regard to partisan considerations by an overwhelming number of the American people and by this Congress. Indeed, today there will be relatively few here who will not vote for this bill.

Of course, this bill is not perfect. Far from it, the bill could be better and more adequate in several respects. But on whole it marks definite progress in our quest for ultimate social justice and equity for those who cannot speak or act for themselves and need help from their Government.

It is for the poor, the inarticulate, the sick, the oppressed, the downtrodden, the backward, and the despairing, and those bereft of hope and help by the vicissitudes of life and fate that this social security bill affirms the deep concern of the House and the devout aspirations of the people.

For the advanced in years, for the young in years whom the accident of birth has left stranded and abandoned on the shoals of misfortune, sickness and dire need, this bill affords some new hope and some urgently needed help.

The costs are great, growing and reaching toward new and disturbing heights, raising the question of how we can move to contrive more and better means to improve and strengthen the overall social security system. Congress must study more assiduously the prospects for improving the system in its entirety, and in adapting its features to sound, fiscal, and actuarial principles as well as to the needs, demands, and imperative requirements of the jet-space age.

Above all, this bill and the great social security system will insure older people who have labored faithfully during their lifetime, by means of their own contributions and Government contributions to sustain themselves and certain of their dear ones during their advanced years and in times of serious disability.

The bill is another step toward the perfection of a great instrumentality for social betterment and personal well-being for the people. It deserves our total support.

Mr. ZABLOCKI. Mr. Chairman, I rise in support of the legislation before the Committee today—the Social Security Amendments of 1967.

The bill which has been reported from the Ways and Means Committee is a wise and prudent one. It gives every evidence of having been carefully thought out and drafted.

I am particularly pleased that the committee has seen fit to include among the amendments one which my esteemed and able colleague, the gentleman from Ohio [Mr. VANIK], and I had particularly believed necessary.

The amendment we proposed will ease the burden of payment on some medicare recipients, thereby remedying a serious difficulty which has arisen since the enactment of the medicare program in the 89th Congress.

At present, under the supplementary benefits insurance program, a doctor has the option of dealing directly with the Government through the carrier agency, or of requiring the patient to pay the doctor directly. The patient then is paid by the Government on the basis of a receipted bill.

Because many doctors refuse to deal with the Government, the net result has been that in about half the cases in which an elderly beneficiary of medicare uses his supplementary insurance, he must first pay his doctor before he can be reimbursed by the Government.

Often as long as 3 months can elapse between the submission of a receipted bill and actual payment.

This situation has caused severe financial hardship for many of our elderly sick. It also has caused them considerable inconvenience and sometimes mental anguish.

Recognizing this problem, I introduced a bill—H.R. 6561—to remedy the situation by allowing payment to a beneficiary on the basis of an itemized bill.

In other words, Mr. Chairman, the elderly patient could be reimbursed by the Government, if the doctor did not choose to deal directly, and then he would pay his physician.

The bill before the House today contains that needed amendment. Some refinements have been added, but the basic effect is the same.

I know from the experience of the past year, from letters of complaint by elderly constituents and others across the Nation, that the amendment will be hailed by our senior citizens as removing an unfair burden from them.

The committee bill in this and in a number of other aspects is preferable and superior to the administration proposal—a proposal which, not unjustifiably, has caused considerable concern among the American people.

I am convinced that the committee bill meets those objections—objections which were raised in my own testimony before Ways and Means last March.

While it may be true that the Federal Government should be doing more to supplement—not supplant—State and local walfare efforts, that type of assistance should not be funded from social security revenues.

If such welfare assistance must be given, then let it be done from general revenues, as this bill provides.

After giving the bill before us today my careful study, I am convinced that it preserves the concept of an actuarily sound, self-financing insurance system.

At the same time, it provides needed increases to our elderly citizens in order to help their incomes and standards of living to keep pace with the inflationary trends of recent months.

Overall, Mr. Chairman, the measure is a good one. It does not have everything that some might have wished. At the same time, however, it provides what substantially is needed.

In the light of present national economic conditions and prospects, it appears more was not possible.

In conclusion, I want to commend the very able chairman of the Ways and Means Committee, the gentleman from Arkansas [Mr. MILLS], the ranking minority member, the gentleman from Wisconsin [Mr. BYRNES], and the rest of our colleagues on the committee for having reported to the House so practical and effective a measure.

Through their diligence and dedication millions of elderly Americans and other beneficiaries will be aided. Let us, then, add our own essential contribution to theirs by swiftly approving H.R. 12080, the Social Security Amendments of 1967.

Mr. MULTER. Mr. Chairman, it is regrettable that this bill comes before us under a closed rule. This is a typical case where a modified closed rule would have been in order. There are many things in the bill that this Committee should consider with a view to changing them, if that is the will of the Committee.

Under the present procedure, however, we must either vote for the entire bill or against it. I will vote for this bill on final passage with great reservation and with even more hope that when the bill gets to the other body it will be improved in many respects and when it is returned to this House by the conferees, it will be a better bill than we send to the other body.

I appreciate the hard work that Chairman MILLS and our distinguished colleagues serving on the Ways and Means Committee have done in connection with this bill and commend them therefor. This does not mean, however, that other members of this Committee should not have the right to propose on the floor what they think are improvements to the bill and, after debating those proposals, that the House work its will with reference thereto.

To mention but a few of the items that in my opinion need correction, I list the following:

First. The increase of minimum social security payments from $44 to $50 is inadequate. This sum should be higher.

Second. The sums that may be earned by recipients of social security benefits should be exempted. If not entirely exempted the sum should be in excess of that presently provided.

Third. As indicated by our distinguished colleague, the gentleman from New York [Mr. CAREY], the public assistance program provisions in this bill should be carefully examined and improved.

Fourth. As indicated by our distinguished colleague, the gentleman from New York [Mr. GILBERT], the medicaid provisions of this bill are far from satisfactory and can be improved.

There are other provisions in the bill which I will not take the time to enumerate requiring the attention of the full House.

Mr. Chairman, I have reviewed the bill reported out by the Committee on Ways and Means, and I intend to support it. I urge my colleagues to do likewise.

I do this with some hesitation, because it is my firm conviction that the proposals offered originally by the President were sound and just, and that they were preferable to the provisions of the bill on which we are to vote.

Certainly there are needs involved here that are self-evident, and we should stretch every effort to meet them, for they concern the lives and hopes of men, women, and children across the land. The President's proposals would have gone much farther in meeting these needs than this bill will do. They were more attuned to the needs of our times.

No one seriously questions the need to provide an increase in social security benefits. The increase proposed by President Johnson was a truly substantial one that would have lifted many social security beneficiaries out of the poverty level. The committee bill provides an increase that will be of real help to beneficiaries but will not meet the broader objectives of President Johnson's proposal.

Similarly, there can be little doubt that the disabled person under retirement age, frequently with young children, is among those hardest hit by hospital and medical expenses. President Johnson's proposal would have provided much needed help for these people by covering them under the health insurance program. The committee merely requires that the feasibility of this step be studied. It has already been studied; there is no time nor need for further study which means only further delay of a step that we can and should take right now.

Despite these and many other shortcomings of the committee bill we must vote for it. We must pass it. The provisions of the bill are too limited; but even so, they represent a degree of improvement. Since we may not amend the bill on the floor, we must vote on it—and pass it—as it has been reported.

In particular, there are three provisions that I think should have been retained as they are in H.R. 5710. The most important, of course, is the benefit increase. Under H.R. 12080 monthly benefits for retired workers now on the rolls who began to draw benefits at age 65 or later would range from $50 to $159.80, while under President Johnson's proposal the benefits for these workers would range from $70 to $163.30. The ultimate maximum benefit would be raised from $168 to $288 under H.R. 5710, rather than $212 under H.R. 12080, and the highest benefit payable to a family would be raised from $386 under present law to $540 under H.R. 5710, rather than $423.60. Benefit levels under the program have barely maintained over the years the purchasing power they had in 1940, the first year in which monthly social security benefits were paid. While the level of living of most people in the community has greatly increased as our economy has become more productive, social security benefit levels are still determined largely by standards in effect at the time the program was first established.

About three-fourths of the aged who get social security benefits, for example, are either living in what is looked upon as poverty today, or would be if it were not for social security and a very high proportion of the other one-fourth are very close to the poverty line. While the difference between the 15-percent increase recommended by President Johnson and the 12½-percent increase agreed upon by the committee may seem small to some people, I can assure you that this difference is substantial to the large number of beneficiaries who are trying to get along on incomes that are too small to meet their needs.

Another proposal recommended by President Johnson that I had hoped to see included in H.R. 12080 was the provision to extend hospital and supplementary medical insurance to social security disability beneficiaries, including disabled workers, people getting benefits on the basis of disabilities that occurred in childhood, and disabled widows. When people are unable to work because of a serious disability, they find themselves, so far as the need for health insurance is concerned, in much the same situation as older people. Many disabled beneficiaries are completely dependent on their social security benefits for their own support and the support of their families and few have regular income in addition to their benefits. Because of their impairments, they, like people over age 65, have relatively high medical expenses and often have poor insurance protection against such expenses.

I realize that the committee rejected this provision only after extensive consideration and I am hopeful that after further study by the Advisory Council that will be appointed to study the problem that a satisfactory provision will be worked out to meet this pressing need.

The third proposal that I would have liked to have seen retained as the President recommended it is the increase in the maximum amount of annual earnings taxed and credited for benefit purposes—the so-called earnings base. In the early years of the social security program, when the base was $3,000, virtually all covered workers, about 95 percent, had all of the earnings taxed and counted for benefits. And in spite of the fact that the base has been raised a number of times over the years, it has not kept pace with rising wages. In fact, it would take a base of about $15,000 to restore the situation that existed in the early years of the program under the $3,000 base. This means that over time a smaller and smaller proportion of the Nation's payrolls have been available to finance the program and more and more workers are getting social security bene-

fits that are related to less than their full earnings.

The three-step increase in the base that the President has recommended—to $10,800 ultimately—would be a major step in recapturing the ground we have lost over the years through failure to adequately adjust the earnings base and I want to express my concern over the fact that the committee cut back so substanially on this provision.

Nevertheless, in spite of these shortcomings, we have here a bill that does make substantial improvement in the social security program. In passing the bill, however, we must not delude ourselves into thinking that we have disposed of the problems involved. We must keep in mind the broader goals which this bill does not achieve. And we must work quickly to achieve these goals through legislation more closely in line with President Johnson's proposals and more closely related to the needs and objectives of the times we live in.

Mr. TUNNEY. Mr. Chairman, I rise in support of the Social Security Amendments of 1967 which provides for a 12.5 percent increase in benefits for more than 24 million Americans.

An increasing number of our population joins the ranks of the senior citizens each year. The number of older people in the United States equals the combined population of 20 of our States. An American born in 1900 could only expect to reach his 40th birthday; an American born today can expect to reach his 70th. Yet, 3 million aged couples earn less than $3,000 a year, 1.9 million less than $2,500 a year, and 5.7 million live on less than $1,800 per year.

These figures represent a national challenge—one that we must now meet by passing this legislation, which represents a minimal effort to allow our senior citizens to live out their later years in dignity and honor. We must all recognize that much more is needed and that the social security program must continually be updated and improved to meet the every increasing and constantly changing needs of our citizens.

Under the Social Security Amendments Act of 1967 average monthly benefits paid to retired workers and their wives is increased from $145 to $164 and minimum monthly benefits from $44 to $50. Monthly benefits would range from $50 to $159 for retired workers now on the social security rolls. The special benefit paid to certain uninsured individuals age 72 and over would be increased from $35 to $40 a month for a single person and from $52.50 to $60 for a couple.

The bill increases from $1,500 to $1,680 the amount of outside earnings a person may earn without the loss of social security benefits. Although this is far from adequate it does represent a step in the right direction. I introduced a bill to raise the amount to $3,600 which I feel is a much more realistic figure.

This legislation also improves the medicare program by increasing hospitalization coverage from 90 to 120 days. It also allows a patient to submit an itemized bill for payment under medicare rather than having to pay the bill first and then submit a paid receipt for reimbursement. Senior citizens, with a low income to begin with, cannot afford to divert precious resources to pay for high medical costs and then wait for reimbursement under medicare.

I am particularly pleased that this bill requires the Secretary of Health, Education, and Welfare's advisory council to submit by January of 1969, a report outlining the problems encountered thus far by medicare and setting forth recommendations for improvements. I know that many senior citizens in my district have expressed concern over the initial delays and problems of medicare. Although the program has now been greatly improved I feel that further streamlining is needed.

Mr. BINGHAM. Mr. Chairman, one of the most significant changes made in the Social Security Amendments of 1967 is the cutback in Federal funds for State medical assistance programs under title XIX. I vigorously oppose that cutback and fought to get permission to offer a floor amendment to delete this restriction on State programs for the medically indigent. My own State of New York would lose $29 million the first year, $40 million the second year, and $50 million the third year in Federal money. And it would lose such large sums because it had acted, in all good faith, on the Federal Government's 1965 promise to help fund State programs. Moreover, we are now treated to the sad spectacle of using Federal requirements and restrictions to downgrade State programs and reduce their effectiveness.

The penalty that New York, among other States, is paying for its own progressive and humane spirit is well described in an editorial of July 24, in the National Observer, which I insert in the RECORD for the benefit of my colleagues:

A LOOK AT MEDICAID

Medicare grabbed the headlines—at the time of its enactment into law, at the time it went into effect, and, this summer, at the time it observed its first anniversary. Still largely unknown is a companion program, medicaid, a Federal-state endeavor providing medical and hospital treatment for many people of all ages. The story of medicaid's progress in the past year, detailed on Page One of this newspaper, present a striking lesson on how not to form a Federal-state partnership.

Such partnerships are much the talk these days, as thinkers in both major parties scramble around for a new approach to replace the wornout New Deal philosophy of welfare programs. "Creative federalism" is one of the catchy phrases used to describe the promised new era of Federal, state, and local co-operation.

Medicaid may not have been what the creative federalists had in mind, but it certainly sounds much like what these idea men are talking about. Here was a need to be filled, the need to provide assistance to a large number of people who did not come under medicare's wing. Here, too, was a chance to let the states decide whether they wanted to establish programs to help the medically needy, with Federal funds available to help pay the bills. Washington would set up minimum standards for such programs, but the states could exercise some initiative and go beyond these standards to provide quite elaborate health-care benefits. And the states would run the programs. There was an opportunity for quite a measure of creativity.

Creativity there has been, so much so that the administrators and lawmakers who watched medicaid sail through without a murmur of protest are now shocked at what they have wrought.

There is surprise, for example, that a New Yorker earning close to $12,000 a year could qualify for government money as a "medical indigent." Yet serious illness and the necessity for prolonged, expensive treatment surely can wreck an otherwise comfortable pay check. Such a man is surely as entitled to community compassion and help as a welfare recipient. The real surprise about medicaid is that few anticipated the direction it would take.

So now there is talk of making "one or two changes" in the program to resolve the difficulties that arose because some states are taking full advantage of Washintgon's generosity. Remember, though, that the purpose of medicaid was to encourage generosity, to encourage the states to establish broad health-care programs in the grand spirit of Federal-state partnership.

The spirit turns out to be not so grand, with the senior partner proposing to change the partnership agreement. This must surely leave the junior partners wondering just what kind of future there is in creative federalism after all.

Mr. TAFT. Mr. Chairman, I have today supported the Social Security Amendments Act of 1967 as reported by the Ways and Means Committee and as passed by the House of Representatives.

In supporting the bill, I am not entirely happy with the tax increase that will be called for both in the way of a rate increase and in the way of an increase in the tax base. Both of these seem to me to put a considerable additional burden upon individual employees in the nature of a direct tax at a time when many of them, because of the increase in the cost of living, will find this very odorous. Also, I am not entirely happy that the bill fails to include in it a proposal made by Republican leadership sometime ago that any social security bill include in it an automatic increase in benefits tied to the cost of living.

However, the benefit increase is long since overdue, since there has been an increase of almost 8 percent in the cost of living since any increase in social security benefits. The 12½-percent increase that we have voted seems justified in view of this delay and the resulting lag in income of our pensioners in this country, many of whom could ill afford it.

There are other provisions of the bill which I think are extremely commendable and were important in obtaining my support. Particularly, I was happy to see passed a provision providing some incentive for those on welfare to get into the employment market again and obtain earnings in addition to their welfare payments. Under the bill as passed, a person on welfare would be able to retain $30 per month plus one-third of any amount in excess of $30 per month without having to deduct it from any benefit payments under welfare. There are also other provisions designed to encourage the rehabilitation of those on welfare through training.

The increase in the earnings exemption for those over 65 to $1,680 per year is a move in the right direction, although

perhaps not far enough. However, it seems to be as far as it was possible to go at the present time without a tremendous additional drain upon the system.

I am also happy to see some limitations put upon title XIX, the medicaid provisions of the bill to prevent a raid on the Treasury by States such as New York, which put income limits which were too high in the qualification sections and attempted to hog most of the funds available for this purpose.

Mr. ANDERSON of Illinois. Mr. Chairman, I rise in support of H.R. 12080, the Social Security Amendments of 1967. While the measure is not 100 percent to my liking, I think it does bring a long overdue and most welcome adjustment in monthly cash benefits. This will, to a great extent, assist retirees who have fallen behind the cost-of-living as a result of the inflationary spiral that we have witnessed in 1966 and 1967. As I testified when I appeared before the Ways and Means Committee, my regret was that a cost-of-living hike was not granted back in 1966 when it became so glaringly obvious that our social security retirees had fallen victim to the rising cost-of-living.

Another disappointment is that my proposal to provide for automatic cost-of-living increases was not implemented by this bill. So that whenever inflationary conditions prevail as they have these past years, there will continue to be this time-lag between the erosion of purchasing power of this group and the achievement of parity for them with the cost-of-living.

I do want to commend the committee for taking another step in increasing the earnings limitation if only to the extent of lifting the limitation by $180 a year. I would urge the commitee to give some further thought to raising this earnings limitation to at least $3,000. Many of my constituents had written me, pleading for the opportunity to be more self-sufficient, and that the present low earnings limitation was a terrible disincentive and too confiscatory in nature. Apartment and house rentals consume a good portion of their budget. Those who have been fortunate to acquire homeownership during their better years must resign themselves to this reduced income state. This leaves them with little or nothing for home maintenance, taxes or repairs. Those who are willing and able to work to supplement their income to improve their standard of living and to update their place of abode ought to be provided with the impetus that an earnings limitation of $3,000 would provide.

In addition to other improvements made by the bill now before us, I was impressed with and commend the committee for the improvements recommended in the public welfare program, the implementation of which can reasonably be expected to restore a good many more welfare recipients to a more useful and productive role in our society.

Mr. EILBERG. Mr. Chairman, early in this session, President Johnson forwarded one of the most important improvements in domestic policy, a proposal to reform our social security system. In his message to the Congress, he emphasized:

Social Security benefits today are grossly inadequate. Almost two and one-half million individuals receive benefits based on the minimum of $44 a month. The average monthly benefit is only $84.

In my opinion, Mr. Chairman, these figures could not even begin to allow decent living standards to the millions of Americans for whom these benefits are the only source of income. Yet, the Social Security Act was enacted into law for the precise purpose of providing our senior citizens basic economic security and dignity in their twilight years.

The President's recommendations to increase benefits are a worthy attempt to provide retired workers a decent standard of living. However, the revised bill has all but destroyed this revolutionary proposal.

For example, the President called for an across-the-board increase of at least 15 percent, with the minimum monthly benefits to be raised from $44 to $70. But the basic needs of the elderly were ignored and the bill now provides for an across-the-board increase of only 12½ percent, with the minimum monthly benefits to be raised from $44 to only $50.

These increases are not sufficient to meet the cost of today's living.

One of the most controversial provisions of the Social Security Act is the limitation on the amount of money a person may earn without suffering deductions from the insurance benefits payable to him.

Under the present system, each beneficiary under age 72, excepting disabled workers, may earn no more than $1,500 a year without suffering reduced benefits.

Under H.R. 12080, this amount is increased only to $1,680 a year or $140 a month. This small increase is insignificant.

And I believe the retirement test operates in an unfair manner, since it applies to persons who must work, but not to those who draw nonwork income. Obviously, people who receive minimum benefits and have to work are the chief victims of this restrictive law. Title II of the Social Security Act should be amended to increase to at least $3,000 the annual amount an individual is permitted to earn without suffering deductions from the insurance benefits payable to them.

Another particularly disturbing feature in this bill, Mr. Speaker, is that widowed fathers with minor children have been completely ignored and still will not receive insurance benefits to which they may be entitled.

Yet, despite the bill's shortcomings, Mr. Chairman, I urge its passage. We must not provide delays for so many people to receive these necessary benefits. I hope, however, that if the House adopts this bill, as reported, the other House will take the necessary action to improve H.R. 12080 with provisions I have indicated and others in keeping with the President's original proposal.

Mr. KEITH. Mr. Chairman, I commend my hardworking colleagues on the Ways and Means Committee for their constructive efforts to improve and modify the Social Security Act. Hundreds of letters from my constituents testify to the urgency of the need for updating of retirement benefits under social security, and I am pleased to support H.R. 12080.

I would like, however, to state my concern as to future developments in the field of social security. The social security system was established to provide essential or basic protection for retired persons. It was not intended to provide income sufficient in itself to constitute the sole retirement benefits for retired individuals. Certainly, it is and should be an important part of the retirement plans of most Americans. A basic question today, however, is how great a part it should be.

Hopefully, the inflationary spiral can be reduced and people will be able to start saving again, as well as putting more money into private savings plans and other pension systems. The dangers of inflation can be said to almost outweigh the benefits of increased social security. We must, as a Congress, do all in our power to provide confidence in our currency and promote interest in independent savings and retirement plans.

Some of our colleagues point out that when we increase social security payments, we cut down on the amount of money that could be put into private insurance and savings plans. Thus, we curtail the amount of capital that would be available to finance the Nation's growth which, of course, provides the jobs and living standards for our people.

The committee, in recommending a 12½-percent increase despite administration pressures for more, has shown an awareness and acceptance of the basic philosophy inherent in the original legislation. Social security must continue to be a base on which the individual builds additional retirement benefits, rather than the sole source of income for our retired citizens.

Mr. Chairman, I am pleased to join my colleagues in support of the Social Security Amendments of 1967.

Mr. RHODES of Pennsylvania. Mr. Chairman, I wish to speak in support of H.R. 12080.

I wish also to take this opportunity to commend and congratulate the great chairman of the Committee on Ways and Means, the honorable gentleman from Arkansas, on this bill which makes improvements in the social security program. I count it a high privilege to serve on this committee under his skilled and very able leadership.

I am particularly glad that the bill provides for an increase in social security benefits. The increased benefits will help not only the many millions of people who receive them directly but, because they are spent on the necessities of life, they are of direct benefit to the merchants and businesses in the communities where these beneficiaries live.

I would have liked to see a larger benefit increase provided, such as President Johnson recommended. It must be remembered that the aged constitute a high proportion of those who are categorized as poor. In addition, the overwhelming majority live on fixed incomes and hence the inflationary and cost-of-living elements are far more keenly felt.

The speakers who have preceded me have explained in some detail the other improvements that H.R. 12080 would make in our social security program—our Nation's chief program for preventing dependency when family income is cut off by old age, disablement, or death. I endorse these proposed improvements.

I am glad that the bill provides improvements in the medicare program. I strongly supported the enactment of that program, and it is gratifying to see it working out so well. H.R. 12080 includes my proposal to extend coverage under the medical insurance plan to the services performed by doctors of podiatry. These doctors perform a much needed and valuable service for the millions of older people who are so susceptible to diseases affecting the extremities. Doctors of podiatry are respected members of the medical team and perform services side by side with medical doctors in the best hospitals in the country. I believe that coverage of these services will greatly improve the protection that the medical insurance plan provides against the cost of the most important health needs of the aged.

Mr. Chairman, I would like to call particular attention to a provision in H.R. 12080 which would substantially improve the social security provisions for clergymen. There has been a good deal of interest by clergyman, and by church organizations on their behalf, in getting more adequate protection for clergymen. I am pleased that the Ways and Means Committee has acted to include my proposal on their behalf.

Under present law, clergyman cannot be covered under social security unless they elect coverage by filing a certificate before a specified deadline—in general, within 2 years after entering the ministry. Over 60,000 clergymen whose major activity is in the ministry, and many others who serve part time in the ministry, have failed to elect coverage before it was too late. I am concerned that these clergymen and their families are permanently without this protection. Under this new provision in the bill the services a clergyman performs in the exercise of his ministry would be covered automatically unless he states that he is conscientiously opposed to social security coverage on religious grounds. Indications are that few clergymen are conscientiously opposed to coverage. Thus the proposed provisions should substantially improve the coverage and protection for clergymen.

Mr. Chairman, in my view H.R. 12080 is another step toward our national goal of providing security and adequate medical care for our Nation's aged and disabled citizens. However, while the bill does evidence progress, it falls short of the proposals made by President Johnson and the improvements which I believe to be necessary.

I favor the $70 monthly minimum benefit proposed by the President. I was disappointed with the $50 minimum, and the inadequate general increase, of 12½ percent. I say this, because for many elderly citizens, social security is their only source of income. A $50 monthly benefit is shamefully low.

It seemed to me that the age requirement for retirement benefits should have been lowered to 60 years for both men and women. Such a provision would make possible the retirement of many persons over age 60 who are anxious to retire, particularly for physical reasons, but cannot afford to do so without an income.

Retirement at age 60 would also be a factor in opening up job opportunities for the unemployed which is especially important in meeting problems which lead to trouble in many of our cities.

The requirements for disability benefits needs to be liberalized. Present law calling for 20 quarters of coverage denies benefits to many disabled citizens. Many of them have families and are living in poverty.

Mr. Chairman, I am aware that before any of these really substantial improvements can be made in the social security program, we must give serious consideration to additional methods of financing.

In an attempt to deal with this problem, I have introduced legislation in the last Congress and again in this 90th Congress which would require that one-third of the revenue necessary for our social security program would come from general revenue.

If the elderly and the disabled are to benefit fully from the economic gains of our society, we must devise a method to finance adequate social security benefits without putting an undue and heavy burden on wage earners. The use of the progressive tax machinery of the Federal Government seems to be the most equitable way to resolve the problem.

It is difficult to see how social security benefits can be made adequate and other needed improvements made until Congress adopts this or a similar plan to help finance the program.

It is inevitable I believe that some future Congress will act favorably on it. Most of the Western democracies provide significant general revenue financing for its system of social security.

I support this bill because I believe it is the best possible under present circumstances. There is some hope that the other body will make some additional improvements. This is a compromise bill. It is far short of what the President requested and what some of us wanted, but it is an improvement over the 8-percent increase in benefits proposed in the original Republican bill.

Unlike the last Congress, the 90th is far more conservative and less sympathetic to the social security program and efforts to improve it.

Social security has always been a controversial issue. From the very beginning conservatives fought it and made many dire predictions. They said it would regiment the people, destroy initiative and bankrupt the Nation.

Despite the success of the social security program in assisting the elderly, the disabled and dependent children and strengthening our economy, similar dire predictions are still being made to block efforts to improve the program.

Since last February when the Ways and Means Committee began considering the social security amendment, a deceptive propaganda campaign has been launched to weaken the bill proposed by President Johnson.

An attempt was made to confuse young workers with the argument that the program was not fiscally sound and that it would cost them much more than they ever would receive in benefits.

Of course this argument has no basis in fact. Newsletters were sent out by opponents claiming that the payment of social security benefits upon retirement would no longer be an earned right but that a "means test" would be applied and only those retirees who could demonstrate need would receive payments. The fact is that there was never any "means test" considered by the committee.

A strong attack was also made on President Johnson's proposals to simplify the special tax treatment for the elderly. These reforms would have benefited about 95 percent of our elderly citizens. But the issue was distorted by the enemies of social security.

The chamber of commerce has played an important role in opposing the administration bill. In its August 11 Washington Report, the U.S. Chamber of Commerce stated that H.R. 12080 more nearly fits the pattern of the national chamber than recommendations in the administration bill, H.R. 5710.

It pointed to the compromise benefit of 12½ percent as being nearer to the 8 percent recommended by the chamber than to the 20 percent proposed by President Johnson. They also pointed to their proposal for a $47.50 monthly minimum benefit and the $50 compromise, compared to Johnson's request for a $70 minimum.

This opposition to the social security bill proposed by President Johnson had some influence in this 90th Congress. But the compromise bill generally reflects control of the U.S. House of Representatives by a conservative coalition of Republicans and southern Democrats.

There is a sharp difference in political philosophy over the social security issue. Its opponents have referred to it as welfare-state legislation.

To me it seems to be an important part of our war on poverty. But it is more than a program of social justice for our aged and disabled. It is also a stimulant for the economy, providing job opportunities and contributing much to our Nation's economic growth, progress, and prosperity.

The bill now before us should get unanimous support. It meets objections of opponents of the administration bill. And it should have the support of those who favored the President's proposal by accepting the best possible alternative.

Mr. FASCELL. Mr. Chairman, on August 3, 1967, the Ways and Means Committee reported to this Chamber the Social Security Amendments of 1967, H.R. 12080. In my opinion this comprehensive bill is a very responsible piece of legislation that provides a forthright and realistic approach to the problems with which it is concerned. The bill liberalizes those provisions of the Social Security Act that should be liberalized. At the same time it tightens those provisions that experience has shown should

be tightened for effective implementation. H.R. 12080 touches upon virtually every title of the act, but I shall mention only a few of the highlights.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM (OASDI)

H.R. 12080 calls for a 12½-percent across-the-board increase in OASDI benefits. For retired workers now on the social security rolls benefits would range from $50 to approximately $160 a month instead of the present range of $44 to $142 a month. Thus, the importance of this proposal to persons on a fixed income during the current period of rising prices is obvious, especially since social security payments are the major source of retirement income for the majority of the aged beneficiaries.

The bill also proposes changing the formula for computing benefits so that benefits will be more closely related to wages and the sharp disparity between preretirement and retirement income will be lessened. For example, under the current law, benefits based on an average monthly wage of $150 and paid to a husband and wife aged 65 years or more are equal to only about 78 percent of the average monthly wage; an aged couple's benefits based on an average monthly wage of $550 are equal to only about 46 percent of this wage. Under the proposed computation formula, an aged couple would receive benefits equal to 88 percent of a $150 average monthly wage and almost 52 percent of an average monthly wage of $550.

Under H.R. 12080, the annual maximum earnings base on which social security taxes are levied would be raised from the present $6,600 to $7,600. Thus, benefits would be related to a larger portion of the earnings of persons who have earnings above the present base. The initial earnings base covered full earnings of about 97 percent of the workers; the present base covers the full earnings of only about 75 percent of the workers, and this ratio will decline as earnings continue to rise. As you know, the earnings base is not only important for the benefit structure but also for the program's financial structure. If the higher base is adopted, only the slightest increase in the contribution rates will be necessary to finance the OASDI and the health insurance—HI—amendments called for in the bill.

In the field of disability, H.R. 12080 calls for more specific guidelines to point up the importance of medical factors in determining the degree of disability that must exist in order for a person to qualify for disability insurance benefits. The bill also introduces a new feature into the disability program by providing benefits to widows and dependent widowers who are disabled who have attained age 50. It also provides a less stringent insured status test for persons who become disabled before age 31 than the present 5-year work requirement applied to all ages and liberalizes the benefit income that may be received by persons eligible for disability payments under both social security and workmen's compensation.

Included among the other provisions of H.R. 12080 that affect OASDI are a liberalization of the insured status requirement of a mother in order for her child to be considered her dependent at the time of her retirement, death, or disability and an increase in the amount an individual may earn and still get full benefits.

HEALTH INSURANCE

The provision of H.R. 12080 that permits a third alternative for paying physicians under the supplementary medical insurance program, I think, is one of the major improvements the bill makes to the medicare program. At the present time, if a physician does not agree to accept an assignment from his patient and collect payment on his patient's behalf, the patient first must pay the physician and present a receipted bill to the carrier before he can be reimbursed. This of course can work severe hardships on those who do not have the wherewithal to advance the payment. H.R. 12080 provides an alternative whereby the patient would not have to make this advance before receiving reimbursement from the carrier. I also strongly support the proposal to permit the Department of Health, Education, and Welfare to experiment with methods of paying hospitals which would provide them with incentives for keeping costs down while maintaining the quality of care.

H.R. 12080 calls for increasing the number of hospital days permitted in a spell of illness from 90 to 120 days and for more lenient transitional provisions for eligibility for hospital insurance for uninsured persons who become 65 after 1968.

H.R. 12080 provides various methods to simplify the administration of the medicare program and to simplifying billing for hospitals.

PUBLIC ASSISTANCE

One of the most courageous and constructive portions of H.R. 12080, in my opinion, lies in the bill's amendments to the program of aid to families with dependent children—AFDC—a program which has aroused much criticism. A principal goal of the amendments is to make people on the AFDC program self-sufficient so that they may no longer require public assistance. To accomplish this objective, the bill would require States to provide AFDC adults and older children not in school with vocational counseling and training and to provide day-care services to AFDC working mothers. As a work incentive, States would be required to exempt a portion of the income earned by AFDC recipients so that their benefits would not be reduced by the total amount of their earnings. The bill modifies the optional unemployed fathers program to provide uniform eligibility requirements and tightens the program to assure that the unemployed find employment as soon as possible. More generous Federal matching would be provided to help the States implement these requirements.

Another purpose of the amendments in regard to the AFDC program is to reduce the incidence of illegitimate births and to prevent the neglect and abuse of children. States must provide family planning services to those who desire them; they must provide protective payments if parents or relatives are incompetent or irresponsible; and they must provide direct vendor payments where cash payments to a parent or relative would be detrimental to the welfare of the child. States would be required to bring to the attention of the proper legal authorities unsuitable conditions for children and develop a program to establish the paternity of illegitimate needy children and aid in securing support from the fathers for these children.

H.R. 12080 also calls for modifying title XIX—medicaid—in order to establish certain limits on Federal participation in the program and to make it administratively more flexible. The bill also expands and improves the child welfare and child health programs in the Social Security Act, which I have strongly supported. One new public assistance feature which I find interesting and helpful is the provision calling for 50-percent matching payments to States to meet costs of up to $500 to repair the home of a public assistance recipient if the home otherwise could not be occupied and the cost of rented quarters would exceed the cost of the repairs.

I sincerely hope that H.R. 12080 will be overwhelmingly adopted.

Mr. SMITH of Oklahoma. Mr. Chairman, I rise in support of H.R. 12080, which will provide an across-the-board increase of 12½ percent in social security payments to those persons in our country who are seriously injured due to the Great Society inflationary fiscal policies. Last year alone, the cost of living rose 3.3 percent, cash benefits have fallen 7 percentage points behind the Consumer Price Index and, in my opinion, it is a sad state of affairs that the administration has delayed action on this bill for so long.

Further, I approve this measure in that it increases the amount a person may earn and still receive full benefits. The present earning ceiling is totally inadequate. The increase that has been proposed by this bill reflects the financial reality that exists in our country today because of the present inflationary period.

I want to commend the honorable chairman of the Ways and Means Committee, the Honorable WILBUR MILLS, of Arkansas, and all the members of his committee, for their recommendations which we hope will correct the tremendous problem which exists in the administration of the payments of moneys to our welfare recipients. There will be a revolt one day of our country's taxpayers if something is not done about this business of "taking from the have's and giving to the have-not's." It is, in my opinion, good that the Ways and Means Committee has put some teeth into this legislation that will insist that irresponsible parents will be properly dealt with, and that the courts will be called upon to rule in cases of willful neglect involving children.

In the past 10 years, the aid to families with dependent children program has grown from 646,000 families that included 2.4 million recipients to 1.2 million families and neary 5 million recipients. It has been estimated that Federal funds alloted to this program will

rise from 1.6 billion to 1.84 billion over the next 5 years unless this constructive and concerted action is taken.

I approve of this bill in that it would restore more families to employment and self-reliance by making some substantial changes to the present program. This bill would establish a program for each AFDC adult or older child not attending school which would equip them for work and place them in a job. Those who refuse such training without good cause would be eliminated from the rolls. This bill would establish a community work and training program throughout each State by July 1969, and provides that protection payment and vendor payments would be made where appropriate to protect the welfare of children. It further provides day care for children of adult members of the family in order to allow the adults an opportunity for training and employment. And lastly, but probably most important, this bill provides an earning exemption to provide incentives for work by AFDC recipients. At the present, there is no provision in the Social Security Act by which States may permit employed parents to retain their earnings. This is a serious defect which this measure attempts to cure. The number of assistance recipients who take work or enter into a program can be decreased if the proper incentive exists. I certainly support the adoption of a work incentive provision.

Mr. Chairman, in my own State of Oklahoma, which has been said to be at the top of the welfare recipient rolls, particularly in the area of aid to dependent children, I know that our State legislature and the people of Oklahoma will welcome the provisions of this act pertaining to this particular problem.

It is my hope that the additional taxes which will be required to support this program can be counterbalanced by the training incentive programs which this bill contemplates, which in my opinion, will remove many people from the welfare rolls and place them in a productive environment as taxpayers instead of taxtakers.

Mr. REID of New York. Mr. Chairman, this bill does an injustice to those Americans who most critically need Federal assistance; it shortchanges our senior citizens and other needy Americans.

Although the bill would effect a 12½-percent across-the-board increase in social security benefits, in my judgment, this will be inadequate to meet fully the needs of our senior citizens. Moreover, the bill fails to take meaningful action to permit social security recipients to earn more than a nominal amount of supplementary income without sacrificing their benefits. Under present law, a beneficiary of social security may receive up to $1,500 in earned income without foregoing any of his benefits. For each $2 of earned income between $1,500 and $2,700, the recipient forfeits $1 of social security. Above $2,700, the loss is $1 in social security benefits for each $1 in earned income.

In an unfortunate display of what can only be called tokenism, the committee in its wisdom saw fit to recommend an increase merely of $180 in these limits. To those older Americans who depend in large part on a nominal amount of earned income to help make ends meet, the administration will appear to be playing politics at their expense. The limitation on earned income ought either to be substantially liberalized or eliminated altogether so that these older Americans need not live in fear of a personal financial crisis.

Mr. Chairman, this is just another example of this administration's false sense of economy. The place to cut Federal spending is in pork barrel public works and farm subsidies, not in the welfare of our senior citizens and other needy Americans.

Two other areas of the bill—relating to aid for dependent children and medicaid—are of particular concern to me, in light of their apparent adverse impact on New York State. I appreciate the committee's efforts to encourage greater independence and self-sufficiency by welfare recipients and I particularly approve of the provisions of the bill which would provide Federal funds to stimulate the establishment of day-care centers so that welfare mothers may receive job training. This part of the bill will accomplish much of what I sought to do in cosponsoring a bill with Senator JAVITS earlier this year.

Nevertheless, the proposed freeze of Federal participation in that portion of the AFDC program based on the absence of a parent at its level as of January 1967 would appear to be counterproductive. As Secretary Gardner most aptly stated earlier this week:

> I do not believe that children should have to pay for the real or supposed sins of their parents, and I think it would be shortsighted of a society to produce, by its neglect, a group of future citizens very likely to be unproductive and characterized by bitterness and alienation.

As for the proposed medicaid formula, it is my judgment that the more stringent eligibility requirements will penalize those States who have already implemented more far-reaching programs. New York State, in particular, would be forced to make drastic alterations either in its existing program or in the financing thereof.

Mr. Chairman, it is unfortunate in the extreme that those of us here today who share my view—or would otherwise seek to amend the bill—have given only the alternative of opposing it in its entirety. This is no time to tie the hands of Congressmen who have a broader perspective on the problems of our aged and needy.

With some reluctance, in light of the factors I have outlined, I shall vote in favor of this measure. It is my earnest hope that the Senate will take the initiative in making such modifications as will effect a full measure of assistance to those Americans who are most in need.

Mr. KUPFERMAN. Mr. Chairman, the problems of medicaid have been so well considered by Gov. Nelson A. Rockefeller, of my State of New York, in a recent speech at the Governor's Conference at Jackson Hole, Wyo., that I thought it should be brought to the attention of my colleagues during the consideration of medical assistance payments under title II—Public Welfare Amendments—of H.R. 12080 before us today.

As I indicated in my remarks to the House on the adoption of the rule—CONGRESSIONAL RECORD of August 16, at page H10613—one unfortunate aspect of the adoption of a closed rule allowing no amendments, was to prohibit to this Committee the opportunity of giving effect to such sensible analyses as that given by Governor Rockefeller to this question. It may very well be that if an opportunity were available, there might be amendment to the bill H.R. 12080 to perfect and improve the provisions on medicaid.

Governor Rockefeller's remarks follow:

EXCERPTS OF REMARKS BY GOV. NELSON A. ROCKEFELLER, ON MEDICAID, PREPARED FOR DELIVERY AT THE REPUBLICAN GOVERNOR'S CONFERENCE, JACKSON HOLE, WYO., JUNE 29, 1967

I regard it as one of our highest responsibilities as public leaders to provide the opportunity to our people to get the health care they need. This is a subject on which I have been vitally interested for many years.

Historically, private and non-profit health insurance companies have done a significant job in helping to provide good medical care for a large percentage of our people.

When I was Undersecretary of the Department of Health, Education and Welfare working for Mrs. Hobby and President Eisenhower, I tried to get the insurance industry to agree to a Federal reinsurance pool to encourage private insurance companies to write catastrophic health insurance—a desperately needed protection for American families.

Unfortunately, they opposed the idea. When I first became Governor in 1959, I undertook a comprehensive study looking toward the possibility of compulsory health insurance for New York State.

However, the idea then was too far ahead of its time. And the added costs to New York industries if we had acted alone might have had a serious effect on the industrial growth of our State, and therefore on employment opportunities as well.

At the Governors' Conference of 1960 I worked strenuously for the passage of a resolution in support of Medicare under Social Security to cover hospital costs for our older citizens. I vigorously supported Medicare because it was to be based on a contributory system of health insurance.

In my view, a contributory system is most desirable from the standpoint of fiscal soundness and because it respects and reasserts the dignity of the individual. The resolution was passed by the Governors, but, as you well know, the passage of Medicare itself had to wait another five years.

We are thereafter left with the Kerr-Mills law, enacted later that year, as an alternate means of financing health care for the elderly.

The Kerr-Mills concept represents a sharp difference from the principle of contributory health insurance. It is based on funds drawn from the general revenues. The beneficiaries make no financial contribution and therefore they would have little reason to feel any responsibility for the financial direction of the program.

There is no restraining force for its unlimited extension as in the case of a contributory system.

In 1965 the Congress finally adopted the contributory system of Medicare under Social Security to provide medical care for our older citizens.

Under this program in New York State we have about 1,700,000 persons over 65 enrolled in Part A, the hospitalization program of Medicare and about 1,600,000 enrolled in Part B of theh general care program of Medicare.

At the same time, the Congress enacted Title XIX, or Medicaid, which extended the Kerr-Mills program for older citizens to other persons defined as medically indigent.

The entire Medicaid program is financed from the general revenues of Federal, State and local governments.

As you know, before a State could receive the additional Federal aid under this expanded Kerr-Mills concept, the State had to improve its present medical assistance programs.

Washington was not going to put up Federal money merely to substitute for State and local funds that were already being expended.

In New York State we already had a similar medical assistance program going back to 1929 and Governor Al Smith's time.

At the time Medicaid was enacted, New York State provided general medical assistance, for example, to a family of four with a net income of $4,700 or less and hospital care for a family of four with a net income of $5,200 or less.

In response to the passage by Congress of Title XIX, we designed our State's matching Medicaid legislation to get the full share of Federal dollars available to New York.

Accordingly, we raised our standard so that, for example a family of four with an income of $6,000 is now eligible for assistance under Medicaid.

One of the key features of our New York program is that for the first time, we can help people struck by catastrophic illness.

Under prior means tests, these people were required to strip themselves of home and savings before they could receive assistance in paying medical and hospital bills.

In other words, if a person's legitimate medical costs are high enough, he can get help even though his income would initially appear to be above the level of medical indigency.

A case in point was an engineer with one of our major industries who earned $12,300 a year.

His wife suffered from chronic kidney failure and she had to have costly dialysis treatment to stay alive. Her medical expenses for one year alone totalled more than her husband's income. This family got help, under New York State's Medicaid program.

We have also given the people a program which provides for free choice of physician. In turn, the physician can use his own judgment as to whether he wants to participate in the program.

Today in New York State there are approximately 6,000,000 people eligible for assistance under the Medicaid program. In fiscal 1965, prior to Medicaid, we had 1,400,000 persons benefiting from State medical assistance programs at a cost of approximately $486,900,000.

For fiscal 1966, the first year under Medicaid, we had approximately 1,500,000 persons benefitting from this program at an approximate cost of $532,000,000.

For the current fiscal year of 1967 we estimate that 2,900,000 persons will benefit from Medicaid and that the cost will be approximately $738,000,000.

As for Medicaid, it raises two principle questions: cost, and administration.

1. From the cost standpoint we are faced with the fact that over 90 per cent of our New York population is under some form of private or non-profit health insurance.

New York State employers are already paying about $610,000,000 annually toward employee health insurance plans.

If any of the people covered by this private insurance are enrolled in or apply for Medicaid, they have to deduct benefits available from their private insurance first, before Medicaid will pay any of their medical expenses.

Our concern is that because of the eligibility of so many of these people for Medicaid the private health insurance plans will be dropped.

This turn of events would transfer a substantially increased financial burden to government.

Our Joint Legislative Committee on Public Health faced up to this problem and came up with a statewide contributory health insurance proposal.

Last February, I joined with the legislative leaders of both parties in supporting legislation to implement such a statewide contributory health insurance plan.

This program would have required basic medical and hospital coverage for thousands of employees and their families who now have no health insurance and who may not be eligible for assistance under public programs like Medicaid.

In addition to the estimated $610,000,000 that New York firms are already paying for health insurance, this proposal would have added about another $145,000,000—largely to be paid by firms that presently have no employee health insurance plan.

Under this contributory proposal, private and non-profit insurance companies would continue to provide employee health plans.

Thus the proposal would have preserved the enormously valuable ingredient of free enterprise in our health insurance system.

Also, the individual who can afford to would be bearing a share of his health insurance costs while benefiting from its coverage.

The contributory system offered another marked advantage.

Doctors, by and large, prefer to have insurance companies as fiscal intermediaries rather than government—and this they would have under our proposed contributory system.

Unfortunately, for all its merits, the program generated little support, and it was not enacted into law.

I had a small merchant in Schenectady complain to me about what it would have cost him to install an employee health insurance plan.

I explained to him that if he could not afford to provide this health protection, then it would be done by government.

And how is government going to raise the money?

Local government would probably increase his real estate taxes, he also pays Federal and State taxes, so he may have been better off by instituting his own employee health insurance plan.

Obviously under the present arrangement, Medicaid costs are going to keep rising.

Back at that 1960 Governors' Conference I expressed my concern that this kind of subsidy financing of health needs would eventually lead to great financial pressures on the Federal government.

Nevertheless, Medicaid is now a fact of life, and it does serve a vital purpose by making sure that no one need be barred from the medical care he needs for lack of financial resources.

But I continue to believe strongly that we ought to be giving serious consideration to greater use of the contributory health insurance principle in meeting the health needs of our people.

In my own State, I am hopeful that our Joint Legislative Committee on Public Health will continue to hold hearings to develop an acceptable contributory health insurance system for our State.

2. As for the functional aspects of Medicaid, of course we have had our problems.

The medical profession has been something less than enthusiastic from the outset.

This is ironic in a sense, since organized medicine bitterly opposed Medicare while accepting Kerr-Mills.

Yet, the Kerr-Mills program is the real parent of Medicaid.

There have been some other difficulties; delays in payments to physicians have occurred; application procedures are still too complicated; and some of the people who need Medicaid most, do not yet know that the program exists.

Yet, we are reasonably satisfied with our progress in implementing this massive and complex program.

What I have tried essentially to do today is to present some of the advantages and disadvantages to alternative methods of financing health care.

However, in my view, we do not have alternatives to a basic obligation;

—and that is to see that everyone has access to adequate medical care when needed, while at the same time we remove the specter of financial ruin as the cruel companion of sickness and disease.

Mr. SKUBITZ. Mr. Chairman, although I shall support H.R. 12080—the social security amendments reported to us by the House Ways and Means Committee—I do so with grave reservations. Since one can vote only "for or against" the bill under consideration, each Member must decide whether the good points outweigh his objections. I cannot find my objections more important than the urgent need for increases in social security benefits. Since we are considering this legislation under closed rule without the possibility of floor amendments, I must vote for it.

Of primary concern to me is that we overestimate the disposition of the American people to turn over more of their income to the social security program. The bill before us provides that the tax rate and the taxable income will climb steadily in the next 6 years until in 1973, the employer-employee tax rate will be 11.3 percent compared to the current 8.8 percent, and the taxable wage base which is now $6,600 will climb to $7,600. However, there is no provision in the bill to provide that the benefits will change with the economy in the next 6 years. In other words, we provide for adjustments of the taxes but not of the benefits.

As we continue to demand more of the monthly earnings of the taxpayers, we can expect an increasing number of them to take pencil in hand and start figuring. It does not take much paperwork to ascertain that a similar investment of their money into a private pension fund will yield them a significantly greater return. By our compulsory system of security, we are discouraging an investment which will benefit not only each individual, but our entire society which benefits from the investments of private retirement fund capital. I think this view of the social security system must be given more attention in the near future. The present and the future generations of our people will demand it.

Getting back to the need for benefit increases, I am disappointed in the minimum benefit increase recommended by

the committee. Those persons receiving the minimum benefit are our elder citizens who are most dependent upon social security. We are sending these persons to the welfare rolls for a supplement to their social security earnings. These people cannot see their way through from month to month and they live in constant fear of major medical expenses or other emergencies. It is my thought—and I implemented it into the social security bill I introduced this year—that money from the general revenues of the Treasury should be used to finance this minimum benefit increase to a level of $80 per month. I think we have a responsibility to these persons who were unable, for numerous reasons to contribute sufficiently to the social security program to receive a higher benefit. This responsibility belongs to all of our society—not just to social security contributors. It belongs to people like JOE SKUBITZ and the other Members here today who do not contribute one dime toward this responsibility, but who vote to increase the taxes on social security contributors. By utilizing Federal revenues, we could provide a well-deserved dignity to citizens who contributed much to the growth of this Nation when there was not a social security program to which they could contribute.

The people of our Nation are becoming more retirement conscious. The social security program has implemented much of their interest. The social security program was meant to "supplement" and not to be the sole source of income for our retired citizens. The benefits are based on this principle while the social security tax seems to speak a different philosophy. Irrespective of the principles of the program and the seeming inconsistency within the system's regulations, we have people who rely entirely upon social security. These are the persons receiving the minimum benefits and it is my hope that the other House of the Congress may give consideration to these persons.

Finally, I think we are too harshly penalizing many of our senior citizens by raising the outside earnings limitation by only $160, from $1,500 to $1,680. The proposal I offered to the committee recommended that retired persons be able to earn $2,000 per year before the $1 for every $2 earned withholding take effect and that they be able to earn $3,000 instead of the proposed $2,880 contained in H.R. 12080, before the $1 for $1 reduction would apply.

At the same time, I must register my endorsement of the committee in their view that the President's recommended tax provisions were not in the best interests of our society. I could not give my support to legislation which provided for taxing social security and railroad retirement as income as the President recommended.

Our elder citizens have too long suffered a burden for which they are not responsible; namely, government-caused inflation. Increases in the cost of living have hit hardest those persons living on fixed incomes. It is my responsibility as a legislator to evaluate the bill before us in terms of the best interests of the people I represent. I think recipients of social security benefits must have relief—if only temporary. This is what we are offering them in this legislation. Passing a bill which does not include provisions for automatic adjustments so the program can be responsive to the needs of tomorrow can be only temporary. We will be back here again considering social security, if not next year, the following, and on and on until we tie this program to the growth of our economy.

Mr. CONYERS. Mr. Chairman, as we are once again considering social security amendments, I feel it is time to look realistically at the problem at hand. There is wide agreement that increases in social security benefits are imperative, but I have some serious reservations regarding H.R. 12080 which we are considering today. The fact that the Social Security Amendments of 1967 are brought to the floor of the House under a closed rule, which prevents the introduction of amendments to clarify and to strengthen certain sections, is a source of concern.

The general benefit increase of 12½ percent actually does little to provide realistic or adequate benefits for retired citizens. The minimum benefit is increased to $50 per month; the average monthly benefit is raised to $164. Even with this increase, retirement will continue to mean impoverishment for many citizens. The President's request of a 20-percent increase is not wholly realistic compared to people's needs. An increase of 50 percent might begin to be adequate. The 12½-percent increase does little to come to grips with the problem of poverty that mars the "golden years" of so many citizens.

The increase in the wage base, the amount of earnings subject to tax and used in computation of benefits, to $7,600 a year, is meager. A more substantial increase in the wage base would be another way to raise the amount of benefits. The $7,600 wage base is not even comparable with the $3,000 wage base of 1937 in terms of the necessities of life the resulting benefits can provide. I question whether the successive social security benefits are even keeping pace with rising costs of living and inflation. It appears that we are regressing, providing less when needs are becoming greater.

The ceiling in terms of medicaid is another regressive measure. This could possibly impose a burden on those States with imaginative and realistic programs, causing them to reduce their budgets and reorganize their goals. If anything, this program should be expanded.

The provisions regarding the AFDC program seem particularly detrimental. It seems obvious that the number of families deserving aid is increasing while we propose to place a ceiling on the proportion of children entitled to benefits. We will be penalizing those States where the need is the greatest.

I am also cautious about the program encouraging relatives of dependent children to enter the work force. Unless the program is administered in a careful and cautious manner, it could possibly weaken the family structure in some cases.

I include a portion of the remarks make by John W. Gardner, Secretary of Health, Education, and Welfare, in his statement to the State regional welfare and rehabilitation officials in Washington, August 15, 1967. He discusses these problems fully.

The remarks follow:

Now let me turn to the proposed legislation as it was reported out of the Ways and Means Committee. We see some great opportunities in it. We also see some problems. There are things we wanted that we didn't get, and things we didn't want that we did get.

The bill as reported provides for a new kind of focus on the family as a total entity. We think this can be all to the good.

First, the States would be required to develop a comprehensive plan for each family and to review it frequently. Second, the States would be required to provide work and training programs for welfare recipients deemed "appropriate" for employment. I'll return to this point in a moment. And third, the States would have to provide greatly enlarged day care and homemaker services for employed AFDC mothers.

The comprehensive plan drawn up for each family would be based on an evaluation of the potentialities for employment of family members over sixteen who are not in school, the health and educational and training needs they might have, and the welfare of the children. If the evaluations are well and carefully done, if their goals are broader than the achievement of employment alone, and if the resulting plans are realistically and imaginatively laid, many families now on public assistance will find new hope, new confidence, new stability, and a new opportunity to become productive and participating—with all the increase in personal satisfaction and happiness that goes with it.

With respect to employment, we have had encouraging successes. Based on the work-experience programs that have been operating for a couple of years, we have every reason to believe that there are many more individuals who want to be and can be trained and employed.

It is perfectly obvious that not all mothers would wish to, or should, or could, work full-time, or perhaps even part-time. But the unknown number who wish to, or should, or could, ought to have that chance.

Thus far, participation in the work-experience programs has been entirely voluntary, though attractive incentives have been offered. The proposed legislation would make participation a condition for receiving assistance for those determined to be appropriate for work or training. But the bill provides that a recipient of public assistance may refuse such work-training for "good cause," and the existing law allows an individual to appeal any decision to the State agency. I have asked my staff to develop criteria for the administration of these provisions that will ensure protection of the rights of the individual. I am deeply concerned that those rights be preserved.

But what really matters is what happens to each family, and for all practical purposes that will be decided elsewhere, not in Washington. A mother might appear to be a good candidate for work and training on several grounds, yet special circumstances might make it desirable for her to delay entrance into the program. If determinations are made according to rigid formulas inflexibly applied, if lack of imagination and foresight characterize action at the decision level, then the result can only be grief for the individuals and families involved and defeat of the

purposes of the program, which are to strengthen the family and move it toward independence.

The work-training projects offer great opportunities, but like all opportunities, they must be exploited with wisdom as well as energy. At the very minimum, we must be sure that we are not preparing candidates for non-existent jobs. To stir expectations and then be unable to pay off is both immoral and foolish—and again, destructive of the ends of the program. But I would hope that we could go beyond merely giving vocational training for already existing or conventional, particularly dead end, jobs—that at least some of the projects would be consciously aimed at creating new careers in new kinds of jobs for the participants.

The provisions for day care also offer great potentialities for enriched educational and play programs that would enhance the youngsters' chances for healthy intellectual and emotional growth.

There are other provisions of the proposed law that we feel will make it possible for us to be more helpful to you. I am particularly glad, for example, that increased funds have been made available for child welfare services and maternal and child health.

There is also, however, a debit side to the proposed legislation from our point of view. We feel that some of it, quite apart from other objections to it which might be made, would have the effect of defeating or weakening the overall purposes of the bill.

The Ways and Means Committee rightly places great emphasis on the work and training programs. Yet it deleted the Administration provision that would make it mandatory upon the States to pay full need, as defined by each State itself, to public assistance recipients, and to reprice such standards each year. And I don't need to tell you that most States' definitions of full need are far from prodigal. I will recommend to the Senate the reinstatement of these provisions which were included in the Administration proposal.

Full need has been paid to participants in the successful work-training programs, and we had predicated our request for an expansion of such programs on the assumption that full need would be met. That is one of the things we asked for and didn't get.

Something we did not ask for and did get was the ceiling which the Committee placed on the AFDC program. The proportion of children on the rolls because of the absence or desertion of a parent would be frozen as of the proportion obtaining in January of this year. I will recommend to the Senate deletion of the provision.

Under the House amendment, the Federal Government would be foreclosed from sharing in the support of children whose condition is precisely the same as that of children already being assisted. The States would be encouraged—virtually forced—to establish even more restrictive eligibility requirements, or else to lower the already inadequate support being paid.

I do not believe that children should have to pay for the shortcomings and inequities of the society into which they are born. I do not believe that children should have to pay for the real or supposed sins of their parents. And I think it would be shortsighted of a society to produce, by its neglect, a group of future citizens very likely to be unproductive and characterized by bitterness and alienation.

Earlier, I spoke of the new opportunities we have to start to do the job that we know needs to be done. But it would be dishonest not to acknowledge the real obstacles we face in trying to do it. Since we don't have all day, I won't name them all.

The first and most obvious thing to say is that many of the problems encountered by the welfare program will not be solved within the context of the welfare program itself. They are rooted in the fact of poverty and all that goes with it—bad housing, poor schools, dismal and decayed neighborhoods, crime, family life that is often unstable, and the feelings of despair, apathy, and hopelessness harbored by so many who are trapped in such environments.

I believe that those in public welfare have been criticized, too often and unfairly, for failure to surmount problems that are beyond their scope and power. Poverty itself is the enemy, and it will take a good deal more than changes in the welfare system to conquer it.

But we here today have to work within the immediate context, with the resources we now have available and within the restrictions placed upon us. We are able to reach only a fraction of the poor—about one-fourth—with financial help. We are able to reach a much smaller fraction of those who need social and rehabilitative services. The very least we can do is to deliver the available money and services effectively to those we are now able to help. We must be ardent advocates for these immediate clients of ours, but we must also strive to keep the eyes of the Nation on the 24 million poor Americans who receive no financial help; on the 5 million children whose fathers work full time all year round and still cannot make enough to support their families adequately; on the millions more, poor or not, who need various kinds of help and service to cope responsibly and fully in a complex society.

I said that we have to act within the present context. That does not mean that we cannot look beyond it. The extremely valuable report made to me by the Advisory Council on Public Welfare enlarges our vision of the job remaining to be done. One may or may not believe that the route proposed by the Council is the best possible one to reach our goal. But it makes vividly clear the massive commitment of resources and talent that will be required no matter which route is chosen.

I have talked mostly about welfare today because this is a critical moment for our public assistance programs. But in a sense this is a critical moment for all of the programs involved in the reorganization for all of the children we are able to reach through medical and other services; for all of the aged whose lives can be enriched in a great variety of ways; for all of the handicapped who can be helped toward more independent and satisfying lives.

For those of us involved in these fields, I think it is fair to say that there has never been a time when we saw the needs more clearly or were willing to face the problems more honestly. We are now prepared to say that we want a Nation in which no one is damaged by circumstances that can be prevented, a Nation in which everyone is enabled to make the most of his potentialities, a Nation in which no one is shut out from the life of society.

To achieve this kind of Nation will require a mobilization of public understanding and support far beyond anything we have attempted so far. I assure you that I will do my best to try to enlarge public understanding and rally the support we need. And I urge you to do the same in your communities. We need hands to help us and heads to think with us. Make the most of your old allies in the voluntary agencies and other groups. Rally new allies from the great pool of talented womanpower, from students, from businessmen, from all who will want to have a share in conquering our problems when they are helped to understand what those problems are. You will be doing them a favor. And you will be doing the country a great service.

Mr. HELSTOSKI. Mr. Chairman, H.R. 12080, the Social Security Amendments of 1967, is one of the most important and comprehensive bills to come before this House during this session of Congress. I rise to indicate my support of this legislation because it means so much to our senior citizens. At the same time, I am disappointed that the legislation does not contain a greater percentage basis for increased social security payments.

Under the amendments proposed in this legislation, a general benefit increase would be granted to people on the social security rolls in the amount of 12½ percent. The resulting increase would increase the average monthly benefit from $145 to $164 to a retired worker and his wife. This is an increase of $19 per month. The minimum benefit would be increased from $44 to $50 a month, or an increase of only $6. This modest increase would be wiped out by the expected higher cost of living which is predicted by economists to continue its rise for some time to come. This will not, in the long run, assist our elderly very much if they are to meet this higher living cost out of these small increases.

However, since we are considering this legislation, even with its modest increase in benefits, we should consider other aspects of the bill and proceed to adopt it even if it falls short of granting monetary benefits to those who need it at the twilight of their lives.

This social security bill, provides for added benefits, disability payments, aid to dependent children, State medical assistance programs and is one of the most significant bills which will come up during the 90th Congress. In it we are also increasing the earning limitations from the current $1,500 to $1,680, again a modest sum, but which may help some of our elderly beneficiaries. Many of my constituents have written me and have expressed their feelings that the earnings limitation be raised to at least $2,000 to permit them to earn a little bit more to make their life more comfortable. I agree with them in this respect and had hoped that the Ways and Means Committee would have followed this thought.

I must commend the chairman of the Ways and Means Committee and its members for the diligence and time they have given to this legislation through the prolonged hearings and executive sesions they have held on it.

I have listened to the debate on this legislation and have come to the conclusion that certain portions of it could have been improved, but since this legislation is not subject to floor amendment we must take what has been offered and hope that the objections voiced here today will not be as far reaching as has been indicated. Only time will tell whether this is a just objection to this legislation.

It is my hope that in adopting this bill our older citizens, those who are disabled, the dependent children, and all others who are eligible for welfare benefits will have their life improved, either through financial benefits or otherwise.

I am sure that the House will give overwhelming approval to this bill, since

it does represent some progress, even though certain portions of it can be improved.

Mr. THOMPSON of New Jersey. Mr. Chairman, I rise in the support of H.R. 12080 particularly in regard to its provisions for improvement and simplifications in the medicare program. The implementation of the medicare program has not always been smooth, and there are no doubt challenges that lie ahead. But no one on this floor who has followed the program from its inception and witnessed its development can deny that its accomplishments have been dramatic and that the program has already more than proved its worth.

One of the major accomplishments of medicare is that it has made available insured alternatives to hospital care; that is, hospital outpatient services when appropriate for diagnosis or treatment; posthospital extended care when further hospitalization is not the most appropriate level of care; home health care when that is the most appropriate medical response; and the coverage of physicians' services for home and office visits as well as in the hospital. Physicians have arranged home health care for over 200,000 people. Since January 1, about 200,000 people have been admitted to extended care facilities. Twenty-five million bills have been submitted for medical services, primarily physicians' services, under the voluntary medical insurance program. Six hundered and forty million dollars have been paid out under this program.

In addition to those who received care under the program, medicare has meant that older people had the security that comes from knowing that serious illness is much less likely to be a major financial problem for them or require them to seek financial help from their children. That is, of course, particularly true for the 40 to 50 percent of older people who had no insurance prior to medicare, but is also true of the large number of aged who had some insurance but much less comprehensive protection than is provided by the medicare program.

Another accomplishment of medicare and an accomplishment which affects not only the elderly, but patients of all ages, is the upgrading of health care that is taking place as the result of the quality standards established under medicare. The participation in medicare of all but 2 or 3 percent of the acute-care hospitals in the country, the participation of over 4,000 extended care facilities representing approximately half of all the skilled nursing home beds in the country, and the participation of some 1,800 home health agencies is conditioned upon the institution meeting quality-care capabilities in respect to physical facilities, personnel, and patient-care policy. Some 2,450 independent laboratories of the country have also met quality standards in order to participate in the medicare program. A substantial upgrading has already taken place in many institutions while others are being required to upgrade further as a condition of continuance in the program.

Another important way in which medicare has improved the quality of health care is that conformity with title VI of the Civil Rights Act by the institutions involved has meant, in many communities, that minority group members now have access to high-quality care for the first time.

These are all major accomplishments of great importance to the health and dignity of individuals. I believe that all who have taken part have a right to feel pride in these accomplishments. They are important, permanent improvements for the good of America.

It is regrettable, Mr. Chairman, that this eminently successful program does not benefit disabled social security beneficiaries. Disabled social security beneficiaries, like the aged, are hospitalized frequently and in many cases their hospital stays are long. According to a survey of workers found disabled under the social security disability provisions—conducted by the Social Security Administration in 1960—about one out of five disability beneficiaries under social security received care in short-stay hospitals in the survey year; and, excluding hospitalization in long-term institutions, half of those hospitalized were in the hospital for 3 weeks or more.

Totally disabled people also have comparatively low incomes, although they depend in part upon the earnings of a spouse more often than do the aged. According to the Social Security Administration's 1960 survey of disabled workers, one-half of the married disability beneficiary units—family units composed of disabled workers and spouses and their children, if any—had income, not counting social security benefits, of less than $170 per month. The bulk of the income for most of these family units came from the earnings of a working spouse. One-half of the nonmarried disability benefiiciaries had income, not counting social security benefits, of less than $7 per month—there being no spouse present to work. Consequently, many people with long-term disabilities must, like the aged before medicare, turn to their children and other relatives and to public agencies for aid in meeting the costs of illnesses that require hospitalization.

Also illustrative of the need of the disabled for medicare protection are data from the national health survey which show that men age 17 to 64 who were unable to work averaged much higher per year in number of days of care in short-stay hospitals, number of physician visits, and personal medical expenses than did men in that age group who were "not limited" in ability to work or men age 65 and over. For example, in the area of hospital utilization, those unable to work averaged 9.5 days per person for the period July 1964–June 1965 as compared with an average of 0.6 days for men age 17 to 65 without a work limitation and an average of 2.4 days for men age 65 and over for the same period.

Mr. Chairman, while the committee bill may not go as far as I would wish in some respects, I can lend it my wholehearted support and I ask each of my colleagues to vote for passage of the bill.

Mr. MACHEN. Mr. Chairman, it is with great pleasure that I assist with the passage of the Social Security Amendments of 1967. The increase of 12½ percent which is provided for those on pensions is badly needed. These older people are the ones who are hurt the most when inflation hits and they are the ones who have the least resources to fight it. Therefore, it is only proper that we pass, with dispatch, this increase, and I doubt that there are many who would oppose this move.

However, I would like to direct my remarks to the far-reaching and innovative amendments proposed to the AFDC program and child welfare legislation.

All Americans have been deeply concerned about the implications of the "welfare" problem. The increasing number of persons on the rolls in these days of escalating costs and high deficit spending has disturbed many of us who view the severe budget imbalance with alarm. Furthermore, it is highly uncertain that welfare payments are truly providing for the "welfare" of anyone. There has been increasing criticism of the administration and philosophy of the traditional welfare system which has seemed to imply a paternalism which is totally at variance with the war on poverty approach which endeavors to help people to help themselves.

We must face the fact that the overwhelming bulk of welfare recipients are dependent children and their mothers. The breakdown of the family structure and resulting inability of fathers and mothers to provide for their children is proving an increasing burden and it can be established that this breakdown is the root of most of our social problems.

There is no sense in hiding our heads in the sand any longer about this problem. Services are needed, incentives must be provided, and the unemployable must be made employable. This is what is required, not "more of the same" in terms of simply a dole. This bill shifts the emphasis from the "dole" onto drawing the appropriate members of AFDC families into employability.

This bill requires that all States establish a program for analyzing the employability of each adult and older child and take whatever steps are necessary for the upgrading of the recipient so that he or she can profit by training. Furthermore, in addition to testing, basic education, job training, and special job development, this plan may provide for homemaker services, counseling, and medical services. I commend this very realistic approach which takes into account the problems facing many of the recipients in terms of basic education and readiness to enter the workaday world.

Second, it requires that appropriate family planning services be made available and that programs be developed to reduce the number of illegitimate births and to establish the paternity of the illegitimate children to facilitate obtaining support for them.

The committee believes, and I heartily concur, that many mothers of children on AFDC have a desire to work and improve their economic situation if they could only find adequate facilities for the day care of their children. This bill provides for substantial Federal contribu-

tion to the financing of day-care services. One of the most innovative recommendations of the committee is that certain mothers on AFDC be trained to care for the children of others. This contribution toward day-care facilities is a response to State and local departments' urging.

As part of the comprehensive attack against problems of finding employment for welfare recipients, this legislation makes mandatory on all States the establishment of community work and training programs in all areas where there are significant numbers of AFDC recipients over 16. Although these programs were authorized in 1962, very few States have set them up. However, with this mandatory provision, employment opportunities will be brought within the reach of many that previously had great difficulty.

The chairman and committee should be highly commended for the tremendous amount of work that has gone into this bill and for the creative and constructive thinking that structured it. Of course, the final success of these programs will depend upon the ability of the local and State welfare agencies to implement them. I hope, with the safeguards and checks written into this legislation that the full intent will be carried out as it affects the individual welfare recipients.

Mr. MYERS. Mr. Chairman, today we will pass this bill in the House and it is much needed and long overdue. I shall vote for it, but there are some things about this bill I certainly would liked to have seen changed.

I believe the minimum benefits should have been increased. I very much agree that this is not a welfare program and should not be treated as such. It is a program that must be kept in line as a program that we contribute to and the benefits made under it should be in proportion to the earnings and contribution as any other insurance program. However, we have had an unprecedented inflation take over our economy. When the existing structure of benefits were established, it was based on a different economy. It is only fair now to improve the minimum to correspond with the increase in the cost of living. These people living solely on their social security check must be taken care of, either through a social security program or public welfare.

This was an opportunity to take the social security program out of politics by establishing a cost-of-living clause to future benefits. I regret that this was not considered by the committee.

Mr. LLOYD. Mr. Chairman, I approve the social security legislation recommended by the Ways and Means Committee and add by commendation to the members of that committee for their long and painstaking investigation in which their consideration of all proposals for amendment have been exhaustive. I also recognize that for the Rules Committee to have opened up the legislation to amendment on the floor would inevitably have led to a situation approaching chaos. Perhaps most of us among the 435 Members of the House of Representatives would have desired to take advantage of the opportunity of proposing our own controversial amendments.

Incentive to earn additional income in addition to receiving the amounts earned under the insurance program must not be unreasonably discouraged. The matter of free choice of properly recognized medical service is one which must have continuing fair examination by the committee and by the members.

As demands for enlargement of the scope and increase in benefits under social security increase, I am most fearful that sufficient consideration will be given to the damaging impact upon small employers who do not have the ability to absorb added unreasonable costs or the ability to absorb losses over extended periods of time.

This Congress has many committees assigned to encouraging small business. If our expressions of concern for our small businessmen are to be more than lip service or the extending of subsidies, we must be sincere in recognizing the vital handicaps placed upon self-reliant smaller employers when we impose upon them continuing increases in the cost of doing business.

I support the principle of social security as an accepted part of our free system. We must make sure that this remains a responsible insurance program and not a system providing welfare at wholesale, thereby encouraging independent citizens to become increasingly dependent.

Mr. ROTH. Mr. Chairman, the chairman and members of the Ways and Means Committee are to be commended for their efforts on this massive legislation before the House today. It is, however, unfortunate that the rule under which we consider H.R. 12080 precludes the House from further improving the bill. For this reason, I did not support the adoption of the rule, since I feel strongly that the earnings limit proposed in the committee bill should be increased to at least $1,800 per year and $150 a month, and the amount recommended by the administration and the committee is inadequate.

Initially, the retirement test was established for the acknowledged purpose of driving older workers from the labor market to make room for younger men. But, over the years, the amount a beneficiary may earn without forfeiting part or all of his benefits has increased, indicating that the original aims of this provision have been abandoned.

Gerontologists tell us it is not harmful to a person to work after age 65. As a matter of fact, we now know it may be good for him, both physically and mentally, to keep his hand in and maintain his pride in himself. Industry has need for these older Americans, and organized labor has ceased its opposition to their employment as job opportunities increase apace with our growing economy.

Many men and women upon reaching the eligible age for social security benefits, feeling entitled to a return on the money they invested during their working years, decide to cease working; or, having begun receiving their monthly checks, purposefully hold down their monthly and annual earnings so they will not lose their benefits.

Notwithstanding the increases in the earnings limitations over the years, it is obvious that the rising cost of living has eroded the real value of these increases in terms of purchasing power. Thus, while the amount of the earning test has been raised 2½ times since 1950, the real buying power has not even doubled. By this, I do not infer that there is, or should necessarily be, a direct correlation between the earnings limitation figure and the rise in the cost of living. But, it does serve to point up the inadequacy of the proposed increase in this bill.

The persons who will benefit most from an increase in the amount of the retirement test are those at the lower end of the benefit scale. It is safe to assume, I believe, that those in the middle and upper ranges have made other provisions for their retirement years through insurance policies and investments, and that the increase in the earnings limitation would not mean as much to the latter categories as it would to those who must continue to work in order to make ends meet.

If this is an insurance program, ideally, outside earnings ought not to be limited at all. At present, however, the cost of such a change in the program is prohibitive. Still, some accommodation should be made to enable retired workers to meet the demands of the times as costs continue their steep rise to the severe detriment of those on fixed incomes. Those deriving a substantial income from insurance, bonds, or stock do not lose a single penny even though they may receive $50,000 or more a year from these sources. Should not the small man receive better treatment at our hands?

I hope therefore that the other body, after receiving this bill, would study carefully the possibilities of further increasing the retirement test amount and raise it to at least $1,800, retaining the $1,200 "one-for-two" band. In so doing, we would alleviate somewhat the tight financial situations in which many of our older citizens find themselves, and provide them encouragement to continue to earn a livelihood.

Mr. PELLY. Mr. Chairman, I rise in support of H.R. 12080, the Social Security Amendments of 1967. I am disappointed that the increase in benefits only amounts to 12½ percent, but there is nothing that can be done about that here on the floor of the House since no amendments can be offered.

Mr. Chairman, in this day of spiraling inflation it is imperative that everything possible be done to protect the older Americans who live on this fixed income. I am pleased that this 1967 social security bill allows a person to earn more outside income without losing benefits; however, I supported the position that more than $1,680 in outside earnings should be allowable.

This is, Mr. Chairman, a case where a small piece of bread is better than no bread at all.

Therefore, I would only comment that I am pleased that at long last some recognition has been given to the needs of

our older Americans. I have advocated increasing the benefits to retirees under social security a long time.

Mr. Chairman, I intend to vote for this bill, and I strongly urge its passage.

Mr. BARRETT. Mr. Chairman, the House has before it a proposal in H.R. 12080 to make needed improvements to a number of the programs under the Social Security Act. We are presented with a take-it-or-leave-it situation, a closed rule, in that no amendments to the bill are in order except those offered by the direction of the Committee on Ways and Means.

The bill will undoubtedly pass, not because it is the most desired, but because part of a loaf is better than no loaf at all.

H.R. 12080 is evidently the result of political reality—politics—which is the art of compromise; the committee recognizing the mood, temper, and forces at work in the House. In essence, the existence and activity of the old coalition of yesterday, which would scale down or defeat legislation intended for the benefit of the vast majority of the people of our country.

Mr. Chairman, we have seen this year the evidence of the activity of that coalition in the House—in the denial of funds for the continuation of the rent supplement program; the illogical cuts in a number of appropriation bills; the damage done to the Elementary and Secondary Education Amendments of 1967; and, the action to prevent consideration of the Rat Control and Extermination Act of 1967, to mention a few.

In early April of this year I addressed the House regarding H.R. 5710, the original proposal introduced to amend the Social Security Act, following the recommendations of President Johnson, as first outlined in his message to Congress of January 23, 1967, entitled "Aid for the Aged." In referring to that proposal I said that the bill offers a wide range of badly needed improvements in social security benefits; and it offers a sound and equitable program for financing them. The provisions of H.R. 5710 would have resulted in an average 20-percent increase in benefit payments. The present bill, H.R. 12080, we all recognize, is a scaled-down version of H.R. 5710; it provides for a general benefit increase of only 12½ percent for people on the social security rolls.

Those who support H.R. 12080 in preference to H.R. 5710 may base their position on the so-called philosophy of economy. But, I for one, fail to see how one can economize where the question of living is involved. And when I say living I mean meeting the basic costs of living—rent, food, utilities, and so forth.

Mr. Chairman, it is my earnest opinion that today nobody in retirement, social security or otherwise, should receive less than $100 per month. Even with this amount one can barely get sufficient food, let alone pay monthly bills, such as utilities, rent, clothing, medical necessities, and the others to keep one's self together with some degree of dignity.

Recognizing, as I said before, that part of a loaf is better than no loaf at all, I will vote for passage of the bill.

Mr. LANGEN. Mr. Chairman, I wish to express my general support of the social security bill before us. It provides badly needed cost-of-living increases for our elder citizens on fixed incomes while at the same time eliminates a number of objectionable features originally proposed by the administration.

This legislation provides a general increase of 12.5 percent in benefits and a minimum increase of at least $6 a month

Uncurbed deficit spending over the past 7 years has put a particularly grievous strain on our older people, and the Congress cannot permit these people, who have paid into the social security fund over the years, to become second-class citizens on their retirement.

I was pleased to see some of my own proposals incorporated into this bill, including an increase in the amount a person may earn without having his social security benefits reduced or eliminated. The amount a person may earn, although increased from $1,500 a year to $1,680, is not as large an increase as I would have preferred. But it at least is a step in the right direction toward encouraging our senior citizens to continue to utilize their talents and initiatives.

I am also pleased that certan objectionable administration proposals were eliminated in the bill before us. In its original form, the bill would have severely handicapped senior citizens by making social security payments subject to income taxes for the first time and also would have removed the double exemption for people over the age of 65. The Ways and Means Committee very wisely eliminated those proposals.

I also note that the amount of earnings which would be subject to payroll taxes for social security would be increased from the present $6,600 a year to $7,600 a year, effective January 1, 1968, and that the combined employer-employee payroll tax, now 8.8 percent, would increase to 9.6 percent by 1971. It is obvious that we cannot increase benefits being paid from the social security fund without increasing revenues going into the fund. By holding the benefit increase to 12.5 percent, the tax deductions were also held to a minimum.

Mr. LONG of Maryland. Mr. Chairman, I want to take this opportunity to commend the chairman of our committee, the gentleman from Arkansas, on the truly outstanding way in which he has conducted the consideration by the committee of the many proposals and complex issues through many weeks of study which preceded the introduction of H.R. 12080. We owe him a debt of gratitude for the great services he has rendered to our Nation on this and on many other occasions.

Not the least of the important contributions which have been made by our chairman over the years in major areas of legislation are those toward the improvement of the social security program.

Our social security program has now been in successful operation for more than three decades. And today it has an even more vital role in our American society than ever before. This program has so successfully withstood the test of time because it was established on sound principles, because these principles have been faithfully followed by the Congress in enlarging and improving the program, and because from the beginning it has been administered with dedication to the idea that the public good must always be paramount. I believe that it is for these reasons that our social security program continues to have such large measure of public support.

Mr. Chairman, H.R. 12080 is another important forward step in the improvement of this program. The amendments of the Social Security Act proposed in H.R. 12080 represent a big step in maintaining the vitality of social security as a strong basic program of income maintenance for the aged, the disabled, the widowed, and the orphaned. It is only by modifying the program to meet the challenges of changing circumstances and conditions of living in our country that social security can continue to make its contribution to a viable, resilient, and progressive American society.

I, therefore, support H.R. 12080 and urge my colleagues to enact it.

However, in some areas of the program, I would have supported proposals going beyond those in the bill. I would have hoped that the benefit increase provided by the bill would be somewhat more than a 12½-percent increase. The benefit level resulting from this increase will be only slightly above what would be essential in keeping up with the increase in cost of living since 1954. It is, in my view, an extremely conservative adjustment of social security benefits, considering the degree of improvement in the level of living of the great majority of Americans over the same period of time. In a country as prosperous as the United States, there is no reason why social security beneficiaries should not share in the expanding prosperity most of us have come to know and enjoy.

I would also have been glad to see in this bill provisions for full-rate widow's benefits for totally disabled widows, instead of the severely reduced benefits provided by H.R. 12080. Moreover, I am not persuaded that the totally disabled widow in her forties is less in need of widow's benefits than one who has reached 50, as would be required under H.R. 12080.

Mr. Chairman, I am pleased that the bill would improve the disability protection of workers who become totally disabled before they have a realistic opportunity to meet the present requirements of substantial recent work. At the same time, I would have liked to see in H.R. 12080 a proposal that would go hand in hand with the one that has been included. Under present law, a child who becomes totally disabled before age 18, and continues to be totally disabled up to the time the supporting parent dies, becomes disabled, or retires, can be eligible for childhood disability benefits. Under present-day conditions many children continue to be dependent on their parents beyond age 18. Such children may become totally disabled—through a traffic accident or crippling illness, for example—after age 18 and before they have begun their working careers. Obviously they cannot become eligible for disability benefits based on their own earnings. I, therefore, hope that the other body will give consideration to providing childhood disability protection if the

son or daughter becomes totally disabled before age 22, instead of before age 18.

Finally, Mr. Chairman, I wish to call attention to the provision for additional social security wage credits of $100 for each month of active duty in the uniformed services. These credits, which will help to compensate for the fact that only the basic pay of servicemen is now covered, will not require additional social security contributions from our men in the Armed Forces. The present coverage of servicemen's basic pay does not afford social security credit for the value of pay in kind—such as food, shelter, and medical services—or certain cash payments that many servicemen get in addition to their basic pay. Social security coverage of work in private industry generally includes credit for pay in kind as well as all cash earnings. The failure to provide such credit for servicemen tends to lower their average earnings under social security, on which benefit amounts are based. The additional wage credits provided for servicemen by H.R. 12080 will tend to restore their social security credit for periods of service to the level of protection they had before entering service. In view of the low cash pay that many servicemen get, it would not be fair to expect them to make social security contributions on these additional wage credits. Instead, the social security trust funds will be reimbursed from general revenues for the additional cost of benefits resulting from such credits. These provisions, indeed, constitute a highly desirable and needed improvement.

Mr. Chairman, let me say again that I am proud to support this bill.

Mr. RUMSFELD. Mr. Chairman, I commend the members of the Committee on Ways and Means for their excellent work on the Social Security Act Amendments of 1967, as embodied in H.R. 12080. The need for increased benefits as a result of recent increases in the cost of living is serious. Social security recipients certainly deserve no less. H.R. 12080 is a sound step forward in meeting the needs of the people of our Nation by improving the entire social security retirement and welfare systems.

The members of the committee and their staff had a difficult assignment—and the report on the bill gives evidence of the dedication and thought that went into their deliberation. I am pleased to support this legislation.

Mr. FULTON of Tennessee. Mr. Chairman, I am proud to support and defend any improvement of our social security system, and I am firmly persuaded that the bill we have here today is indeed a good and timely improvement.

The Committee on Ways and Means has reported out this bill only after intensive study and the careful consideration of the views of the Nation's leading experts in the field with which it is concerned.

This is as it should be, for our social security system is too important to the lives and hopes of too many millions of Americans to be treated with in any but the most studious and careful way.

Indeed, this program touches directly the lives of almost every person in the land. Consider that already it pays benefits each month to some 23 million men, women, and children across the entire sweep of the country. Tens of millions more look to it for the assurance that they and their dependents and survivors will have a regular, dependable income in the event of the retirement, death, or disability of the family's breadwinner. Beyond this is the peace of mind that the medicare program has provided to so many of our senior citizens—the assurance that they have a bulwark against the high costs of illness and hospitalization.

Social security has been a part of our society for three decades now. The rightness of its aims has long ago been accepted into the fabric of our economy, but as we now consider another step in the succession of improvements in this people-serving and humanitarian system, I think it well that we look at it in the whole and at its aims and accomplishments.

Members here can recall what the late Mr. Justice Cardozo said of it in the now famous Court test that seems to have occurred so long ago. He wrote:

> The hope behind this statute is to save men and women from the rigors of the poorhouse and from the haunting fear that such a lot awaits them when journey's end is near.

The statement was noble, and the poorhouse is now virtually extinct, due in large part to the very program about which the learned jurist wrote. But succeeding Congresses saw to it that the beginnings were enlarged upon and the social security system made a bigger and stronger institution for the better protection of more and more people. The coverage was extended from a limited beginning until it is now almost universal. Benefits were added for widows, children, and other dependents. Payments were provided for them and the worker in the event of his disability. The level of payments has been increased successively, to take account of rising prices and productivity. And just 2 years ago, we added—after prolonged consideration—the medicare program.

What have been the results? what have we wrought? Very simply and broadly, the program has made life better and easier for millions upon millions of retired men and women, widows, orphans, disabled people, and those faced with frightening bills for hospitalization and related care. It has enabled countless families to remain together, rather than separate into orphan homes and institutions of that kind. It has provided elderly men and women in every nook and corner of the country an income—often too modest, I am the first to admit—but still a regular income of their own that made the difference between a sense of self-reliance and one of dependency. It has provided a way for a great number of young men and women to remain in school and get a decent start in life despite the death, disability, or retirement of their parents. It has made the difference over and over between a young widow's having to go out to work or being able to stay at home to give her personal care to her family. And now, with medicare, it gives virtually all our senior citizens the assurance that they will have strong financial support to meet the heavy and often ruinous costs of severe illness.

Beyond all this, I think it has produced a good too often overlooked, and one that I rank very highly. I refer to the sense of security, the relative freedom from nagging concern about what one would do or one's family would do if this or that personal catastrophe transpired. Granted that the benefits are never luxurious, the overwhelming majority of heads of families in the country can now have the advantage of knowing that whatever occurs—whether their retirement in the normal course of events, their untimely disability, or death—they and their close dependents and survivors will continue to have a regular income without resort to charity or a means test.

And so, what we are dealing with here today is a program that is clearly a major instrument of our national policy that Americans should not be in want or suffer dependence because of old-age, disability, widowhood or orphanhood, or because they require expensive medical care in their later years.

We can be proud of what the system has accomplished, but at the same time recognize that there is room to make it serve better. The bill I am sure we will pass overwhelmingly today is a firm step in the right direction. The larger social security checks it will provide each month for the some 23 million people already on the rolls will certainly amount to a most desirable and timely improvement. Studies have shown that a great part of the senior citizens on these rolls have little or no regular income except for social security. Consider what an extra $15 or $20 a month, for example, will mean to a man and wife who have been living principally or wholly on combined benefits for the two of them of, say, $150 or so a month. And we must remember that far too many of the senior citizens, and widows and children on the rolls get much smaller checks.

I wish the benefit increases could have been larger, and I say here and now that I will continue to work with all who believe as I do to find sound ways to provide a more nearly adequate level of benefits for all beneficiaries. As the distinguished chairman of the Committee on Ways and Means has often pointed out, it is, of course, of the highest importance to keep the program financially sound in the interest of all the present beneficiaries and all the future ones. But I hope and believe that within that framework, we can and should devise a way to improve the benefit levels further.

Another feature that I had hoped we could add this year is a provision to extend medicare coverage to severely disabled people of whatever age. I say this because I have seen too many examples of the need for it. It is bad enough to suffer a severe and long-term disabling sickness or injury, without having added the constant worry about how to pay—without any work income and often without any insurance—the medical bills that are very likely to come to a disabled person. The essential fact here is that the severely disabled man or woman, who

can no longer earn a living, is likely to find it very difficult to get adequate medical or hospitalization insurance even if he or she were able to pay for it. I am glad to see that a careful study of this problem is being undertaken, for it is one that I regard as pressing and I hope we can move ahead as quickly as possible to a sound remedy.

Another liberalization that I am pleased to see us adopt is the one that makes it possible for social security beneficiaries to earn more money without giving up some or all of their benefits. Here again, a higher amount would be welcomed, and I know the Committee on Ways and Means and others of us have not concluded that the amount set in the bill now before us is necessarily a final and permanent figure for all time.

The various other improvements made by the bill—such as the ones for disabled widows and for simplying the medicare program in a way to aid physicians, hospitals, and beneficiaries—are all to be commended and supported, in my best judgment.

I shall vote without hesitation for the bill, even though, as I have said, I would have liked it to be considerably more liberal in some respects, and I urge my colleagues to join in enacting it speedily.

Mr. ROSTENKOWSKI. Mr. Chairman, the distinguished chairman of the Committee on Ways and Means is deserving of our commendation and gratitude for his leadership in conducting the committee's consideration of the many complex issues throughout the weeks of study that preceded the introduction of H.R. 12080. Certainly, the success of the social security program is attributable in no small measure to the dedication, the insight, and the integrity that the distinguished gentleman from Arkansas has demonstrated over the years. And the committee's bill that is now before us is unquestionably an important step in maintaining the vitality of the social security program. I am especially pleased to note the improvements that would be provided in protection for disabled persons and their families.

It is only 10 years ago that disability insurance benefits first became payable under social security, and then only to permanently and totally disabled workers who had reached age 50. Substantial improvements have since been made in the disability program. The age-50 requirement has been removed, benefits have been provided for families of disabled workers, and the definition of disability has been modified to include disability that is expected to last—or has lasted—for 12 months rather than indefinitely. Also, the provisions designed to encourage vocational rehabilitation of social security disability beneficiaries have been strengthened by providing trial work periods for those disabled workers who return to work, and by limited financing of rehabilitation through the trust funds.

Now we propose to further strengthen the disability program. The benefit increase for persons now on the rolls will have special significance for the more than 2 million people—disabled workers and their wives and children—for whom the increased benefits will represent a somewhat more adequate replacement of earnings lost on account of disability. For example, for the beneficiary family consisting of a disabled worker, his wife and child, for whom benefits under present law would average $212 a month, the increased benefits under H.R. 12080 would amount to $239 per month.

For the millions of young workers just beginning their working careers the proposed change in the work requirements to qualify for disability benefits will provide the protection they now lack entirely in the event of disability before they have the opportunity to work as much as 5 years under the program. With no social security protection, the young worker whose ability to earn a livelihood is destroyed by accident or disease in his twenties may face a lifetime of dependency and deprivation. Under this bill a worker disabled before age 31 could be eligible for disability benefits if he has worked under the program for half of the time since age 21. About 100,000 people, disabled workers and their dependents, would become entitled to benefits immediately upon enactment of these provisions, and about $70 million would be paid in benefits in 1968 to such disabled worker families.

Another group of disabled people who would, for the first time, have protection under the program are those widows or dependent widowers deprived of the support of a spouse and so severely disabled they cannot work to support themselves but who can receive no benefits under present law because they have not reached the age at which aged widow's or widower's benefits would be payable. This bill would provide benefits upon enactment for about 65,000 such disabled dependents—persons whose need for benefits is as great, or greater, than that of the able-bodied aged widow who can now qualify for benefits. About $60 million in benefits would go to such disabled widows and widowers next year.

The provisions of the bill that clarify and amplify the definition of disability in present law would provide constructive support to the Social Security Administration in its efforts to continue to administer the program—as it has in the past—in accord with the intent of the Congress. A growing body of court interpretations of the meaning of the definition of disability in the law includes some court decisions that depart from the intent of the law. We, therefore, need to make more explicit the policy guidelines that have been applied—and should continue to be applied—in administering the disability provisions. If the Social Security Administration were required to change its interpretation of the definition to follow the trend of those court decisions that depart from the intent of the law, the nature of the disability program would be distorted and the costs of the program would get out of hand. I believe that the restatement of intent as provided in the provisions of H.R. 12080 will guard against such an undesirable development and will strengthen the present program. We can, in this way, assure that disability protection will continue to be provided for workers throughout the Nation in a consistent and equitable manner and without the threat of drastically increasing costs.

Mr. Chairman, in addition to the improvements for disabled workers and their families, the other provisions of H.R. 12080 make possible a further stride in improved social security protection for workers and their families. When the architect of the Social Security Act, Franklin D. Roosevelt, described the act, he said:

> It is a cornerstone in a structure which is being built, but it is by no means complete.

Today, we can add more brick and mortar to this structure to keep it consistent to its original purpose of preventing dependency and destitution in old age. I strongly urge every colleague to vote favorably on the bill.

Mr. POLANCO-ABREU. Mr. Chairman, I reiterate my support of H.R. 12080, which provides necessary improvements in our social security system. This law, through continued study and change over the years, grows ever closer to meeting the needs of our society within the framework of its operation.

The bill before you vastly improves various provisions of the law to provide additional protection for the people of Puerto Rico.

I am pleased to recognize that the Ways and Means Committee saw fit to install special treatment in some of the titles to meet Puerto Rico's needs, such as, for example, doing away with the rigid, inflexible $9.8 million annual ceiling on subsistence and raising that ceiling in increments to 1972, when it will reach a practical figure of $24 million. Translated into meaningful figures to the public welfare recipient, this means that payments to needy individuals in Puerto Rico will increase from the current, inadequate $8.60 monthly to $25 by 1972. This translates further into food and clothing and shelter and a little more peace of mind for those who need it most.

Similarly, the Ways and Means Committee, in its wisdom, has provided $2,000,000 of Federal money for services related to community work and training in Puerto Rico. Puerto Rico intends to use these funds to increase work skills and to accelerate the downward curve of the caseload in our subsistence rolls; to help these people to help themselves.

Furthermore, the committee recommended that Federal funds for medicaid in Puerto Rico be raised from $18.4 million annually to $20 million and to implement the free choice of doctors and medical institutions and facilities in 1972 when Puerto Rico hopes to have the means to make that program feasible.

I am very grateful to the committee for its careful consideration of Puerto Rico's special problems in dealing with this important legislation. I can assure you that much human suffering in Puerto Rico will be alleviated or eliminated by this bill.

I am forced, however, to note with sadness that H.R. 12080 does not extend the provisions of last year's Prouty amendment to Puerto Rico's elderly. This

imaginative concept originated in the Senate last year and provided a minimum monthly income to persons of 72 years of age or older. For some reason, the application to Puerto Rico was dropped during the conference between the House and Senate.

I had hoped that the provision to extend this program to Puerto Rico would be included in H.R. 12080. Since it is not, Puerto Rico's elder citizens will continue to need and want, while recognition is given that their counterparts in the States must have this minimum which the 1966 law gave them. They will have it solely on the basis of their residence in a State, whereas those elderly in Puerto Rico will not have it solely because they live outside of the States.

The 53,000 persons 72 years of age or older in Puerto Rico wonder why the law which was designed to take care of their age class does not acknowledge that their circumstances are the same.

I would be extremely gratified if in the legislative course of H.R. 12080 these people in Puerto Rico would be provided for. If this is not the case in 1967, then I must express my sincerest hope that the next time Congress deals with social security matters, it will recognize the injustice to these 53,000 aged U.S. citizens and provide for them the same treatment based on the same needs of those who have reached three score and 12 in the States.

Mr. Chairman, I would like to include at this point in the RECORD a formal statement which I filed with the Ways and Means Committee on April 6, 1967, when these questions were under consideration, and my oral presentation to the committee on April 11, 1967. While these observations were addressed to the originally proposed Social Security Amendments of 1967, H.R. 5710, they apply with equal force to the problem as a whole and to H.R. 12080:

STATEMENT OF THE RESIDENT COMMISSIONER OF PUERTO RICO, SANTIAGO POLANCO ABREU, BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS WITH RESPECT TO H.R. 5710, THE SOCIAL SECURITY AMENDMENTS OF 1967, APRIL 6, 1967

I. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. *Comment:* Section 202 of H.R. 5710 requires each State and the Commonwealth of Puerto Rico to revise annually their minimum standards of need and to provide public welfare recipients, as of July 1, 1969, 100% of their needs. Section 1108 of the Social Security Act establishes an absolute limit of $9,800,000 on federal funds to Puerto Rico under the public welfare assistance titles. Since Puerto Rico is presently receiving this entire amount, under a 50–50 matching formula, the increased costs under H.R. 5710, approximately $52.5 million, will have to be borne entirely by Puerto Rico. The Commonwealth cannot possibly provide this additional amount of funds, and the result will be a forced forfeiture in 1969 of its allotment of $9,800,000.

Recommendation: It is recommended that the ceiling on federal participation be eliminated and that the matching formula for the States be made applicable to Puerto Rico.

2. *Comment:* Section 204 of H.R. 5710 proposes new public welfare programs intended to train and educate public welfare recipients so that they may become productive members of society. Since Puerto Rico is receiving its limit of federal funds, and since H.R. 5710 does not change the ceiling on federal funds to Puerto Rico, the effect is a *de facto* exclusion of Puerto Rico from the benefits of these work and training programs.

Recommendation: Elimination of the ceiling and a modification of the matching system would enable Puerto Rico to participate in these programs.

3. *Comment:* Section 205 of H.R. 5710 will enable the States to receive Federal participation, at the Title XIX rate, in the full cost of institutional care or services for public welfare recipients who are certified by a physician to require skilled nursing home care unless appropriate services are provided in other institutions or in their own homes. Because these federal payments would be certified under the titles to which the federal ceiling applies, Puerto Rico would in fact be ineligible to receive these additional payments.

Recommendation: Elimination of the ceiling on federal payments to Puerto Rico would correct this situation.

4. *Comment:* Section 104 of H.R. 5710 increases the benefits under Section 302 of the Social Security Act for certain uninsured individuals, aged 72 and over, from $35 to $50 and for couples from $52.50 to $75.00. Residents of Puerto Rico were excluded last year from participation in this new program. H.R. 5710 continues the exclusion of the aged in Puerto Rico.

Recommendation: It is recommended that Section 302 of the Social Security Act be amended to include residents of Puerto Rico that are otherwise eligible.

5. *Comment:* Sections 203 and 220 of H.R. 5710 require that the eligibility standards for medical assistance under Title XIX be no more than 50% above the standards for determining eligibility for public welfare assistance. Since public welfare assistance standards in Puerto Rico have been kept so low by the ceiling on federal payments, this new requirement would require Puerto Rico to withdraw medical assistance from 40% of those presently eligible even though financial standards for medical assistance are conservative ($1500 or less for an individual; $3000 for a family of five).

Recommendation: If the ceiling on federal public welfare payments were eliminated and the 50–50 matching requirement modified, thus enabling Puerto Rico to raise its public welfare standards, Puerto Rico might be able to comply with this new requirement. If not, it is absolutely imperative that Puerto Rico be exempted from this requirement.

6. *Comment:* Section 222 of H.R. 5710 permits States and Puerto Rico to enter into agreements under Title 18, part B (Supplementary Medical Insurance) under which Puerto Rico could purchase insurance premiums for all eligible individuals who receive medical assistance under its Title XIX plan. If Puerto Rico failed to do this, it would lose Title XIX funds in an amount equivalent to the cost of providing medical services to those 65 and over and to those eligible for social security disability benefits which would otherwise have been paid under the Supplementary Medical Insurance Program. Puerto Rico does not have the necessary resources to "buy in" for this large group. Consequently, Puerto Rico would lose a significant amount of Title XIX funds.

Recommendation: It is recommended that Puerto Rico be exempted from this requirement.

7. *Comment:* Section 226 would require Puerto Rico to amend its Title XIX plan to permit, by 1969, free choice of physicians and hospitals for those eligible for medical assistance. Although we are in full agreement with the principle of free choice, the structure of the existing medical assistance system and severe financial limitations make it impossible to comply with this requirement in two years.

Recommendation: It is recomemnded that studies be made now to determine if it is feasible in Puerto Rico to implement the free choice provision by 1975, and that the 55–45 matching formula applicable to Puerto Rico under Title XIX be modified to provide gradual increased federal participation until the 83–17 matching formula is reached.

8. *Comment:* The Commonwealth of Puerto Rico strongly supports the amendments in Title II and III of H.R. 5710 which will extend and improve the child-welfare program, and the proposal for a social work manpower and training program contained in Section 401 of H.R. 5710.

II. GENERAL DISCUSSION

A. Public welfare in Puerto Rico

For almost seventy years Puerto Rico and the United States have existed in political association under the same flag. That the relationship has proved to be a great success is attributable, in no small part, to the recognition by the Executive and by the Congress that it is to the economic, international, and moral advantage of the United States to have Puerto Rico grow and prosper, and to have the United States citizens in Puerto Rico share in the ever-increasing abundance of the United States economy. To help to achieve this goal, no federal tax is imposed on corporations and individuals in Puerto Rico, while at the same time the benefits of grant-in-aid programs and other federal assistance measures are extended to the Island. This policy is reflected in Sections 3 and 9 of the Puerto Rico Federal Relations Act, so far as federal tax laws are concerned and in the many statutes establishing federal aid and assistance programs. In virtually all of these programs Puerto Rico is offered the opportunity to participate as fully as any of the States.

If we look at the great strides Puerto Rico has made in the last twenty-five years, we can immediately see the wisdom of this policy. The strenuous efforts of the people of Puerto Rico and the far-sighted policies of the federal government have together achieved the following successes: measured in constant dollars, per capita income has almost quadrupled and is now $977; the real Commonwealth Gross Product increased 52.5% in the last five years; employment in industry has risen from a level of 50,000 in 1949 to 130,000 in 1966; the percentage of children enrolled in school has been raised from 50% to 85%, with a resulting drastic drop in illiteracy; life expectancy has risen from 46 to 70 years. Indeed, our successful experiment in innovative political association has enabled the United States to support its foreign policy goals by pointing to Puerto Rico as an example to emerging nations of rapid economic development within the framework of democratic principles. It has also created, through augmented purchasing power in Puerto Rico, a significant market for Stateside goods—$1.4 billion annual sales makes it the fifth largest extra-continental market. Indeed, Puerto Rico buys more U.S. goods than any Latin American Country and is second only to Canada in this hemisphere.

However, let me quickly dispel any impressions that we have already achieved the Great Society in Puerto Rico. Per capita income in Puerto Rico is $977, compared to approximately $1600 in the poorest State and the national average of $2700. 12.3% of the labor force was unemployed as of January, 1967, and a substantial segment of our people are underemployed. We have come a long way, but the road ahead is still long and arduous.

When we compare the federal policies, as outlined above, to the policy reflected in the public welfare programs under the Social Security Act, we are immediately struck by the great variance. Whereas under most federal programs Puerto Rico participates

on a level with the States, under Title I, IV, X, XIV and XVI of the Social Security Act the programs providing financial and other assistance for the aged, the blind, the disabled and the dependent—the amount of federal participation in Puerto Rico is strikingly conservative. Section 1108 of the Act establishes an absolute limitation of $9,800,000 in federal funds for Puerto Rico under these programs; and, on top of this, Puerto Rico is required to match 50–50, as opposed to the more liberal formula which is applicable to the States.[1] For fiscal year 1966, federal payments under these programs totaled $3,192,688,000. Puerto Rico received $15,753,000 which amounts only to .5% of the total.

The federal participation and matching limitations on Puerto Rico were imposed in 1950 when the public welfare assistance titles were extended to Puerto Rico. Perhaps there were valid reasons at that time. But at the present time I am unable to understand the basis for this treatment.

Certainly the problems and hardships of poor, handicapped, and sick American citizens living in Puerto Rico are not different from those of citizens living on the mainland. Certainly our blind are not less blind, our disabled no less disabled, our dependent children and impoverished elderly no less needy, our sick no less sick, than those residing in the States. Certainly the Federal Government cannot be less concerned about the desperate needs of the afflicted and the impoverished American citizens in Puerto Rico than it is about those residing in the States.

The fact that Puerto Ricans do not contribute to the general revenues should not be a controlling factor in public welfare and medical assistance policy decisions. Puerto Rico contributes to the general welfare of the United States in many equally important ways. Also, I submit that this factor has little relevance in the context of public welfare programs. By definition, we are talking about a category of people who are unable to contribute to the federal revenues, whether they reside in Puerto Rico or in any of the States. This is recognized in the Social Security Act itself. Grant payments under the public assistance titles are structured so that the States with the greatest needs receive extra payments. It would, indeed, be a strange system that determined welfare eligibility by the amount of federal taxes the prospective recipients were fortunate enough to be paying!

Perhaps there is a belief that it costs much less to live in Puerto Rico. This is contrary to the facts. For example, the cost-of-living in Puerto Rico is higher than here in the District of Columbia.

If the reason for the limitations was a fear that open-ended federal public welfare assistance in Puerto Rico would involve never-ending and increasingly large federal payments, I can summarily dispel that notion. The results of our Operation Bootstrap program prove that it is not Puerto Rico's fate to be forever an economically impoverished island; and there is every reason to believe that the economic and social successes which I previously noted will continue. Of great pertinence is the fact that our successes thus far are directly reflected in the public welfare program. In the last three years we have averaged a reduction of 6,000 cases per year. Also, as more individuals in Puerto Rico become eligible for benefits under the Old Age, Survivors, and Disability Insurance Program, we can expect further reductions of the number in need of welfare payments. At present, 240,523 individuals in Puerto Rico have earned, on the average, $40.15 in OASDI monthly payments. Finally, there is also the very practical limitation of matching requirements. Even if Puerto Rico's share were reduced from 50% to 20%, the pressing needs in other sectors such as health and education and the comparatively low government revenues would limit the amount which Puerto Rico would be able to devote to public welfare.

This is not to say that Puerto Rico has not and will not continue to maintain a strong effort in the field of public welfare. The Government of Puerto Rico has consistently appropriated more funds for its public welfare program than the available federal ceiling amount, and it has consistently contributed a greater percentage than most States. In addition, for fiscal year 1966 Puerto Rico expended $15.4 million under federal medical and financial assistance welfare programs, an average of $6.64 per $1000 of total personal income in Puerto Rico.[2] Comparing this with the state average of $4.86 and noting the fact that only eight states had a higher rate, we can see the great effort being made by the Commonwealth of Puerto Rico.

Thus, I submit, there is now no rational basis for the ceiling on federal public welfare payments to Puerto Rico and the severe matching formula, and I respectfully urge this Committee to strike them from the present law.

B. Medical assistance in Puerto Rico

In January of 1966 Puerto Rico's Medicaid plan under Title XIX was approved by the Department of Health, Education and Welfare. It provides medical assistance for public welfare recipients and the medically needy of the highest quality and comprehensiveness that resources in personnel and physical facilities permit.

The annual income eligibility ceilings for medical assistance under the plan are (1) $1,500 per person living alone and (2) $1000 plus $400 times the number of members in the unit when living in a family group. Thus, for a family of five the ceiling is $3000. Approximately 1,250,000 individuals qualify for medical assistance under these criteria. In categorical groups, the break-down is as follows:

Medically needy children	910,000
Aged, 65 and over	130,000
Totally, permanently disabled	155,000
Blind	5,000
Medically needy adults	50,000

It should be noted that although the financial eligibility requirements are conservative, in comparison with the requirements of many States, 44% of Puerto Rico's total population is eligible for medical assistance. This high proportion is not the result of an over-liberal program which extends medical assistance to a considerable portion of the adult working population of moderate income. Given Puerto Rico's high cost-of-living, which includes high medical costs, the eligibility requirement of $3000 for a family of five, for example, cannot be considered as violative of Congress' intent when it passed Title XIX. The simple fact is that in Puerto Rico there is a substantial number of people who would be financially unable to secure adequate medical treatment without the assistance of the Commonwealth of Puerto Rico and the Federal government.

In order to serve this substantial segment of the population, Puerto Rico operates a regionalized health care system operated by the Commonwealth and Municipal governments. While some services are provided by private hospitals and physicians on a contract basis, most of the assistance is rendered through government physicians and institutions. There is at the present time no alternative available to Puerto Rico. Of the 140 hospitals in operation in Puerto Rico, 64% are public. Of the estimated 2,500 practicing physicians on the Island, 1961 (78%) have devoted their careers to public service.[3] Thus, a great percentage of the existing health field in Puerto Rico is public. Also, the charges of private hospitals and practitioners in Puerto Rico are much too high for Puerto Rico to offer their services on an extensive basis to the 1.25 million medically needy population. Finally, the experience in Puerto Rico has been that a great proportion of the elderly, the young, the disabled and the medically needy are unable to pay deductibles of $50 and 20% balance. The consequence is that many individuals in Puerto Rico and the Commonwealth Government cannot realistically make use of the Supplementary Medical Insurance Program.

Puerto Rico welcomed, with great enthusiasm, the Medicaid program. It offered the opportunity, which Puerto Rico quickly grasped, of expanding and improving medical service to the needy. At the present time plans are being made to improve the program by making available even better care and better resources—in terms of new physical facilities, availability of trained personnel, supplies and equipment.

H.R. 5710, if left unamended, will destroy this magnificent program, for reasons which will be explained *infra*. Once again, I cannot help but believe that the Administration overlooked Puerto Rico when it drafted this bill.

III. THE EFFECT OF H.R. 5710 ON PUERTO RICO'S PUBLIC WELFARE PROGRAM

A. The requirement of meeting full need and up-dating minimum subsistence standards

At present, Puerto Rico provides assistance to the aged, the blind, and the disabled under a Title XVI plan and aid to families with dependent children under a Title IV plan. As of December 1966, 86,502 individuals were receiving public assistance in Puerto Rico. The break-down in categorical groups is as follows:

Aged	25,915
Blind	1,175
Dependent children and relatives	41,272
Totally and permanently disabled	18,140

Standards of assistance were established in 1950. No adjustments for increases in the cost-of-living have been made since then. The budgetary standard includes fixed amounts for food, clothing, gas and fuel, and miscellaneous expenses. Rent is determined on the basis of the family's actual expense for that purpose. An individual whose income is less than the total amount of minimum subsistence requirements qualifies for assistance—in the case of an adult, he receives 45% of his budgetary deficit and 33% in the case of a child.

Thus, grants are extremely low, averaging $13.25 per month for all categories. Just how low this is can be seen by comparing the following passage from the President's Message on Older Americans:

". . . these welfare programs are far behind the times. While many states have recently improved their eligibility standards for medical assistance, their regular welfare standards are woefully inadequate.

"In nine states, the average amounts paid for old-age assistance are as low as $50 a month, or less.

"Twenty-seven states do not even meet their own minimum standards for welfare payments."

If this performance is "woefully inadequate", what words can describe a system, directly attributable to a *federal* policy, which restricts average monthly payments to $13.25.

[1] Similarly, under Title XIX Puerto Rico must match at an absolute 45% rate. This restriction was imposed in 1965.

[2] These two figures are actually much higher. In the first half of fiscal year 1966 Puerto Rico did not report to HEW a considerable amount of medical assistance funds it expended under Titles IV and XVI because the ceiling on federal payments precluded federal matching of these funds.

[3] 1,217 full-time; 744 part-time.

Incredibly enough, Section 202, the provision in H.R. 5710 which is intended to upgrade welfare payments in the United States, will have opposite effect in Puerto Rico where federal policy has kept standards so low. In order for Puerto Rico to conform its plans to the requirement of up-dating minimum subsistence standards, it will have to raise its standards by approximately 64.6% to account for the increase in living costs from 1950 to 1969. To meet full need it will have to increase payments by 67% in the case of children and 55% in the case of adults. The additional cost of providing these greater benefits to those now receiving welfare and to the estimated number who will become eligible under the higher standards will be $52,529,005.[4] Since H.R. 5710 does not repeal the $9,800,000 federal ceiling established by Section 1108, and since Puerto Rico presently receives all of this amount, the entire additional cost would have to be paid by the Government of Puerto Rico. The Commonwealth, of course, does not have such funds and the effect will be to force a forfeiture of the $9,800,000 Puerto Rico is now receiving.

I cannot believe that such a result was intended. The only conclusion I can draw is that the effects of these sections of H.R. 5710 on Puerto Rico were not considered when this bill was drafted.

I respectfully urge this Committee to remedy this oversight by eliminating the ceiling of federal payments to Puerto Rico and by granting to Puerto Rico the same matching formula that applies to the States.

B. Exclusion of Puerto Rico from Federal assistance in meeting the costs of community work and training

Section 204(a) amends Title IV of the Social Security Act to provide work and training programs for individuals over 16 years who are receiving aid to families with dependent children. The aims of this provision are laudable, but the way this section is drafted may exclude Puerto Rico from its benefits.

The ceiling on payments to Puerto Rico in Section 1108 applies to funds disbursed under Title IV and, hence, would apply to this new program. Because Puerto Rico is already receiving its maximum allotment, it could receive no funds under this provision. It should also be noted that this program *must* be established at the penalty of loss of Title IV funds. We estimate that there are 5,800 youngsters 16 to 21 in our public assistance families who could be referred to this program.

It is true that the U.S. Secretary of Labor could establish such a program himself and might not be bound by the ceiling. This, however, is an unsatisfactory alternative since it is uncertain whether the Secretary would choose to establish such a program in Puerto Rico. It also does not permit the Government of Puerto Rico to establish and administer this program, as it would strongly prefer.

Section 204(f) provides for a program to train "unemployed parents and related members of the same household." Since this program is also established under Title IV, no funds could be allocated to Puerto Rico.[5]

Once again, an amendment striking both the ceiling on federal funds to Puerto Rico and the severe matching requirement is needed to correct this inequity. Puerto Rico is as eager as the United States Government to give its welfare recipients an opportunity to forge new and better lives for themselves. The philosophy of the United States Congress, as reflected in recent Social Security Amendments, is that public welfare recipients must be provided with sufficient economic and educational incentives to free them from the vicious cycles of poverty. We in Puerto Rico share that philosophy. The brief experience of the Division of Public Welfare of the Department of Health in Puerto Rico in conducting a Work Experience and Training Program under Title V of the Economic Opportunity Act shows the great potential for rehabilitation among public welfare recipients and the good investment strategy of such programs. In scarcely a year-and-a-half, more than 1000 family heads have been rehabilitated and have found decent jobs in the community; 6000 are being trained in other productive work experience; and 2000 have obtained elementary and secondary school diplomas.

It would be a shame if Puerto Rico were to be deprived of the opportunity to extend and improve this program because of what must be an oversight in H.R. 5710.

C. Exclusion of Puerto Rico from section 205

A further inequity to the needy in Puerto Rico stemming from the Section 1108 ceiling is the practical exclusion of Puerto Rico from the proposal in Section 205 to increase federal participation in the cost of institutional care and services for public welfare recipients who are certified by a physician to need skilled nursing home care unless appropriate services are provided elsewhere. Because the federal payments would be made under the public welfare titles to which the ceiling applies, Puerto Rico could not receive any increases in payments under this section.

D. Exclusion of residents from program of cash benefits for persons age 72 or over who do not qualify for social security

As the members of this Committee are aware, residents of Puerto Rico were excluded from the benefits of the "Prouty Amendment" of last year (Section 302, Social Security Act, as added by PL 89–368) by the Conferees of this Committee and the Senate Finance Committee. This step was apparently motivated by the desire to cut the costs of the measure in order to increase its chance of passage.

I need not reiterate my judgment of the morality or rationality of this action. Every consideration. I have previously mentioned in this statement with respect to the treatment of Puerto Rico in the public welfare provisions of the Social Security Act is equally applicable to this exclusionary action.

There is something fundamentally wrong with a federal measure which arbitrarily deprives a group of elderly American citizens of desperately-needed benefits, while at the same time extending these benefits to aliens who happen to reside in the various States.

H.R. 5710 proposes an increase from $35 to $50 for single individuals, and from $52.50 to $75.00 for married couples. It contains no provision to extend these benefits to the elderly American citizens of Puerto Rico, thus increasing the cruelty of the discrimination. I respectfully urge that this Committee take this opportunity to end this discrimination.

E. Section 206: Additional Federal payments

Section 206 of H.R. 5710 authorizes a $60,000,000 appropriation as assistance in fiscal year 1970 to States which are severely burdened by the new public welfare requirements. The same amount is authorized for payment in fiscal 1971.

At first glance it might appear that this section would assist Puerto Rico, but in reality it will not. First, there is a serious ambiguity as to whether the ceiling in Section 1108 is applicable to these additional payments. It is quite conceivable that the Secretary would rule that these payments are certified under titles I, IV, X, XIV and XVI and, hence, subject to the ceiling. This ambiguity must be removed. Second, because these payments would be made *after* the Commonwealth met the requirements, which is an impossibility, Puerto Rico could not qualify even if the ceiling were not applicable. Third, it is highly speculative whether Puerto Rico would receive a significant amount under this section, since it is to be divided among several States.

IV. THE EFFECT OF H.R. 5710 ON PUERTO RICO'S MEDICAL ASSISTANCE PROGRAM

A. Section 220: Limitation on Federal participation

Section 220 will eliminate federal participation in medical assistance to individuals and families whose income exceeds by more than 50% the levels set for public welfare assistance. These levels in Puerto Rico have been kept extremely low ($249 for an individual, $910 for a family of five) because of the severe restrictions on federal payments to Puerto Rico under the public welfare titles. Section 220 would require reductions of medical assistance levels from $1500 to $374 for an individual and from $3000 to $1365 for a family of five. It is estimated that 456,000 individuals would lose their rights to medical assistance under Puerto Rico's Title XIX plan.

It must be made absolutely clear that these 456,000 individuals conform to even to most conservative definition of medically needy. My understanding is that the motivation behind this section is a desire to curtail federal participation in State Medicaid programs which include considerable numbers of working adults of moderate income. If this section were implemented in Puerto Rico, it would mean that the federal government would refuse to give medical assistance to an individual with an annual income of $375 or a family of five with yearly resources of $1366. Under the standards of even the poorest States, these income levels would classify individuals not only as medically needy, but also as indigent!

The Government of Puerto Rico would not abandon these individuals and would have to pay their entire medical costs. The estimated cost to Puerto Rico would be $18,240,000, if current services and intended improvements were to be continued. Since Puerto Rico does not have resources of this quantity, the only solution would be a drastic and across-the-board reduction in the quality of medical assistance.

I cannot believe that this is in accord with the President's intent or that this Committee will be willing to let this inequity stand. If public welfare levels in Puerto Rico were raised in accordance with the new requirements in H.R. 5710—which would require elimination of the ceiling and matching formula applicable to Puerto Rico—the 50% requirement might be workable. Welfare levels would be raised to a point where a 50% augmentation would begin to approach a decent eligibility level for medical assistance. Some tailoring might still be necessary, but at least the section would have some rational basis in its application to Puerto Rico.

If this Committee is unwilling to raise public welfare levels in Puerto Rico to an adequate level, it is essential that Puerto Rico be excluded from the requirement of Section 220.

B. Section 222: "Permissive" State purchase of supplementary medical insurance

Section 222 will force Puerto Rico to forfeit a further segment of its Title XIX funds, again with no real choice on its part. Under this Section, federal payments under Title XIX will be shut off for the costs of medical

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Other requirements in H.R. 5710, such as Section 201 (mandatory earning exemptions), Section 203 (standards must be at least two-thirds that set for medical assistance), and Section 204(a) (mandatory work-training programs) will increase this figure.

[5] It should also be noted that the Department of Health, Education and Welfare has ruled that federal payments for experimentation and demonstration projects under Section 1115 of the Social Security Act come within the ceiling limitation for the public assistance program in Puerto Rico.

assistance to the elderly (65 and over) and to the disabled (under the social security definition) which the SMI program would have paid had these individuals been enrolled.

Puerto Rico cannot conceivably "buy-in" SMI insurance for its Title XIX beneficiaries who are eligible. Our experience has been that most of the elderly in Puerto Rico who are theoretically eligible for SMI insurance have not purchased it because of their inability to pay the $50 deductible and the 20% balance. If Puerto Rico were to buy-in for them, it would have to pay also for the deductibles and the balance. The cost would be prohibitive.[6]

At present, Puerto Rico is providing the equivalent of SMI services through its Title XIX plan. It is not doing so because it objects to private medical practice, or because it is trying to save money at the expense of the federal government, or for any other questionable reason. It is doing so because at the present time it is the only workable system in Puerto Rico. Penalizing Puerto Rico for doing its absolute best is clearly unjustified. Puerto Rico must be exempted from this provision.

C. Section 226: Free choice

If the free choice provision is applied to Puerto Rico in 1969, its Title XIX plan will have to be withdrawn and its medical assistance program seriously curtailed. I have been so informed by the Secretary of Health of Puerto Rico, who will have responsibility for administering the program.

The disparity in Puerto Rico between the cost of public facilities and physicians and the cost of the same services in the private sector is so substantial that if any considerable number of beneficiaries resorted in 1969 to private institutions and individuals—and there is no reason to believe they would not—the increased cost to Puerto Rico would preclude continuation of the Medicaid program. I should again point out that with a 55–45 matching formula Puerto Rico carries a heavier burden than any State.

Presently, the scope of medical assistance which Puerto Rico is able to offer its 1,250,000 indigents and medically needy is possible only through the dedicated services of the many physicians who have devoted their lives to public service. For instance, a salaried government physician in a health center usually sees 30 patients a day in the clinics, shares in the care of inpatients, and makes night shifts. For this he receives approximately $40 per day. On the other hand, according to the inofrmation I have, a private doctor, on a fee-for-service basis at a reasonable $8.00 per visit, would receive $240 daily. A surgeon in a district hospital may receive $60 for a full day's work. A private surgeon could demand ten times that amount.

The private medical sector is able to command these prices because approximately one-third of the population, an amount which the private sector in its full capacity is barely able to serve, desires and can afford private services. Thus, there is no problem concerning the desirability and profitability of private practice in Puerto Rico.

I should also mention two further factors which are crucial: First, "free choice" is not in reality available throughout the island. For example, in 71% of the municipalities there are no private hospitals. Thus, the "free choice" provision would result in inequities throughout the island, which certainly should not be encouraged; second, Puerto Rico in implementing its Title XIX plan, has expended approximately $14.7 million thus far for more personnel and better facilities. These expenditures have been made on the reasonable assumption of continuity of federal policy, on the ground that there would be no sharp divergences from past policies. To a great extent Puerto Rico, in fairness to its people and employees, must continue to extend these additional funds if federal aid is shut off. With respect to the States, the provisions of H.R. 5710 may be a reasonable course of federal action. With respect to Puerto Rico, they represent a breach of good faith.

The irony of this situation is that we are in agreement with the free-choice principle embodied in Section 226. If it were at all possible for us to meet this requirement, we would be welcoming it right now. We too, want to offer our citizens without means the same medical services available to their more fortunate neighbors.

But we need time to effectuate this new policy in Puerto Rico—time to experiment,[7] to observe the effects of this change of policy, to restructure our Medicaid program in accordance with our findings, and to raise the necessary revenues. I respectfully request this Committee to provide for studies to determine the feasibility of the implementation of the free choice provision in Puerto Rico in 1975, and that the 55–45 matching formula applicable to Puerto Rico under Title XIX be modified to provide gradual increased federal participation until the 83–17 matching formula is reached.

V. CONCLUSION

With respect to the benefit increases and broadened coverage under the Old-Age, Survivors and Disability Insurance Program, the Commonwealth of Puerto Rico has no objections. In fact, we strongly support the President's recommendations contained in Part I of H.R. 5710. This will mean an increase in payments to the Puerto Rican elderly, who qualify under the OASDI Insurance Program, of approximately $40,000,000 for calendar year 1968. We also welcome the improvements to the Title XVIII Medicare insurance program, which will increase the coverage and services in Puerto Rico, as well as throughout the Nation.

But with respect to the public welfare amendments in H.R. 5710, we must respectfully request that this Committee amend the bill by inserting provisions eliminating from the Social Security Act the federal ceiling on payments to the Commonwealth of Puero Rico and the stringent matching provisions. With respect to the new Title XIX requirements, we must respectfully request that they be made feasible in Puerto Rico.

In conclusion, I should point out that our job is fighting poverty and sickness in Puerto Rico is very difficult.

We are gravely concerned about the problems faced by families in Puerto Rico with incomes so small that they are prevented from participating in our efforts for continued progress and from enjoying this progress to its full potential. In 1963 there were 143,400 families in Puerto Rico with incomes under $1500, which constitutes 30% of an estimated total of 479,850 families.

A look at the age composition of the population in Puerto Rico shows it is predominantly young, a fact that poses special problems for our antipoverty effort. Median age in 1960 was 18.5 years, while in the continental United States it was 29.5. Forty-three percent of the population was under 14 years in 1960 and 5.2 percent was 65 years or over, as compared to 31 and 9.2 percent respectively for the corresponding age groups in the United States.

A large population of low income families in Puerto Rico is receiving services from the public welfare program. Intensified efforts to combat poverty of this group could be achieved through an improved public welfare program. Provisions of H.R. 5710 could get at the grass roots of many of the problems faced by these families, and constructive financial assistance from the federal government to implement these provisions in Puerto Rico could be a great stride in our conquest over poverty.

Puerto Rico is at present reviewing and evaluating its total government welfare program to reorient properly its efforts to accelerate general progress and combat the substandard levels which is still prevalent in a substantial sector of its population. In this renovated effort, the public welfare program will attempt to find more effective ways to get at the roots of the basic problems causing dependency and maladjustment in these families, to rehabilitate in the shortest possible time all families having members with such possibilities, to strengthen family life and to provide special services to children during their early years, so that many of the social, emotional, and economic problems that affect them during their childhood and that pave the way for the sort of life they will live as adults, may be eliminated to the greatest extent possible.

Public welfare in Puerto Rico aims at being a more effective weapon in this fight against poverty. To do so, it must incorporate into its regular programs additional types of preventive and rehabilitative services that will enrich the lives of children and families, that will bring to the reach of the aged and the disabled the opportunities to preserve and restore their health, and to participate to their full capacity in normal family and community life. To those unskilled, uneducated, and untrained, we must provide the opportunity to get basic education, vocational training, counseling, job finding and placement so that every unemployed or under-employed person could be incorporated into the main-stream of our progress and be given the opportunity to participate in this process to the fullest of his potentials.

Basic to these new approaches in the public welfare program in Puerto Rico is the needed improvement of assistance standards, since very inadequate payments are a serious block to any rehabilitation effort.

In the field of medical assistance for the impoverished and the needy, Puerto Rico has been planning greatly need improvements, on the reasonable assumption of continued federal assistance. The very threat of H.R. 5710 has caused a halt in the implementation of these plans.

At this point in which the developed countries of the world are strongly convinced that poverty, ignorance, disease and despair will not be wiped out from the world unless those having resources make a concerted effort to help those who have not, I urge this Committee and the Congress of the United States to provide a greater push to Puerto Rico's public welfare program and to preserve its medical assistance program so that these systems can play their proper roles in the war against human, social and economic ills.

ORAL PRESENTATION OF SANTIAGO POLANCO-ABREU, RESIDENT COMMISSIONER OF THE COMMONWEALTH OF PUERTO RICO, BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS, WITH RESPECT TO H.R. 5710, APRIL 11, 1967

Mr. Chairman, members of the committee, I greatly appreciate the opportunity to present testimony on H.R. 5710, the Social Security Amendments of 1967.

There are no simple and brief words which can adequately explain the many serious problems which H.R. 5710 poses for the Commonwealth of Puerto Rico. I have prepared a comprehensive explanation of these problems and of the amendments which I consider necessary, and I would like this statement to be made a part of the record on these hearings. I urge each Member of this Committee to read this statement and

[6] The cost is estimated at $7,905,000.

[7] The Legislative Assembly of Puerto Rico is now considering a bill to implement the principle of free choice on an experimental basis in certain locations.

to consider thoroughly the effect on Puerto Rico of this bill.

I should like, at this time, to try to summarize its impact on Puerto Rico and the position of myself and of the Commonwealth of Puerto Rico.

Initially, I should point out that I favor several of the proposals in H. R. 5710. I strongly support a substantial increase in benefits and increased coverage under the Old-Age, Survivors and Disability Insurance Program. For those in Puerto Rico who have earned coverage, the President's proposal will provide an additional $40 million in 1968. The improvements to the child-welfare title of the Social Security Act and to the Medicare program, and the provision for funds for the training of social workers all have my firm endorsement.

However, the proposals for new requirements under the public welfare titles and the Medicaid program would set impossible standards for Puerto Rico. And although the Administration has proposed a substantial increase in benefits for uninsured individuals over 72, American citizens who live in Puerto Rico continue to be excluded.

Let me explain each of these problems separately. First, the proposed public welfare requirements will cause Puerto Rico to lose its federal matching funds for cash assistance to the aged, the blind, the disabled and to families with dependent children. Section 202 of H. R. 5710 requires each State and Puerto Rico to revise annually their minimum standards of need and to provide public welfare recipients, as of July 1, 1969, 100 per cent of their needs. With respect to Puerto Rico, these new mandates do not take into account the fact that Section 1108 of the Social Security Act establishes an absolute limit of $9.8 million on federal funds to Puerto Rico under the public welfare assistance titles. Since Puerto Rico is presently receiving this entire amount, under a difficult 50–50 matching formula, the increased costs—approximately $50 million—will have to be met entirely by Puerto Rico. Because the Commonwealth cannot possibly provide this amount of funds, the result will be a forced forfeiture in 1969 of its maximum allotment of $9.8 million.

I should also point out that the ceiling on federal funds will preclude participation by Puerto Rico in the new benefits proposed in Section 204, which would establish work and training programs, and in Section 205, which would authorize federal payments for nursing care.

It is my belief, which has been reinforced by discussions with Administration officials, that these effects were not known when this bill was proposed.

Second, the problems for Puerto Rico arising from the new Medicaid requirements are equally serious. Sections 203 and 220 of H.R. 5710 require that the eligibility standards for medical assistance under Title XIX be no more than 50 per cent above the standards for determining eligibility for public welfare assistance. Since welfare eligibility standards in Puerto Rico have been kept so low by the severe restrictions on federal payments, this new requirement would force Puerto Rico to withdraw medical assistance from 450,000 individuals, even though financial standards for medical assistance are quite conservative. For example, this requirement would mean that in Puerto Rico the Federal Government would not share in the cost of medical assistance to an individual with a *yearly income* of $375 or a family of five with yearly resources of $1370.

Once again, I cannot believe that this result was intended. Puerto Rico will also have unsurmountable difficulties in meeting in 1969 the requirement of "free choice" embodied in Section 226. Although I am in full agreement with the principle of free choice of physicians and hospitals for the medically needy, I sincerely believe that the structure of the existing medical assistance system in Puerto Rico and severe financial limitations make it impossible for us to comply with this requirement in the short period of two years. A few facts will make this clear. The cost of private medical care in Puerto Rico is at least four times as much as public medical care. Our indigent and medically needy population is a far larger proportion of the total population than in any of the states. There are no private hospitals in 71 per cent of the municipalities in Puerto Rico. And, with a 55–45 matching formula, Puerto Rico must carry a heavier burden than any state.

Third, Section 104 of H.R. 5710 increases the benefits for certain uninsured individuals aged 72 and over, under the Prouty Amendment of last year, from $35 to $50 per month. Residents of Puerto Rico were excluded when this program passed Congress last year. H.R. 5710 continues this exclusion.

These are the basic problems Puerto Rico encounters in this bill. For the most part, they are simply the result of a failure to analyze the new requirements in light of the unique application to Puerto Rico of certain titles of the Social Security Act.

I am confident that this Committee will approve amendments correcting this situation, and that they will be supported by the Administration.

I respectfully urge this Committee to adopt the following proposals, which, with the Committee's permission, I shall shortly submit in the form of amendments to H.R. 5710:

Eliminate the Section 1108 ceiling on federal payments to Puerto Rico under the public welfare titles;

Eliminate the 50–50 matching formula and make applicable to Puerto Rico the formula used for the states;

Extend the Prouty Amendment to the American citizens who reside in Puerto Rico;

If the welfare ceiling and matching formula are not eliminated, exempt Puerto Rico from the requirement that medical assistance standards be no higher than 150 per cent of the public welfare assistance standards;

Exempt Puerto Rico from the free choice requirement and establish feasibility studies to determine how soon and in what way this policy may be effectuated in Puerto Rico. Also, progressively increase the federal matching percentage.

I realize that this would represent a significant change of past policy. However, I would not ask for a reexamination and revamping of past decisions if I did not sincerely believe both that the plight of thousands of American citizens demands it, and that many of the factors which underlay this policy have disappeared.

In its deliberation on my proposal, I hope the Committee will take into account these considerations:

Puerto Rico's fiscal effort under the public assistance programs has been exemplary. The expenditure per $1000 of total personal income is far higher than the national average, and is exceeded only by seven states.

Despite this strong effort by Puerto Rico, limited federal participation has kept welfare payments in Puerto Rico extremely low. Of the $3.2 billion expended in 1966 for public assistance Puerto Rico received $15.8 million, or ½ of one per cent of the total.

Since 1950, when the ceiling on federal public welfare assistance was imposed, Puerto Rico's economy has grown tremendously. Per capita income has more than doubled. The Gross National Product has tripled. Employment in manufacturing has jumped considerably. And Puerto Rico has become the fifth largest market for U.S. goods, exceeded in this hemisphere only by Canada. Thus, any fears that elimination of the ceiling might lead to large, never-ending federal assistance to Puerto Rico, or that a welfare recipient might receive more than a working man, may be put aside.

In fact, our economic successes are directly reflected in our public welfare program which in the last three years has averaged a reduction of over 6,000 cases per year.

Another factor which seemed to play an important role in 1950 was the fact that individuals and corporations in Puerto Rico do not pay federal taxes. I hope that this Committee will critically analyze this factor, for I believe it has little relevance in the context of public assistance. By definition, we are talking about a category of people who are unable to contribute significantly to the federal revenues, whether they reside in the continental United States or in Puerto Rico. It would be a strange system that determined welfare eligibility by the amount of federal taxes the recipients were fortunate enough to be paying. Indeed, the unimportance of this consideration can be seen in the public assistance titles. The matching formulas are structured so that the states with the greatest needs receive a greater proportion of federal funds.

With respect to the "free choice" requirement, I am personally convinced that this should be our goal, that the patient should have the right to choose his doctor and his hospital. Philosophically, this is the ideal. To harmonize this ideal with economic realities is our problem. It is a matter of money and time. Money actually is not available. Time is. In view of this situation, I am morally and intellectually convinced that the best decision is to study the feasibility of free choice in Puerto Rico to determine whether when and how this new federal policy may be implemented in Puerto Rico.

Puerto Rico's effort in the health field has been admirable. Commonwealth appropriations for health rank second only to education, and have been steadily increasing. (Chart 9.) It would be, indeed, unfortunate to stifle this progress by imposing an unwise requirement on Puerto Rico.

Permit me to digress momentarily from H.R. 5710 to point out there is also pending before the Committee my bill, H.R. 4902, to extend Social Security coverage under Title II to firemen and policemen in Puerto Rico. A preliminary poll s[illegible]d that a substantial majority of them favor[illegible]s step. I respectfully request the Comm[illegible]tee to consider and report this bill favorably.

I am gratified to know that my position on the bill before you has the support of many groups in Puerto Rico with divergent philosophies—Puerto Rico medical and health societies, the Puerto Rico Chamber of Commerce, the Puerto Rico Manufacturers Association, the Mayoress of San Juan, and numerous others. I should appreciate the privilege of including their telegrams in the record. I was also delighted to learn that the National Council of State Public Welfare Administrators, in the testimony of its Chairman, Wilbur Schmidt, before the Committee, has recommended the adoption of measures to remedy our distressing welfare situation.

In conclusion, I should like to say that I am appearing today not only on behalf of the Commonwealth Government but also on behalf of the 2.7 million American citizens in Puerto Rico whom I am privileged to represent. I cannot count the number of letters which I have received from constituents asking me why Congress has overlooked the old, the indigent, the blind, the disabled, and the sick in Puerto Rico. My answers have been far from satisfactory, since I, too, am one of those asking this question.

Mr. RHODES of Arizona. Mr. Chairman, the House Republican Policy Committee supports H.R. 12080. This bill provides an across-the-board increase of 12½ percent, increases the amount an individual may earn and still get full benefits, strengthens the benefit formula,

improves the health insurance benefits, and requires the development of programs under Aid to Families with Dependent Children—AFDC—that would insure that individuals receiving aid would be trained to enter the labor force as soon as possible.

During the 89th Congress and again in the January Republican state of the Union message, the Republican leadership in the House of Representatives called for an immediate increase in social security benefits. Due to the Great Society inflation, many of our elderly citizens have been faced with a serious situation. Last year alone, the cost of living rose 3.3 percent. Cash benefits had fallen 7 percentage points behind the Consumer Price Index. Under the circumstances, it is unfortunate that the administration delayed action on this bill for so long. The 12½-percent increase in social security benefits is needed now to help many of our senior citizens cope with the inflation that has resulted from the fiscal policies of the Johnson-Humphrey administration.

We believe that the present earnings ceiling is inadequate. The increase that is contemplated by this bill would, in some measure, reflect the financial realities of the present inflationary period. Under the provisions of this bill, the amount that a person may earn and still get his benefits would be increased from $1,500 to $1,680 and the amount to which the $1 or $2 reduction would apply, would range from $1,680 to $2,880 a year. Also, the amount a person may earn in 1 month would be increased from $125 to $140.

Experience has proven that a number of major changes in the present health insurance provisions are required. As a result, under H.R. 12080, the number of days of hospitalization would be increased from 90 to 120 days. A patient would be permitted to submit his itemized bill directly to the insurance carrier for payment. And a physician no longer would be required to certify that a patient requires hospitalization at the time he enters or that a patient requires hospital out-patient services.

One of the most perplexing problems in the welfare area is centered in the program that provides aid to families with dependent children—AFDC. In the last 10 years, this program has grown from 646,000 families that included 2.4 million recipients to 1.2 million families and nearly 5 million recipients. It is estimated that the amount of Federal funds allocated to this program will increase from $1.46 billion to $1.84 billion over the next 5 years unless constructive and concerted action is taken. In order to reduce the AFDC rolls by restoring more families to employment and self reliance, H. 12080 would make a number of changes in the present program. For example, States would be required to:

First. Establish a program for each AFDC adult or older child not attending school which would equip them for work and place them in a job. Those who refuse such training without good cause would be cut from the rolls.

Second. Establish community work and training programs throughout the State by July 1, 1969.

Third. Provide that protective payments and vendor payments be made where appropriate to protect the welfare of children.

Fourth. Furnish day-care services and other services to make it possible for adult members of the family to take training and employment.

Fifth. Have an earnings exemption to provide incentives for work by AFDC recipients.

There is no provision in the present Social Security Act under which States may permit an employed parent or other relative to retain some of his earnings. This has proven to be a serious defect. The number of assistance recipients who take work or enter into a training program can be increased if the proper incentive exists. We support the adoption of a work incentive provision.

At the present time, there are a number of other Federal programs that make provision for work incentives to welfare recipients. This proliferation of work incentive provisions has proven confusing to welfare personnel and recipients. In an effort to end this confusion, the proposed provision in H.R. 12080 would, in effect, supersede the provisions relating to earnings exemptions now contained in the Economic Opportunity Act and The Elementary and Secondary Education Act. We support this attempt to establish a uniform rule. We urge prompt action to bring the provisions of other legislation into conformity with this provision.

Mr. ROBISON. Mr. Chairman, I intend to support H.R. 12080—the Social Security Amendments Act of 1967—though I do so with some reservations that, given the closed-rule situation under which we are operating that prohibits any and all amendments, perhaps need to be set forth for the record.

As has been noted, the bill provides for a 12½-percent increase, across the board, in social security benefits, effective 2 months after passage, and raises the minimum monthly benefit from the current $44 to $50 a month. Although substantially less than the President has asked for—and much less than some of my colleagues have been urging was required—these increases will just about compensate the estimated 23 million persons receiving benefits under the program in one category or another for the increase in their living costs experienced since the last such adjustment.

Numerous other changes in the program are made—and identified as "improvements." These are important but, since others have or will comment upon them, I shall not attempt to enumerate them.

Similiar changes, again identified by the committee as "improvements" are made in the so-called medicare program that is now operated under and as a part of the social security system; but, again, since they have been enumerated and explained, I shall not attempt to go into their details.

I do wish to comment, however, upon the cost of these improvements to finance which the committee has suggested an increase in the so-called taxable base, as of January 1, 1968, from the current $6,600 to $7,600, with subsequent increases beyond those presently scheduled in the wage tax, itself. That tax is now 8.8 percent, shared equally by employers and employees and is scheduled to go to 9.8 percent in 1969, 10.8 percent in 1973, and on to 11.3 percent in 1987. Because of that increase in the taxable base, the committee maintains that the system can be kept in actuarial balance by reducing the scheduled rate increase in 1969 from 9.8 percent to 9.6 percent but, after that, believes that the rate should go to 10.4 percent in 1971, 11.3 percent in 1973 and finally to 11.8 percent in 1987. Undoubtedly the committee has exercised its best judgment in making these projections, but one would have to assume that they are probably on the conservative side and, at best, that unless future Congresses do a better job than this one is in restraining the inflationary pressures that are now so evident in our economy, both that taxable base and the tax rate, itself, will again have to be looked at before long.

All of this, and especially the inevitable uncertainty that shrouds the fiscal future of such a system, requires us to look deeply into the drifting manner by which social security seems to be moving from an insurance program, providing supplementary retirement benefits as originally intended by Congress, into an all-out welfare program as some have been urging it ought to be. Right now, the system is a mixture of both types of programs which, though some will argue this is socially desirable, discriminates against young people in favor of the old, just as it discriminates against married women who work and, because of the regressive nature of the tax that supports it, against the working poor as well.

Some years back, it was suggested by various economists, and by a few Government witnesses as well, that a total 10-percent tax take to support the program was, in turn, about all the economy could support. We have not yet reached that theoretical ceiling, although we are now scheduled soon to do so and will then discover whether, in fact, the cost of this kind of a system can become an intolerable burden. At present, I would say none of us knows the answer, but let us at least admit that we have been forewarned.

Whatever the event, we already know that the social security tax paid by many individual employees has, for them, become a substantial burden. In many cases, such tax is far larger than they pay in Federal income taxes—and this is especially true with respect to the self-employed small businessman, or professional worker, who has to carry an extra portion of the overall cost of the system.

Of course, this bill, by holding the tax rate as it is and raising the taxable base, does not change the contribution required by those employees earning not more than $6,600. However, for those earning $7,600 or more—after next January 1, assuming passage of this measure as is—their contributions will increase by $44 a year which may not sound like much to many of us here but for many of

the people we represent—especially those younger family units where the breadwinner is not only bringing up children but buying a home, making payments on a car, trying to carry some needed life insurance to protect his dependents, and the like, and is already feeling the pinch of the current climb in living costs, let alone facing the prospect of a Federal income tax increase to go along with steadily climbing State and local taxes—it is going to require a further readjustment in their already strained family budgets.

Of course, their employers will be paying more, too, but far too many of us look at such payments by business entities as being, somehow, a windfall when, as a matter of fact, the eventual burden thereof will be passed back in due time to the same employees in the form of higher consumer prices, increased cost for services, or even lower dividends for those fortunate enough to have some small share in our private enterprise system.

And it is of more than passing importance, Mr. Chairman, that for these same younger people the Social Security "annuity" has already become a bad bargain even though they can not do anything about it. As Prof. Colin Campbell, of Dartmouth College, has pointed out, a young man beginning work now at age 22 and continuing to work for 43 years will, at currently projected rates—as existing prior to passage of this bill—pay into the system a contribution which, with accumulating interest at 4 percent, will amount to about $67,000. When possible survivors' benefits or disability insurance benefits are eliminated, the value of that contribution is reduced to about $50,000, out of which, assuming no change in benefit rates, the Government will pay him about $3,000 a year during his retirement-life expectancy of about 14 years. According to Professor Campbell, this same worker—if he had the option of doing so—could acquire for himself a similar pension or annuity by making premium payments to a private insurance company of only about $45,000—a difference or saving to him of about $27,000.

It is this sort of fiscal inequity that has again stimulated interest on the part of a few Members of this body—although after Senator Goldwater's experience with this it admittedly requires some courage to do so—in again exploring whatever possibilities may exist for converting our present arrangement, or at least a portion of it, into a true insurace system which would be voluntary in nature, or at least optional, while at the same time, of course, maintaining and fulfilling all of the commitments that have been made under the present system.

Now, of course, those who defend the system as is, even with its sometimes apparent inequities, do so on the ground that it now properly emphasizes what they call "social adequacy" and that this is necessary even at the expense of individual equity. Well, this may be so, but I think all this raises a substantive question of public policy that has never properly been considered by any Congress since this program began. Once again, this year, we are ducking that question though I certainly feel that the Committee should be highly commended for the moderate manner in which it has approached the need for improving the program's coverage and benefits—something that always carries with it an undeniable political appeal—and I believe the gentleman from Missouri [Mr. CURTIS] should be especially commended for the thoughtful comments he makes along these same lines in his supplemental views as carried in the report.

Mr. Chairman, I should like to associate myself with the gentleman from Missouri [Mr. CURTIS] in this respect, for what he says makes a lot of sense to me. As he has said, he is suggesting that, somehow, consideration ought to be given toward finding a way for providing increases in retirement benefits of the future out of those increasingly popular and prevalent private pension funds which now at least partially cover some 25 million workers and are funded to the extent of an estimated $90 billion. Mr. CURTIS further states that, in a few years at this rate, such plans will cover perhaps as many as 50 million workers—or about 75 percent of all of them—and such plans may well be funded to the tune of $200 billion.

Such funded plans have a substantial growth-factor built into them as earnings are received on their investment, which is surely not the case with respect to the federally operated social security system which now operates, perforce, on a pay-as-we-go basis so that, as benefits are increased or the program improved, the tax to support the same must also be increased, and somewhere, Mr. Chairman, those taxes may well reach a point of diminishing returns.

I confess I do not know what might possibly be worked out, here, but I do believe that a careful, in depth study ought to be made into what could be done toward better correlating the Federal system into these private plans so that maybe, someday, we could convert that Federal social security system from the "careening, runaway train, with no brakes and a speed-happy engineer at the controls" as the St. Louis Globe-Democrat called it earlier this year, back into something more closely resembling its original concept.

We could start, Mr. Chairman, by taking a look at a situation that has recently been forcefully called to my attention by a properly irate constituent who is the beneficiary—or pensioner—under one of those private plans but who, by virtue of the plan's provisions, sees his private monthly annuity go down every time Congress, with the intent to help compensate him for increases in the cost-of-living, raises his supplementary social security monthly benefit. For such an individual, and I suspect there are many in the same boat, this bill will be of no help for no matter how hard he runs he will stay in the same financial place.

I understand that legislation aimed at correcting this situation has been introduced in the other body, and, I assume this committee is aware of it, so I would express the hope that its members would take a look at it as soon as possible.

Now, with respect to the changes in the public-welfare system that are also proposed in this omnibus measure—concerning which, again, no amendments are possible—we are all well aware that these are controversial but my study of them leads me to believe that the committee has carefully considered the impact of such changes, and that it is being realistic, or perhaps hard-headed, rather than hard-hearted. Its report is replete with statistical information concerning the rapidly rising welfare burden this supposedly affluent Nation despite all our categorical efforts to improve the lot of our disadvantaged citizens has been carrying. Perhaps nothing can be done about this, but, I would agree that it is the responsibility of this Congress to try to reverse the hard-to-explain upward surge of relief rolls. The bill offers some incentives to the States for attempting to do so—one of the best of which is the liberalized arrangements for Federal help in providing day-care centers for working mothers, or those mothers seeking training so they can become gainfully employed. I have previously expressed my interest in the need for this to the members of the committee, and I am glad to note they have incorporated these provisions in the bill before us.

In effect, what the committee is suggesting, as I understand it, is that the States, especially in the welfare category of aid to families with dependent children which category increases faster in numbers than any other, must institute programs for doing what can be done toward getting the appropriate members of such families back into employment, and thus off the relief rolls. The inference is that the States have not been doing enough in this direction, and of course the critics of this move will say the States cannot do more and that what we are asking is that they somehow provide their own financing for training programs, educational programs, and the like as substitutes for the present Federal subsidy to their welfare funds. Other critics will say that we are now demanding compulsory training of the poor to make them employable, and that many are just not trainable, which may well be true.

However, I do not quite see it that way. Instead, Mr. Chairman, it seems to me that what the committee is saying is that the established welfare agencies are not making as much use as they might of the newer and still-experimental Federal programs, such as the poverty program and the like, and the expanded federally-aided programs in basic and vocational education, and they ought to be encouraged to do so. As a matter of fact, one of the complaints I get from poverty works in the field is that the welfare agencies have not adjusted to nor accepted many of the programs which might be of help to those unfortunate people they are taking care of. Now, let me hasten to say I do not think this is the fault of the local welfare administrators. They operate according to guidelines—and pretty rigid guidelines—laid down for them by the State agencies

which, in turn, are dictated in broad outline by the appropriate Federal agencies which means that, ultimately, the "buck" comes right back here to Congress. For all I know, many welfare administrators would like to encourage some of their welfare recipients to take such advantage as they could of, say, the local poverty program, but presently have no leverage to get them to do so. Well, perhaps this bill, with its changes in the welfare procedures, will provide that leverage; and, let me point out again, no one here is seeking to "get tough" with the poor, instead, our motives are those of trying to help the poor to help themselves. Maybe we are not going at it in the right way; right now, I do not know, but I do know we ought to try and, if we fail, to try something else.

Now, finally, Mr. Chairman, a word or two about the committee's action with respect to title 19—or medicaid—plans. This is of special interest and concern to New Yorkers for it was the New York medicaid plan that precipitated committee action in this respect.

New York's plan has, to say the least, been as controversial at home as it has here once the details thereof became known to Congress. I am not now prepared to debate whether or not the New York plan went too far or was too liberal in its coverage, for it seems to me that is beside the point. The real point is that New York evidently went beyond whatever rough timetable both the administration and the Congress had for State progress under title XIX of the Medicare Act, and its position "out there" throws both that timetable and the budgetary projections made according to it out of whack.

Under the circumstances, therefore, I find the committee's suggestions—as contained in this bill—for cutting back on the growth of such programs across the Nation through imposing an income-limitation on eligibility for Federal assistance both reasonable and fair. It is especially fair in New York's case since the committee has seen fit to phase in that sort of a limitation in order to give our State time to adjust thereto.

That adjustment will not be easy, and, it will, in and of itself, produce some further controversy. But we have to make it, and in the making I strongly hope our State legislature will take note of the heavy burden the cost of our medicaid plan on our upstate counties has already become, and will do what can be done to alleviate that burden—for, in some cases, it is becoming well-nigh disastrous.

I would also hope, Mr. Chairman, though this is perhaps not the place to urge it, that our legislature, forced as it is to review this program for which there is clearly a real need at the lower income levels, would also give its attention toward converting our plan where it now reaches into what might be described as the lower middle-income levels to financing catastrophic health costs. I have always felt that the real health-cost problems of our people did not lie, except for the poor, in financing their routine and less-costly illnesses or accident cases. Instead, as I see it, the real problem and the real area of need is to provide Federal, State and local help in meeting the very expensive cost of a catastrophic illness or accident where, if a year or more of hospital care is required, even an upper middle-income family can be put on the relief rolls. Here is where something can still be done, and, if New York does it right I am confident this Congress will approve and adjust the provisions of this bill accordingly.

Mr. MATSUNAGA. Mr. Chairman, I rise in support of H.R. 12080, the Social Security Amendments of 1967.

This comprehensive bill contains many provisions which are designed to improve the social insurance and social welfare programs in the United States. Most important of all, of course, these provisions would benefit millions of Americans in need, and for this reason, the bill deserves the support of every Member of this body.

Perhaps the most significant feature of the bill is that it would increase social security benefits for more than 23 million elderly, disabled, widowed, and orphaned persons. An across-the-board benefit increase of 12½ percent, raising the minimum monthly payment from $44 to $50, would provide these beneficiaries with needed additional income. This provision alone would justify a unanimous vote for the bill. However, H.R. 12080 does much more than increase benefits.

The increase in the earnings base from $6,600 to $7,600 would result in larger benefits for those in the upper earnings levels. There is also a provision to increase the amount an individual may earn and still receive full benefits. Benefits would be available to disabled widows and widowers at the age of 50. There are other provisions which would improve the protection afforded persons under our social insurance system.

The bill also provides for improvements in the health insurance program for the aged in the landmark medicare legislation enacted by Congress in 1965. The most important change provided for by H.R. 12080 in this respect is the coverage of additional days of hospital care from 90 to 120 days. Other provisions are intended to simplify and improve the administration of this program.

The bill goes beyond the social insurance programs to make important reforms in our public assistance programs as well. Job training and job opportunities would be provided to enable members of families with dependent children who are now receiving assistance to leave the relief rolls. The Federal Government would also provide additional resources through a more favorable matching formula to enable the States to provide the child welfare and day-care services for the children of these families. The bill also contains measures to help reduce illegitimate births and to prevent the neglect, abuse, and exploitation of children.

Finally, the bill would improve the programs relating to the health of mothers and children by consolidating separate authorizations now in the law, by increasing the total authorization for these programs, and by providing additional emphasis to the need for research and training programs designed to provide better health and dental care for mothers and their children.

Mr. Chairman, I have only touched upon the more important provisions contained in this monumental piece of legislation. Today, we have a firm and solid social security program on which millions of Americans depend, but there are needed program improvements which this bill contains. The bill, as it is now before the House, is an outstanding example of what bipartisan efforts can do to bring about meaningful improvements to the lives of millions of our people. It is now the duty of every Member to sustain this bipartisan support of the bill in order that these benefits can become a reality and bring new hope to all needy Americans.

I urge unanimous support for H.R. 12080.

Mr. PUCINSKI. Mr. Chairman, I rise to join my colleagues today in casting an affirmative vote for H.R. 12080—the Social Security Act Amendments of 1967.

This legislation goes far toward bringing our senior citizens into the mainstream of American economic life. It will afford them expanded medicaid assistance and will make it possible for them to live frugally, but with the dignity to which they are entitled. We can hardly do less for hardworking American men and women who have devoted a lifetime to earning their own way.

Furthermore, I am happy to support legislation which will, at long last, bring about meaningful reforms in the aid to dependent children program. ADC, as it is widely known, has in my judgment up to now provided a haven in all too many instances for the indigent families and individuals who will not make a constructive effort to help themselves. Too often, the American taxpayer has had the burden of helping to support capable people who choose to live on the charity of others, rather than on their own initiative and hard work.

While we mourn the plight of the children who are victims of parents who feel no sense of responsibility toward the lives they have brought into the world, or the society which protects them, we must take steps to create a viable alternative to the crushing cycle of ignorance, poverty, and welfare.

Under the provisions of the bill before us today, a program would be set up for each adult and child, age 16 or over, who is not in school, to provide them with employment counseling, testing, and job training; the bill provides day care services for children of ADC working mothers to encourage these mothers to seek jobs, hold onto them and become self-supporting; the bill will offer family planning services where needed and will develop programs designed to reduce the number of illegitimate births and establish the paternity of illegitimate children thus, hopefully, securing support for those children.

As a further economic incentive, the bill exempts a portion of income earned by members of a family who can work so that they will actively seek employment.

These are important and long overdue steps to get these able-bodied persons off the welfare and relief rolls and into the productive majority of American life. I heartily endorse these improvements in ADC.

Mr. Chairman, this bill will affect an estimated 23,700,000 people with $3 billion in additional benefits in 1968. I believe it deserves our energetic support.

Mr. DORN. Mr. Chairman, a 12½-percent increase in social security payments will be provided for our senior citizens under this bill. This increase is urgent and necessary to enable our elderly people to meet the necessities of life. The increasing cost of living bears down most heavily on our retired people, who are struggling to pay medical bills, buy food, and pay the rent.

Mr. Chairman, I know personally of many friends who went to work in the textile plants of my district 50 years ago and who have paid into social security for 30 years. These patriotic, law-abiding and, yes, taxpaying citizens are entitled to and deserve a decent retirement in the sunset of their lives.

This bill is a step in that direction. I support this increase in social security with all the sincerity at my command and urge this House to pass this bill by an overwhelming majority.

This bill will also provide for benefits for disabled widows and widowers. Monthly social security benefits would be payable between ages 50 to 62 to disabled widows and widowers of deceased workers.

I had hoped, Mr. Chairman, that this bill would provide benefits for those who are disabled and cannot continue on the same job they have held for 30 years. It is a shame that a worker who has stayed on the same job for that long, but becomes disabled and loses that job, must go out and knock on doors looking for a job while being denied social security benefits.

Mr. Chairman, I will continue to introduce and fight for legislation again and again which would permit my textile employees to draw social security when disabled after 30 years on the same job.

Mr. Chairman, we must provide at least the same consideration for our own people as we do for those in foreign nations. We have sent over $100 billion abroad. Now we should give every consideration to our own American people. It is fine to fight disease and poverty abroad, but we can and must take care of the ones here at home who paid the bill to help our foreign friends.

Mr. KLEPPE. Mr. Chairman, the across-the-board, 12½-percent increase in social security benefits will enable millions of retired people to catch up, at least temporarily, with the continuing rise in living costs. Last year, prices paid by consumers for goods and services increased 3.3 percent and a similar increase is in prospect for 1967. The war in Vietnam, coupled with record Federal expenditures for nondefense purposes, make it obvious that living costs will continue to escalate at an alarming rate in the foreseeable future.

I am pleased to note that the measure drafted by the House Ways and Means Committee would increase from $1,500 to $1,680 per year the amount that an individual can earn without losing any part of his social security benefits. Along with many of my colleagues, I had introduced legislation which would have provided a higher ceiling—$3,000 in the bill I sponsored. I believe this would have been a more realistic figure but the committee bill represents a step in the right direction. Also, the amount a person can earn in 1 month would be increased from $125 to $140.

The committee acted wisely, I believe, in rejecting the administration proposal to make social security benefits subject to Federal income taxation. This would have represented double taxation and would have been a severe hardship for many retired people.

I am concerned over the tax increases which will be levied against employers and employees under the social security program in the years ahead. The fund cannot be kept on an actuarially sound basis unless collections keep pace with commitments. The further tax increases scheduled to take effect between January 1, 1969, and January 1, 1987, will bear heavily on employers and employees.

The original purpose of the social security system was to establish a retirement program based primarily upon earned rights to future benefits, financed by the employee and the employer. It must not be permitted to become another welfare program, although the trend has certainly been in that direction.

I shall support the social security amendments before the House. They will be of immediate help to millions of our retired citizens. But unless the brakes are put on inflation, these gains will be short lived.

Mr. BOLAND. Mr. Chairman, in general, I am in favor of H.R. 12080, the Social Security Amendments of 1967, but I am opposed to certain provisions written into this legislation with respect to aid to dependent children and the medicaid programs.

This bill comes to the floor today under a closed rule, so we have to vote for it, or against it; we cannot offer amendments designed to correct the inequities contained in the provisions for needy children and the medical assistance programs. Overall, this is a good bill and I commend Chairman WILBUR MILLS and the members of the Ways and Means Committee for the many months of work they have put into this legislation.

Mr. Chairman, although I will vote for this bill because it contains so many beneficial provisions, I would urge the Senate Finance Committee and the Members of the Senate to eliminate certain regressive provisions. I am opposed to the January 1, 1967 ceiling on the percent of children with respect to whom Federal aid to dependent children payments may be made to a State; and I am equally opposed to the provision, which would be mandatory on the States beginning January 1, 1969, to encourage State and local welfare agencies to put pressure on mothers of dependent children to leave home and go to work.

Such provisions may have an adverse effect upon the welfare of children and will not contribute to the strength and integrity of families. A mother should continue to have the option to remain at home and care for her children, or, if she wishes, to seek outside employment with the knowledge that her children are being cared for by day-care services. Secretary John W. Gardner of the Department of Health, Education, and Welfare, has said he will ask the Senate to delete these provisions of the bill.

Secretary Gardner also said of these provisions, according to the New York Times yesterday:

> I do not believe that children should have to pay for the shortcomings and inequities of the society into which they are born. I do not believe that children should have to pay for the real or supposed sins of their parents, and I think it would be short-sighted of a society to produce, by its neglect, a group of future citizens very likely to be unproductive and characterized by bitterness and alienation . . . The states would be encouraged—virtually forced—to establish even more restrictive eligibilty requirements, or else to lower the already inadequate support being paid.

Gov. John A. Volpe of Massachusetts, representing the National Governors' Conference Advisory Committee on Federal-State Local Relations, expressed his opposition to these provisions to Secretary Gardner when they met here in Washington on August 8. Governor Volpe told Secretary Gardner:

> The federal government in effect would be penalizing those states with the greatest need and in many areas would tend to encourage discriminatory practices to the detriment of needy families with children if the family is determined to be "unworthy" by state or local public welfare officials.

In my own State—the Commonwealth of Massachusetts—25,000 families received money under the aid to families with dependent children program, benefiting some 85,000 individuals, in 1966, at a total cost of $64,221,256. Of this sum, the Federal Government contributed $27,855,828, Massachusetts gave $21,407,-084, and the cities and towns provided $14,958,344 toward the program.

Mr. Chairman, I hope that the Senate will also eliminate the 133⅓ percent of income level contained in this bill for eligibility to medicaid for which Federal matching funds are available. Regarding this provision, Governor Volpe told Secretary Gardner last week:

> Medicaid is another ceiling which would eventually require those states with forward-thinking programs to make additional moral judgments. Will the states, already overburdened financially be forced to assume that portion of the cost which would exceed the proposed ceiling or will they be forced to retrench a program which is so vitally needed by the poor and the underprivileged? A program which has been undertaken by the states in good faith with the understanding that the federal government would support its part of the costs. I feel we should give careful consideration to retaining the present 150% figure.

Mr. Chairman, turning to the beneficial provisions of this bill, I am delighted to note the emphasis place on the health and welfare of our children. I have long been concerned with an expansion of our child welfare services, such as was proposed in legislation last year by our late esteemed colleague Congressman John E. Fogarty of Rhode Island. I know he had planned to reintroduce his bill on the opening day of the 90th Congress. My colleague from Massachusetts, Congressman JAMES A. BURKE, a member of the Ways and Means Committee, and I did file the legislation, and I am pleased its provisions were incorporated in the bill reported by the Ways and Means Committee.

In his testimony before the committee on March 1, Secretary Gardner made the case for broad action on this front. He pointed out that one-third of the Nation's counties do not have the services of a full-time child welfare worker and that, although total expenditures for child welfare services were close to $400 million, Federal funds accounted for only about 10 percent of this amount. In raising the existing ceiling on the amounts authorized for this program, the Committee on Ways and Means has, wisely I believe, made it possible for the Congress to expand these programs and also to incorporate such services with the aid to families with dependent children program so that all of our children in need of such services will be able to receive them.

We know that, today, only about a half million children who need these services are receiving them through the offices of professional child welfare workers with public agencies. We know that, whenever possible, these workers try to keep children in their own homes by counseling families on their problems, arranging for visiting housekeepers, training mothers in homemaking and child rearing, and providing day care for children whose mothers must work. One of the most important features of the bill before us, in the latter case, is the provision which contemplates an expenditure of $470 million for day care services for such mothers by 1972. In the words of the committee report:

> Your committee believes that many mothers of children on AFDC would like to work and improve the economic situation of their families if they could be assured of good facilities in which to leave their children during working hours . . . the bill would contribute very substantially to the financing of day care facilities for the children of working mothers (or homemaker services if such an arrangement is more satisfactory).

I also approve the feature of the bill which repeals the concept dating back to the Elizabethan poor laws, that any outside earnings on the part of relief recipients, will result in a deduction of the amount of monthly payments determined on the basis of need. The bill will require States to disregard the first $30 of earned family income plus one-third of earnings above that amount for each month for AFDC recipients. Most important, in my mind, it provides a special incentive for young people in such families to go out and seek part-time jobs—such as a newspaper route or work in a grocery—by providing that earnings of children under age 16 and of those age 16 to 21 who are attending school full time, would be fully exempt.

Mr. Chairman, I support the benefit increase of 12½ percent for the more than 23 million people in our country who are now receiving social security benefits. This change does bring us more clearly in line with the increases in wages and cost of living which have occurred since our last benefit increase. Under present law benefits range from $44 to $142 a month for retired workers who are now receiving benefits. Under the provisions of H.R. 12080 these amounts would be increased to a $50 minimum and a maximum of $159.80 and the average social security benefit now paid to all aged couples—$145 a month—would be increased to $164. The bill also provides for an increase in the amount of payments for the special group of people 72 and over who, because the work they were doing in their younger years was not covered by social security, cannot qualify for full benefits. It increases the amount of special payments they can receive from $35 a month for an elderly man or widow to $40.

Also, I am in favor of payments to disabled widows and widowers who are between the ages of 50 and 62. This is a new area, but I feel sure that our concern for the maimed among us in this group will eventually lead to an expansion of this program to include all of these handicapped widows and widowers regardless of age. This is a start.

For the more fortunate among our elderly I am happy to know that this bill provides for an increase in the amount of annual earnings a social security beneficiary can receive without having any benefits withheld. I have long supported and sponsored legislation to accomplish this end. The annual exempt amount is increased by this legislation from $1,500 to $1,680. I understand that it is estimated about 760,000 people will receive additional benefits, amounting to $140 million in the first year, because of this change.

Mr. EDMONDSON. Mr. Chairman, all the evidence points us to the fact that Congress must increase social security benefits. There is convincing evidence that a substantial increase can be made retroactive to January 1, 1967—at no additional increase in cost to the taxpayer.

The need for such an increase is painfully obvious. Nearly 22 million American citizens count on social security benefits to provide for most or all of their needs. The fixed income they are now receiving is far from adequate for existence in a world of increased prices. The inadequacy of this income has made poverty cases, unnecessarily, out of many people helpless to do anything to improve their situation. Present social security polices and laws discourage the elderly from earning a suitable living—once they have reached retirement age—and yet delay unnecessarily justified cost-of-living increases in their monthly checks.

To cite a specific illustration, over 2.5 million aged widows in America received an average of only $74 per month in social security benefits last year. The Social Security Administration defines poverty for an individual over 65 as an income less than $1,500 a year. In 1966 these 2.5 million aged widows were receiving less than one-half that amount. The case for action in their behalf is obvious.

Mr. Chairman, when you consider a situation like this, it is not too difficult to understand why 20 to 25 percent of America's poverty stricken are older people. An increase in the social security benefits would make a world of difference in the lives of many of them, and that increase is overdue now.

I strongly urge my colleagues to join in support of an increase in social security benefits. It is the responsibility of Congress, and a most necessary measure.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Chairman, I ask unanimous consent that all Members desiring to do so may extend their remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. BYRNES of Wisconsin. Mr. Chairman, I have no further requests for time and yield back the balance of my time.

Mr. MILLS. Mr. Chairman, I have no further requests for time and yield back the balance of my time.

The CHAIRMAN. Under the rule, no amendments are in order except amendments offered by direction of the Committee on Ways and Means.

Are there any committee amendments?

COMMITTEE AMENDMENTS

Mr. MILLS. Mr. Chairman, permit me to say there are some 13 or 14 clerical, technical, and conforming changes which are required in the bill, most of which are due to errors in printing and so forth. None of them are substantive to any extent whatsoever.

Mr. Chairman, I offer the amendments and ask unanimous consent that they be considered en bloc.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

The Clerk read as follows:

Committee amendments offered by Mr. MILLS: On page 78, line 11, strike out "on or".

On page 82, lines 2 and 3, strike out "in or after the month" and insert "after the date".

On page 82, line 4, strike out "in or after such month" and insert "after such date".

On page 88, line 15, strike out "are" and insert "is".

On page 92, line 17, strike out "amendment" and insert "amendments".

On page 119, line 2, after "dependent children" insert "(and individuals whose needs are taken into account in making such determination)".

On page 119, line 9, stirke out "individual" and insert "individuals".

On page 127, line 25, strike out "clause (iii) (III)" and insert "section 402(a)(20)(B)".

On page 129, line 19, after "assist" insert "any".

On page 135, line 17, strike out "providing" and insert "provide".

On page 141, line 19, after "FEDERAL" insert "PARTICIPATION IN".

On page 146, line 1, strike out "amendments" and insert "amendment".

On page 172, after line 4, insert the following:

"(h) Each State plan approved under title IV of the Social Security Act as in effect on the day preceding the date of the enactment of this Act shall be deemed, without the necessity of any change in such plan, to have been conformed with the amendments made by subsections (a) and (b) of this section."

Mr. MILLS (during the reading of the amendments). Mr. Chairman, I ask unanimous consent that the further reading of the amendments be dispensed with, and that they be printed in the RECORD.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

The CHAIRMAN. The question is on the amendments.

The amendments were agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. DINGELL, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes, pursuant to House Resolution 902, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. For what purpose does the gentleman from California rise?

MOTION TO RECOMMIT

Mr. UTT. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. UTT. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. UTT moves to recommit the bill H.R. 12080, to the Committee on Ways and Means.

Mr. MILLS. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. MILLS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 415, nays 3, not voting 14, as follows:

[Roll. No. 222]

YEAS—415

Abbitt	Donohue	Jonas
Abernethy	Dorn	Jones, Ala.
Adair	Dow	Jones, Mo.
Adams	Dowdy	Jones, N.C.
Addabbo	Downing	Karsten
Albert	Duiski	Karth
Anderson, Ill.	Duncan	Kastenmeier
Anderson, Tenn.	Dwyer	Kazen
	Eckhardt	Kee
Andrews, Ala.	Edmondson	Keith
Andrews, N. Dak.	Edwards, Ala.	Kelly
	Edwards, Calif.	King, Calif.
Annunzio	Edwards, La.	King, N.Y.
Arends	Eilberg	Kirwan
Ashbrook	Erlenborn	Kleppe
Ashmore	Esch	Kluczynski
Aspinall	Eshleman	Kornegay
Baring	Evans, Colo.	Kupferman
Barrett	Evins, Tenn.	Kuykendall
Bates	Fallon	Kyl
Battin	Farbstein	Kyros
Belcher	Fascell	Laird
Bell	Feighan	Landrum
Berry	Findley	Langen
Betts	Fino	Latta
Bevill	Fisher	Leggett
Biester	Flood	Lennon
Bingham	Foley	Lipscomb
Blackburn	Ford, Gerald R.	Lloyd
Blanton	Ford, William D.	Long, Md.
Blatnik		Lukens
Boggs	Fountain	McCarthy
Boland	Fraser	McClory
Bolling	Frelinghuysen	McClure
Bolton	Friedel	McCulloch
Bow	Fulton, Pa.	McDade
Brademas	Fulton, Tenn.	McDonald, Mich.
Brasco	Fuqua	
Bray	Galifianakis	McEwen
Brooks	Gardner	McFall
Broomfield	Garmatz	McMillan
Brotzman	Gathings	Macdonald, Mass.
Brown, Calif.	Gettys	
Brown, Mich.	Giaimo	MacGregor
Brown, Ohio	Gibbons	Machen
Broyhill, N.C.	Gilbert	Madden
Broyhill, Va.	Gonzalez	Mahon
Buchanan	Goodell	Mailliard
Burke, Fla.	Goodling	Marsh
Burke, Mass.	Gray	Martin
Burleson	Green, Oreg.	Mathias, Calif.
Burton, Calif.	Green, Pa.	Mathias, Md.
Burton, Utah	Griffiths	Matsunaga
Bush	Gross	May
Button	Grover	Mayne
Byrne, Pa.	Gubser	Meeds
Byrnes, Wis.	Gude	Meskill
Cabell	Gurney	Michel
Cahill	Hagan	Miller, Calif.
Carey	Haley	Miller, Ohio
Carter	Hall	Mills
Casey	Halleck	Minish
Cederberg	Halpern	Mink
Celler	Hamilton	Minshall
Chamberlain	Hammer-schmidt	Mize
Clancy		Monagan
Clark	Hanley	Montgomery
Clausen, Don H.	Hanna	Moore
	Hansen, Idaho	Moorhead
Clawson, Del	Hansen, Wash.	Morgan
Cleveland	Hardy	Morris, N. Mex.
Cohelan	Harrison	Morse, Mass.
Collier	Harsha	Morton
Colmer	Harvey	Mosher
Conable	Hathaway	Moss
Conte	Hawkins	Multer
Conyers	Hays	Murphy, Ill.
Corbett	Hébert	Murphy, N.Y.
Corman	Hechler, W. Va.	Myers
Cowger	Heckler, Mass.	Natcher
Cramer	Helstoski	Nedzi
Culver	Henderson	Nelsen
Cunningham	Hicks	Nix
Curtis	Holifield	O'Hara, Ill.
Daddario	Holland	O'Hara, Mich.
Daniels	Horton	O'Konski
Davis, Ga.	Hosmer	Olsen
Davis, Wis.	Howard	O'Neal, Ga.
Dawson	Hull	O'Neill, Mass.
de la Garza	Hungate	Ottinger
Delaney	Hunt	Patman
Dellenback	Hutchinson	Patten
Denney	Ichord	Pelly
Dent	Irwin	Pepper
Derwinski	Jacobs	Perkins
Devine	Jarman	Pettis
Dickinson	Joelson	Philbin
Dingell	Johnson, Calif.	Pickle
Dole	Johnson, Pa.	Pike
Pirnie	Satterfield	Thompson, N.J.
Poage	St Germain	Thomson, Wis.
Poff	St. Ong	Tiernan
Pollock	Saylor	Tuck
Pool	Schadeberg	Tunney
Price, Ill.	Scherle	Udall
Price, Tex.	Scheuer	Ullman
Pryor	Schneebeli	Van Deerlin
Pucinski	Schweiker	Vander Jagt
Purcell	Schwengel	Vanik
Quie	Scott	Vigorito
Quillen	Selden	Waggonner
Railsback	Shipley	Waldie
Randall	Shriver	Walker
Rarick	Sikes	Wampler
Rees	Sisk	Watkins
Reid, Ill.	Skubitz	Watson
Reid, N.Y.	Slack	Watts
Reifel	Smith, Calif.	Whalen
Reinecke	Smith, Iowa	Whalley
Resnick	Smith, N.Y.	White
Reuss	Smith, Okla.	Whitener
Rhodes, Ariz.	Snyder	Whitten
Rhodes, Pa.	Springer	Widnall
Riegle	Stafford	Wiggins
Rivers	Staggers	Williams, Pa.
Roberts	Stanton	Willis
Robison	Steed	Wilson, Bob
Rodino	Steiger, Ariz.	Wilson, Charles H.
Rogers, Colo.	Steiger, Wis.	
Rogers, Fla.	Stephens	Winn
Ronan	Stratton	Wolff
Rooney, N.Y.	Stubblefield	Wright
Rooney, Pa.	Stuckey	Wyatt
Rosenthal	Sullivan	Wydler
Roth	Taft	Wylie
Roudebush	Talcott	Wyman
Roush	Taylor	Yates
Roybal	Teague, Calif.	Young
Ruppe	Teague, Tex.	Zablocki
Ryan	Tenzer	Zion
Sandman	Thompson, Ga.	Zwach

NAYS—3

Bennett	Brinkley	Utt

NOT VOTING—14

Ashley	Flynt	Passman
Ayres	Gallagher	Rostenkowski
Brock	Herlong	Rumsfeld
Diggs	Long, La.	Williams, Miss.
Everett	Nichols	

So the bill was passed.

The Clerk announced the following pairs:

Mr. Nichols with Mr. Brock.

Mr. Rostenkowski with Mr. Ayres.

Mr. Diggs with Mr. Rumsfeld.

Mr. Williams of Mississippi with Mr. Everett.

Mr. Flynt with Mr. Gallagher.

Mr. Ashley with Mr. Passman.

Mr. Herlong with Mr. Long of Maryland.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL ANNOUNCEMENT

Mr. DIGGS. Mr. Speaker, I was absent temporarily today because of the cancellation of a flight, and I entered the Chamber shortly after the vote was announced on the social security bill.

I wish to state that had I been present I would have voted "yea."

Social Security Amendments of 1967

SPEECH
OF
HON. WILLIAM L. ST. ONGE
OF CONNECTICUT
IN THE HOUSE OF REPRESENTATIVES
Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. ST. ONGE. Mr. Chairman, I can think of no more important social legislation this year than the bill we are now considering. I wish to commend the members of the Committee on Ways and Means, and especially its very able chairman [Mr. MILLS], for bringing before us a reasonable and effective piece of legislation. I am happy to speak in support of this bill.

Sometimes I wonder if we realize the full significance of our social security system. Sometimes I wonder if we take it too much for granted. It is not obtrusive; it does not loudly demand attention at every turn. In fact, its operations are as quiet as the drop of a letter into a mailbox. Nevertheless, the nearly silent passage of more than 23 million checks into more than 23 million mailboxes every month is one of the most significant and profound sounds in America today. That tiny sound, multiplied 23 million times a month, testifies to the fact that social security has become—in a short 32 years—one of the basic factors in the economic life of the Nation. Social security is the fundamental economic support in the lives of millions of Americans. But, while fundamental, in too many instances it is not as adequate as it should be. And that is one of the reasons I am glad to lend my support to the bill now before us. It will provide an essential increase in benefits for every American now on the rolls—every one of them will receive at least 12.5 percent more.

I am certain that all of us are well aware of the pressing need for an increase in benefit levels. The case is too obvious for argument. Social security benefits are virtually the sole reliance of half of the almost 23.8 million beneficiaries and certainly the major source of support for just about all of them. The level of these benefits therefore determines how well the retired, the widows, the orphans, and the disabled get along.

The indisputable fact is that millions of social security beneficiaries are being left behind, as our national economy produces greater and greater abundance. Millions who now rely on social security for their support have been unable to enjoy the marvelous advances made by the world's most productive and prolific economy. They have had to live in the midst of ever-increasing abundance without sharing in that abundance. They have had to get along on less and less while their friends and neighbors have been enjoying more and more. In too many instances, they have been forced to live in a state of poverty.

To be able to live at a base subsistence level today, an individual must have an income of $125 a month, while a couple must have $154 a month. Yet the average social security benefits paid today are only $84 a month for retired workers, $142 a month for retired couples, and $74 a month for elderly widows.

The plain and unforgettable fact is that 5.2 million elderly Americans live below the minimum poverty level—and, of these, 4.3 million are social security beneficiaries.

Thus a meaningful increase in benefits is essential to the economic well-being of those presently receiving benefits. And such an increase, now, will help to insure the adequacy of social security when millions of Americans begin receiving payments—and relying on those payments—in the years ahead.

I wish to commend the committee for giving us the possibility of moving our social security system another step toward the adequacy it must have to fulfill its purpose today. We cannot, I believe, overlook our responsibility in this task. The dictates of both good sense and good conscience require us to support this increase in benefit payments.

I would like to comment on another aspect of the bill before us today. When the social security program was enacted in 1935, it provided a wage base of $3,000 which, in those days, was sufficient to cover 95 percent of all taxable earnings. From time to time over the years, the base has been raised, but it has not kept pace with rising incomes in recent years.

If the base were to remain at $6,600 a year, by 1974 only 67 percent of those working in covered employment will have all their earnings covered.

Yet we must remember that social security—in addition to providing disability, survivor's, and health insurance protection—is the Nation's basic retirement protection system. We must, therefore, make it possible for more workers to become eligible for benefits that are more closely related to their full earnings.

The wage base could be described as the backbone of our social security system. There can be no substantial doubt that the base must be raised.

The bill takes us a step in the right direction, by providing an increase to $7,600 a year. With the increase, we will be able to provide improved protection not only for those soon to come on the rolls but for all younger workers who will draw benefits in the decades ahead.

A shortcoming in this bill is that it does not raise the wage base to the level proposed by the President. He asked for a base of $10,800 a year, an average of $900 a month income. I am certain we will arrive at this base in the years immediately before us. I would like to see it accomplished now. As I have said, the base is the system's backbone: not only does it affect a worker's contributions to the system; it also plays a determining role in setting the level of benefits he will get from the system.

When we recall that social security is no longer just a retirement system, when we recall that today it protects 87 out of 100 workers against the risk of disability, and 95 out of 100 mothers and their children against the hazard of the family breadwinner's early death—and when we add to it the great system of medicare—I believe we cannot escape the conclusion that the backbone of such an all-embracing and all-important insurance system must be strong enough to fulfill our needs for today and tomorrow.

In short, I would like to see more of this Nation's people and payroll become eligible to participate in our basic insurance system.

In one respect, I am disappointed that the bill on which the distinguished committee worked so hard did not provide for greater benefit increases in line with those which were proposed in my own social security bill. The legislation which I introduced calling for raising minimum benefits from the present $44 to $90 per month. In addition, I also proposed an average overall increase of 50 percent in benefit payments.

Two additional features important to the long-range development of social security contained in my bill and omitted by the committee were the provisions for an automatic adjustment of benefits to meet changes in the cost of living, and for benefits to be financed partly out of general tax revenues. The adequacy of the social security program in the past has been seriously weakened because the benefits have remained more or less stationary, while the cost of living has risen. Under my bill the benefits granted by Congress would continue to keep abreast of inflationary trends, rather than merely make up for what has been lost.

My bill provides a formula whereby equal amounts will, for the first time, be contributed out of general revenues beginning in fiscal year 1969. By 1977, general revenues would finance 35 percent of the social security system. Attempting to meet all of the social security costs by means of a payroll tax would be regressive taxation and put a disproportionate burden on those we are trying to help most, and those least able to meet such a burden. Financing cost in part from general revenues would represent progressive taxation, and would take advantage of the broadly based graduated individual and corporate tax structure and place more of the burden on those best able to pay.

While the committee's bill does not go as far as I would wish in raising benefits, and it does not contain the automatic increase and general financing provisions which I feel are vital to the growth of the social security system, it is nevertheless an important move in the right direction. I will, however, continue to do all I can until those who depend upon social security as a primary source of income are guaranteed the minimum necessities of a decent life.

The most important element to keep before us is the enormous social and human good that comes from providing an adequate standard of living through the social security program, rather than supplementing deficient payments with relief and welfare subsidies. The measure we are now considering is a bill which will help secure this goal and behind which both parties may unite.

SOCIAL SECURITY IS STILL BARGAIN FOR TYPICAL AMERICAN WORKER

(Mr. BOLAND (at the request of Mr. PRYOR) was granted permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. BOLAND. Mr. Speaker, last Thursday the House overwhelmingly passed a progressive piece of legislation, H.R. 12080, the Social Security Amendments of 1967, providing a 12½-percent increase in benefits to 23 million Americans.

Although I object to certain provisions of the bill in the aid for families with dependent children and the medicaid sections, I supported and voted for the legislation. We have come a long way in the field of social security since President Franklin Delano Roosevelt signed the original Social Security Act into law on August 14, 1935, which you, Mr. Speaker, made reference to so eloquently just a few days ago.

The proponents and critics of social security have written and said much about this program since the original bill passed Congress in 1935. The U.S. News & World Report, in its August 14, 1967 issue, contained an article on social security under the heading "Is Social Security Still a Bargain?" In clear, simple language and with uncomplicated illustrations, this article indicates that social security is well worth the money a typical American worker pays into the fund, and it is a bargain.

Mr. Speaker, I include the U.S. News & World Report article and examples with my remarks at this point in the RECORD:

IS SOCIAL SECURITY STILL A BARGAIN?

How good a buy is your Social Security? In the long run, is the system worth what you put in?

Such questions take on new urgency with a rise in payroll taxes, forcing everybody to raise his ante, on the threshold.

Close scrutiny of the program, with all its ramifications, turns up some surprising answers for those awaiting pay-out day.

A new rise in Social Security pensions and payroll taxes has been drafted in Congress, and once more people are asking some old, familiar questions:

Is Social Security really a good buy for the typical American worker and his family?

Do people get their money's worth?

Could a man do better with a private annuity to provide for himself and his wife in old age?

The answers vary, of course, from one person to another—depending on age, family situation, and such circumstances as the number of years in active work and in retirement.

However, some broad conclusions can be stated—

The vast majority of people now working on jobs covered by Social Security will draw benefits far in excess of what they have paid or will pay in taxes during working years.

In most cases, the return will be larger than the combined tax payments of the worker and his employer.

Boon for retired. Social Security is a real bargain for people already retired, soon to retire, or well along in years.

The system also favors workers with low incomes.

Even the young man who starts out today on a working career of 40 years, paying the maximum payroll tax the whole time, has a good chance of getting more money back than he and his employer pay into the system.

This is especially true if allowance is made for the value of extra protections that Social Security offers against the hazards of life—pensions for disabled workers, benefits for the dependents of a worker who dies before retirement age, hospital and nursing-home care in old age, and so on.

How you will make out. All this, and more, emerges from a new study of the American people's stake in the Social Security system, prepared by the Economic Unit of "U.S. News & World Report."

The examples given in the chart on these pages show how people in various situations will make out on their investment in Social Security.

No allowance is made in these examples for the increases in taxes and benefits approved by the House Ways and Means Committee on August 2. However, those changes will not alter the general ratio of taxes to benefits, because both will go up proportionately. Thus, the broad conclusions stated here will apply under a new law just the same as under present law.

Note also that the benefits shown by the examples in the chart are retirement and survivors' payments only. No allowance is made for the value of disability insurance or medicare.

There are some exceptions to the general rule that Social Security is a good buy from the individual's standpoint. Some people get back little or nothing for the taxes they pay.

One is a worker who dies before retirement, leaving no dependents to draw a survivors' benefits. The worker's estate gets a modest death benefit, and that is all.

A working wife may never draw benefits based on the payroll taxes she herself paid as a worker. In many instances, a woman will find that she does better to be pensioned as the wife of a retired worker.

Then there are a good many people who just never retire. Doctors, lawyers, businessmen, farmers and others often go on working in old age, and never claim pensions from Social Security.

Even these people, however, have the advantage of protection for themselves and their families.

Disability insurance, for example, can be important. A worker is eligible at any age. Conceivably, a man starting in mid-twenties could draw a full family pension for the rest of his life.

Payments to children. Survivors' benefits over a period of years can run into big figures.

Payments to each child, in the event of the father's death, are made until he or she reaches age 18—or age 22 if still in school. When the children go off the rolls, their mother does too, but at age 60 she starts drawing a widow's pension for the rest of her life. All told, such a family might draw as much as $75,000, $80,000, even $100,000 in return for a modest sum paid by the worker in payroll taxes during his lifetime. It is estimated that the aggregate value of survivors' insurance protection alone is 730 billion dollars.

Of ever $1 paid in taxes for Social Security, about 28 cents is for survivors' protection and disability insurance. As for hospital and nursing-home benefits, a person does not need to retire to qualify. People who are older than 65 are entitled to this coverage even if they continue working.

Importance of medicare. In case of severe or prolonged illness, medicare could be the most important part of the whole Social Security system.

Thus, there is a wide and growing range of coverage under the Social Security program. No private insurance company offers such benefits.

If Social Security is such a bargain—with valuable protection piled on top of the promise of benefits exceeding tax payments for nearly every worker—how can the system make ends meet? Is it in danger of going broke?

To begin with, it should be understood that Social Security has other income besides the worker's payroll-tax payments. Those payments are matched by the employer. Then, too, the system draws interest on the reserve fund, which is about 22 billion dollars.

This also is important: Social Security financing is arranged in such a way that each generation supports the benefits of the next older generation.

For past generations. In other words, people now working pay just enough in Social Security taxes each year to cover the cost of the year's benefits to those already retired and to the dependents of deceased workers.

No generation quite pays its way on Social Security, but the next generation makes up the difference.

In addition, as noted, there are those who pay taxes but draw little or no benefits. Those taxes help to maintain the reserve fund at approximately the amount needed for one year's benefits.

If the system were to run into financial trouble some day, there appears to be little if any doubt that Congress would come to the rescue. Pensions unquestionably would be paid, even if it became necessary to finance them out of the general revenue of the United States Treasury.

Another important point bearing on the question of how good a buy Social Security is for the typical worker: As a practical matter, benefits have become just about inflationproof.

Congress has a history of increasing pensions and survivors' payments as living costs have risen over the years.

How revenues grow. Taxes have been increased too, to help pay for higher pensions. But payroll-tax revenue at each step in the rising rate level of recent years has been higher than anticipated, because wages and salaries have kept going up. This has meant more pay to tax, and thus more revenue to support Social Security.

In Congress, there have been repeated demands for an "escalator clause" in the law to increase pensions automatically as living costs rise.

So far, Congress has shied away from any automatic escalator, but has voted five general raises in benefits since 1950. The increase now being voted will be No. 6.

In this 17-year period, benefits have increased faster than living costs, and important new benefits have been added to the program.

Congress keeps watch. There seems to be no doubt that, in the future, Congress will keep coming through as necessary to preserve the buying power of pensions.

What if a man could invest privately all the money that he and his employer pay in Social Security taxes over a working span of 40 years or so? It would be possible, with such investments, to build up a handsome retirement fund of his own. It is conceivable that, with fortunate investments, he could get a better return than he can expect from Social Security.

The experts, however, point to some advantages of Social Security over private investment. Prices of common stocks rise and fall with business activty, confidence, and profits. Bonds do not offer protection against inflation. Real estate investment is risky. Private insurance to offer the same kind of multiple benefits and protection as does Social Security cannot be had.

Thus, the experts on Social Security maintain that, while the program is no substitute for private investments or insurance, it does provide the assurance of a modest income and protection for millions at cost lower than can be had in any other way.

In fact, for some, minimum Social Security has been provided without any cost at all.

Special benefits. Under changes in the law enacted in 1966, some people 72 or older were given a special benefit of $35 a month even though they never had worked under Social Security. Others who were covered for only a short time and paid only nominal taxes became eligible for the special benefit in 1965.

Many people in years past have been able to retire on small pensions after paying as little as $100 or less in Social Security taxes.

Large numbers of retired couples now draw more in retirement benefits each month than they paid in taxes during their working years.

Those are the extreme cases, and serve to demonstrate the point that there is an important element of welfare, as well as insurance, in the Social Security system.

But for the great majority of people, even those who will pay the maximum taxes in years to come, Social Security turns out to be a good buy. This will continue to be the case under the new law to be enacted by Congress.

WHAT SOCIAL SECURITY COSTS YOU—WHAT YOU GET BACK: SIX EXAMPLES

Taxes and benefits under old-age, survivors and disability insurance. The payroll tax for medicare is included in the tax figures but no medicare payments are included in the benefits.

Example 1:

An employe who paid the maximum Social Security tax from the time the program started in 1937 until he retired in 1948 at age 65. His wife is the same age.

Taxes paid by the employe	$330
Taxes paid by the employer	330
Total taxes paid	660
Benefits paid to retired couple so far	29,342

Example 2:

An employe who paid the maximum tax for 30 years before retiring last January 1. Both the worker and his wife at retirement were 65 years old.

Taxes paid by the employe	$2,383
Taxes paid by the employer	2,383
Total taxes paid	4,766
Benefits to be drawn by the couple, assuming both live out their normal life expectancy	37,316

Example 3:

A widower with no dependents who paid the maximum tax as an employe for 30 years before retiring last January 1 at the age of 65.

Taxes paid by the employe	$2,383
Taxes paid by the employer	2,383
Total taxes paid	4,766
Benefits if he dies at age 70, 5 years after retirement	8,154

Example 4:

Another widower with no dependents, now age 52, who pays the maximum tax as an employe for 43 years before retiring in 1980.

Taxes to be paid by the employe	$6,766
Taxes to be paid by the employer	6,766
Total taxes to be paid	13,532
Benefits to be drawn by the retired worker if he dies at age 75, 5 years after retirement	9,180

Example 5:

A young salaried worker who paid the maximum tax from 1957 until his death last January at age 32. His wife, age 28, and two children, 7 and 3, survive him.

Taxes paid by the employee	$1,546
Taxes paid by his employer	1,546
Total taxes paid	3,092
Benefits to be paid to the family:	
Death benefit, lump sum	255
Benefits payable to 1968, when children finish college	62,622
Benefits to widow starting at age 60 assuming she live our her normal life expectancy	24,380
Total benefits	87,257

Example 6:

A young lawyer who starts practicing in 1967 at age 25, and pays the maximum tax until he retires in the year 2007. Both he and his wife will then be 65.

Taxes to be paid by the lawyer as a self-employed worker	$20,074
Benefits to be drawn by the lawyer and his wife, assuming both live out their normal life expectancy	46,124

Note this: Social Security promises disability benefits, as well as pensions and hospital care in old age and protection for the worker's family in case of his death before retirement age. One might wonder how the system can offer all this and still survive if, as might be indicated by the examples, the typical worker gets far more out of Social Security than he pays in taxes. Remember these points:

Social Security has interest income on its 22-billion-dollar reserve fund to help pay the cost of benefits.

Many workers pay Social Security taxes for years but never draw any benefits—either because they die before retirement age, leaving no dependent, or else keep working after retirement age and claim no benefits.

Social Security financing is arranged so that each working generation pays part of the bill for the generation already retired. The cost of pensions is just about matched each year by the income of the system, so that Social Security is close to a pay-as-you go basis.

No allowance is made in the examples above for any increases in Social Security taxes and benefits beyond those provided by present law.

Social Security Amendments of 1967

SPEECH
OF
HON. AUGUSTUS F. HAWKINS
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. HAWKINS. Mr. Chairman, it is vital to the Nation's welfare that the social security bill, H.R. 12080, be amended before final passage to avoid the evil effects of the restrictive welfare provisions which the bill contained.

Unless changed, not only will several millions of our needy citizens lose Federal welfare support, but States finding themselves encouraged to adopt even more restrictive legislation will further tighten their policies, thereby adding more people to welfare rolls and increasing the tensions in already troubled cities.

Basically, Congress is reflecting the wave of negative thinking toward public welfare that is too often characteristic of social issues these days. Most people, it seems, prefer to believe that people on welfare are deficient in personal qualities needed to make themselves self-sufficient, that they are lazy and immoral, and have only themselves to blame for their condition. It is loosely asserted that while jobs go begging, these "lazy and immoral" people linger on relief rolls. Few of us stop to question what kind of jobs go begging and who are the people so unfortunate to be on the starvation standards of our relief rolls.

First, we should understand just who the people are who make up the 7.3 million Americans on welfare. According to a recent U.S. Department of Labor publication, these are:

Aged 63 or over, with a median age of 72, 2.1 million.

Blind or otherwise severely handicapped, 700,000.

Children whose parents cannot support them, 3.5 million.

The remaining 1 million are the parents of these children, mostly mothers, and about 150,000 fathers.

Unless we provide some custody for the children, and education and training for the mothers, we should not expect the mothers to leave their homes and children, if at all, to obtain jobs, too often the most menial ones available.

Of the 150,000 fathers, all but 50,000 are incapacitated. So we are actually talking about between 50,000 to no more than 100,000 persons capable of being trained for employment.

We must also understand that most poor people, or about 78 percent of the poor, get no welfare assistance at all, and are equally entitled to welfare or jobs, neither of which we are now providing. It is ironic that we talk of providing jobs for those on relief when we do not furnish enough jobs even for those not on relief but who qualify.

Despite public misinformation, relief standards do not encourage chiseling, laziness, or immorality. Most States do not meet their own standards in fixing benefits. For example, the maximum benefit to families with dependent children in January 1965 was less than the States' own minimum needs standards in over half the States.

The average monthly cash payments for those on public welfare was as follows:

Old-age assistance	$66.83
Blind, etc	86.10
Disabled	71.76
AFDC ---------- per person	35.63
General assistance	37.93

Attacks on welfare almost invariably concentrate on the symptoms of family desertion, neglected children, and illegitimacy. Such a welfare recipient becomes ipso facto immoral and unsuitable in the minds of most people, regardless of the rights of the needy child to receive legal assistance and protection. Public officials who do not hesitate to vote billions in subsidies to corporate interests feel politically safe if they satisfy their often misunderstanding constituents that they have voted against a welfare subsidy to immoral behavior, meaning, of course, the few highly publicized cases of unmarried couples in AFDC homes.

Instead of adopting a sound welfare policy, this Congress so far is moving toward the "good old days" of the poor law, the woodshed, and institutional care. A few years ago this country, including Federal officials, were shocked by the action of local officials in Newburgh, N.Y., who instituted a plan of limited assistance, rigid work requirements, and a prohibition against assistance to mothers bearing illegitimate children. Action of the House would make the Newburgh revolt against humanity a national policy.

There is but one sound approach for those who really want to reduce public welfare costs and caseloads: We must prevent the need that makes people seek public welfare in the first place. This means providing better jobs, better schools and health, and better community facilities for all.

It means improving our social insurance system to prevent predictable economic want, and not to harass and punish innocent persons as H.R. 12080 does. It means ending discriminatory practices that deprive millions of our citizens of equal rights to employment, housing, and education.

But on the way to achieving these essential objectives, this Congress can stop now the drive to deprive citizens of their basic rights and opportunities.

Social Security Amendments of 1967

SPEECH
OF
HON. ROBERT W. KASTENMEIER
OF WISCONSIN
IN THE HOUSE OF REPRESENTATIVES

Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. KASTENMEIER. Mr. Chairman, I have always been a strong advocate of the extension and liberalization of social security to provide security and care for our elder citizens and I shall continue to be one in the future. In this light I would like to address myself to reservations I have on certain aspects of the Social Security Amendments. Because this bill does increase social security benefits, makes some improvements in medicare, and provides Federal assistance for the training of social workers I will vote for it. However, I cannot pass over some of the more disturbing aspects of this legislation which have come to my attention.

While social security benefits will be increased, the increase is only a token one, nowhere near the needs of the elderly of our country. Unfortunately, over the years benefits from social security have not kept pace with the increasing cost of living. While in the 1950's benefit increases raised benefits to a greater extent than was required to offset the rise in the cost of living that followed, this is no longer the case and this increase will not even equal the present cost of living let alone provide for a further rise in the cost of living. The increase of only $6 a month for those receiving the minimum payment will give the elderly little solace in these days of increasing prices. The price index for the elderly is even higher than that for

the general public which further lessens the effect of this increase. In this the most affluent country in the world how can we expect a person to live on $600 a year? Neither this 12½ percent increase or the President's proposed 20 percent increase would be enough. Only a 50-percent increase would come close to meeting the needs of our elder citizens.

I am also disturbed at the deletion of the President's proposal setting a minimum payment regardless of contributions for anyone paying for a period of 25 years or more. This was proposed in response to a person's being penalized in the early years of social security, who while paying a substantial portion of his earnings gets few benefits today because of a much higher standard of living.

The sections dealing with aid for dependent children are especially irritating to me. I do not feel freezing the proportion of children on ADC rolls at last January's percentage for each State will achieve its stated purpose of cutting down on illegitimacy. The cause of illegitimacy runs much deeper than our welfare system. If an attack is to be made on illegitimacy it must be a responsible one, dealing with poverty, lack of job training, and inferior housing so prevalent in the slums of our cities. It just is not fair to penalize children for the errors of their parents. It only breeds bitterness and resentment. We also should not penalize the individual State who must either take on the extra burden of making additional payments or cut back their payments as the proportion of children on welfare increases.

I fear that the sections dealing with ADC are in part a reaction to the riots which have plagued our country this summer. The rationale, which I do not accept, is that by making it more difficult for a person to live on welfare he will be forced to get a job which will keep him off the streets and lessen his discontent. This presupposes that: First, jobs are available; and second, that these people have the training and education for such jobs. The fact is that jobs are not available in the private sector for those with such little training and education and the community work and training programs required by the bill are likely to be simply make work. Added to this is the fact that a great number of people on welfare are unemployable. This section far from alleviating the causes of the discontent which leads to riots will only increase it.

Lastly I am disappointed by the limitations on the Federal contributions to State medicaid programs. Instead of discouraging liberal programs which States like New York have instituted, extending benefits to those who need them most, they should be encouraged. This title will only place the burden on already financially overburdened States to assume the portion of the costs which no longer will be available from the Federal Government or force these States to cut back their programs. I do not think this is just or financially sound.

In support of the bill, however, let me make a few observations on medicare. I am pleased to say that the fears of some concerning medicare have proven to be totally unfounded. There has been no run on hospitals. Medical standards have not been lowered. And most importantly, a measure of security has been afforded for our elder citizens in the payment of medical bills which cut so deeply into their savings. Our job, though, is far from over. Coverage under medicare must be expanded to include drugs of the elderly who are not in hospitals.

In conclusion, let me reiterate that the increase in social security benefits is a long awaited, if too small, stride forward which I hope will be followed by further expansion and liberalization in the years to come.

Social Security Amendments of 1967

SPEECH
OF

HON. CHARLES McC. MATHIAS, JR.
OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 17, 1967

The House in Committee on the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. MATHIAS of Maryland. Mr. Chairman, this is one of the most important bills to come before this Congress. Its social security provisions directly affect at least 23.7 million beneficiaries, and almost every employed citizen. Its other titles make extensive changes in Federal-State-local systems of medical assistance, public welfare, and social services, and thus will have great impact on both the jurisdictions which administer these programs and the Americans who must depend on them for subsistence and essential help.

An increase in social security benefits is long overdue. During the past few years, the real value of these benefits has been severely eroded by inflation and repeated increases in the cost of living. As I have stated before, every month of delay in raising benefits brings added difficulty, and in many cases real hardships, to the millions of retired men and women who rely on these payments for their day-to-day support.

The increases in this bill, averaging 12½ percent, have been carefully calculated by the Ways and Means Committee as the largest increases permissible without either disturbing the actuarial soundness of the trust fund or imposing punitive burdens of taxation on those presently employed. Although payment levels are still low, especially for those receiving minimum or near-minimum benefits, this total of $2.9 billion in additional benefits in 1968 alone will be extremely helpful to our retired citizens.

I regret that the committee did not see fit to implement one important recom-

mendation which I and many of my colleagues have made for some time. This is the establishment of automatic cost-of-living adjustments in benefits to keep their purchasing power stable in the face of inflation. This step continues to gain support throughout the Nation, and I trust that it will be considered again in the near future.

I also regret that the committee approved only a token increase in the ceiling on outside earnings by social security beneficiaries. Especially since benefits remain quite low, I am convinced that it is appropriate and important to remove this ceiling, to encourage continued work by all those who are able and willing to hold full- or part-time jobs past the age of 65. By removing this restrictive ceiling, we would be aiding and encouraging our senior citizens to remain fully engaged in productive activities. We would also be giving the Nation and their communities the full benefit of their talents and experience.

While the social security provisions of this bill understandably have received the greatest attention from the public at large, the other titles of H.R. 12080 are equally important, and in fact, far more controversial.

There is general agreement that the entire structure of our public welfare programs needs review and reform. Concern has intensified not only because these programs are increasingly expensive, but above all because there is more and more evidence that the great investment made in the present programs is essentially unproductive. In fact, far from bringing constructive results, our present public welfare system actually has destructive consequences, harmful both to aid recipients and to society as a whole.

Essentially the public welfare system is intended to assist those who, for reasons beyond their own control, cannot support themselves—the very old, the very young, the disabled, and those who lack even the most rudimentary skills needed for employment. The goals of the system, in theory, are to help the States provide essential support for such persons, and at the same time to offer them the social services which can help them to become more independent, self-respecting, tax-paying members of society.

But we have fallen far short of these goals, and in fact may have lost sight of them entirely. In too many States, public welfare payments are far below even the minimum subsistence levels established by the States themselves. In too many States, social services are totally inadequate, and offer no help or incentives for individuals to "get off the dole". Rather than promoting the growth of strong families, the welfare system too often produces broken homes. Rather than aiding communities, it too often leads to shattered neighborhoods. Rather than encouraging independence and initiative, the system actually promotes dependence, strangles individual effort and, above all, erodes human dignity.

Mr. Chairman, while there is growing agreement on the need for change, there is not yet consensus on the directions of reform. Many proposals have been made, ranging from revisions within the present system to the substitution of entirely new programs such as the guaranteed annual income or family allowances. Important suggestions have been advanced by many groups, including the President's Advisory Council on Public Welfare in its landmark report of June 1966. Great support has been expressed to me for advances in social services such those encompassed by the legislation generally known as the Fogarty bill. Many Members of this body have also proposed new steps to expand job training and basic education, revamp poverty programs, and develop neighborhood centers to serve the complex needs of low-income areas.

A recent study by the Department of Health, Education, and Welfare has shown us statistically the dimensions of the problem. According to this analysis, of the 7.3 million Americans on Federally-aided welfare, the vast majority—all except perhaps 50,000—are dependent and may not be able to reach economic self-sufficiency under the best of circumstances. Of these 7.3 million people, about 2.1 million, mostly women, are 65 or over; 700,000 are either blind or severely handicapped; 3.5 million are children receiving AFDC because their parents cannot provide for them. The remaining 1 million are the parents of those children, including about 900,000 mothers and 150,000 fathers. Of this last group, most lack sufficient education, while most of the mothers have young children to tend at home, and all but perhaps 50,000 of the fathers are incapacitated and unable to hold jobs.

While these statistics are illuminating, we do not need data to see the social and human costs of perpetuating present programs. The need for change—thoughtful, and compassionate change—is obvious in our urban slums, in areas of rural poverty, in the empty lives and despairing faces of the poor, and in the frustrations experienced by the many public servants who are attempting to respond to human need and remedy the failures of our society.

H.R. 12080, as reported by the Ways and Means Committee, does make major changes in our welfare programs, especially in the program of aid to families with dependent children—AFDC. These proposed changes are primarily directed at stabilizing Federal costs, improving social services, strengthening family life, and encouraging job training for aid recipients over 16. Some of the new proposals, such as expanded child welfare efforts and increased aid for training of social workers, are generally regarded as constructive. Others, such as the imposition of a ceiling on Federal AFDC payments, are considered in many quarters to be regressive and punitive.

In bulk, these amendments impose many new responsibilities and requirements on the States, requirements which will become prerequisites for certain categories of Federal assistance in 1969. In many cases, particularly where States and cities have already assumed substantial burdens and provided extensive aid, these changes will increase State and local cost. In all cases they will require additional personnel, the development of new and expanded programs such as counseling and day care, and close coordination with present efforts such as most of the antipoverty programs.

The House has had less than 2 weeks to consider the committee's proposals, and in this short time has not been able to make a full assessment of their impact nationally or in individual cities and States.

Most important, we have debated these proposals under a closed rule, which prohibits amendments to the bill. There are, of course, arguments for and against this procedure, traditionally applied to bills reported by this committee. On the one hand, legislation of such magnitude and complexity obviously cannot be written on the House floor. On the other hand, the closed rule effectively denies most Members any opportunity to advance their own proposals, to evaluate alternatives, or even to express their positions through votes on individual sections of the bill.

There is sound reason for a closed rule on tax legislation. But the welfare programs are linked with the Social Security Act in the statutes only by historical accident, because both programs were initially enacted in an omnibus bill 30 years ago. Now, just as we have come to see the dangers of relying indefinitely on the works of a previous generation, we should see the need to open this entire area for full discussion and debate. Failure to do so means that we are not only abdicating our responsibilities as individual Representatives, but also surrendering initiative to the other body.

I trust that we shall have an opportunity very soon to give the entire field of public welfare the open, complete consideration which the subject and the times demand.

Attack on Public Assistance Marked by Distortions

EXTENSION OF REMARKS
OF
HON. JOHN J. McFALL
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Wednesday, August 23, 1967

Mr. McFALL. Mr. Speaker, in recent weeks it has become more and more apparent that a concerted political attack is being mounted throughout the Nation, aimed at long-needed improvements to the public assistance program which have been established by Democratic Congresses and Democratic administrations.

Evidence of this effort crystallized on the floor of the House last week during consideration of the Social Security Amendments of 1967.

When an article in the U.S. News & World Report issue of June 17 came to my attention, shortly before the social security bill was due for consideration by the House, I felt it was necessary to request comment from the Department of Health, Education, and Welfare concerning certain statements and statistics used by the magazine in a blanket denunciation of the public assistance program.

I contacted Under Secretary Wilbur J. Cohen, requesting that a complete study of the article be conducted and that I be provided with detailed information in an effort to correct misstatements which were presented by the magazine.

I have now received a response from Under Secretary Cohen, together with a report prepared by the Department on the statistics, examples, and the success-failure standard used in the article entitled "After 30 Years—Relief a Failure?"

Following is Under Secretary Cohen's letter to me of August 17, and the analysis which I had requested:

UNDER SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., August 17, 1967.

Hon. JOHN J. McFALL,
House of Representatives,
Washington, D.C.

DEAR MR. McFALL: In your letter of July 18, 1967, you requested that a study be conducted of the U.S. News & World Report article of July 17, entitled "After 30 Years—Relief a Failure?"

In response to your request, an analysis of this article has been prepared. This analysis, which I am enclosing, will provide you with the detailed information you desire.

If there should be any additional information you want, please do not hesitate to request it.

Sincerely yours,

WILBUR J. COHEN,
Under Secretary.

A RESPONSE TO DATA USED IN "AFTER 30 YEARS—RELIEF A FAILURE?" U.S. NEWS & WORLD REPORT, JULY 17, 1967

This report will examine the statistics, the examples, and the success—failure standard used in the article entitled "After 30 Years—Relief a Failure?" More representative and more meaningful data will be presented.

STATISTICS

Serious questions can be raised about the validity or meaningfulness of the statistics used in this article. In most cases these statistics present only part of the relevant information. For example, many observers believe that the difference between the number of public assistance recipients in any two given years is not very meaningful unless differences in the total population between these two years is also considered. Therefore, this type of complete statistic, and other types, will be presented and compared to the following statistics from the article.

(1) The article states that 1 million more people are receiving relief now than received relief in 1933. If the statistics in the article are related to the sizes of the civilian population in these years, (128 million in 1936, 198 million in 1967), then a fuller comparison is available; 5.7 percent of the population received relief in 1936, whereas 4.2 percent receive relief in 1967.

Comparisons are questionable, however, because some of the "relief" programs operating in 1936 no longer exist, and some of the current programs were not established then, or were just getting started. If various income maintenance programs of the depression are included in the comparison (WPA, CCC, FERA, PWA, NYA, REA and the Farm Security Administration programs) at the end of 1936 some 17.4 million persons, almost 14 percent of the civilian population—were receiving public aid.

(2) The article states, and depicts in a chart, that the people on relief have increased 50 percent in the last ten years, from 5,500,000 in 1957 to 8,250,000 in 1967. These figures are both inaccurate and misleading.

The 1957 figure of 5,500,000 included general assistance *cases*, whereas the 1967 figure of 8,250,000 included general assistance *recipients*. The 1957 figure that is comparable to the 1967 figure, a figure based on general assistance recipients, is 6,100,000. The increase in the number of recipients between

1957 and 1967 is, therefore, 35 percent, not 50 percent.

These figures ignore the 15 percent increase that occurred in the civilian population between 1957 and 1967. Taking this into account, the increase in relation to population was only 20 percent.

(3) The article states that relief costs have increased by 119 percent between 1957 and 1967, from $3.1 billion to $6.8 billion. These figures are not adjusted to make allowance for increases in the cost of living index during this period, nor are they related to the growth of the Gross National Product in these years. If the "relief costs" the authors cite are calculated as percentages of the GNPs of these years ($441 billion in 1957, $764 billion in 1967), public assistance and general assistance costs were 7/10 of 1 percent (.7 percent) in 1957, and 9/10 of 1 percent (.9 percent) in 1967.

(4) The article states that "welfare workers are hazy in talking about the size of the relief checks." The fact is that data on welfare payments are issued monthly by the Bureau of Family Services, Welfare Administration, Department of Health, Education, and Welfare, and are published each month in *Welfare in Review*.

The most recent data, for March 1967, indicates that average payments in AFDC range from $9.30 per recipient in Mississippi to $54.70 per recipient in New Jersey. The national average was $36.85 per month, per recipient, or *$1.21 per day per child*. Payments in New York are among the highest ($54.60 was the average payment per recipient in March) but are still far below the amount needed to support a family at or above the poverty line. Other national average welfare payments per recipients for March 1967 were as follows: OAA, $68.15; AB, $86.95; APTD, $76.05; and GA, $37.15.

(5) The article, apparently in reference to AFDC, states that "instead of temporary aid, relief has become a permanent way of life for millions. Second and third generations of families now live on relief." The average time a family receives AFDC is two years if there is no wage earning parent at home, nine months if a wage earning parent is at home but is unemployed (22 States include the unemployed in their AFDC programs).

EXAMPLES

The authors were just as selective in their choice of examples as they were in their use of statistics. In most cases, the examples used to illustrate existing conditions are unrepresentative of the total system or situation under consideration. The analyses of the following examples are illustrative:

(1) The article suggests that it is possible for relief families to receive $6,000 or $7,000 a year in public assistance payments. A more representative statement, and a more probable situation is this: a 1965 study showed that the average annual income for AFDC families (including earnings and all other income) was *$1,800* a year. Public assistance payments have not been substantially increased since then: in March 1965 the average monthly payment to an AFDC family was $143.76, in March 1967 this average payment was $152.75.

(2) As an example of the inequities in the American system a comparison between public assistance benefits and social security benefits is presented. A retired couple receiving social security benefits of $2,447 or $3,311 a year is compared with an AFDC family of eight receiving $4,713 or $5,000 a year in public assistance benefits.

Two facts about these examples must be noted: (1) the AFDC family is four times the size of the social security family, and twice the size of the average AFDC family, (2) the AFDC family lives in New York, the State with the second highest average AFDC payments. In short, both the size and the residence of the AFDC family—and therefore the benefits described—are extremely unrepresentative of the AFDC program.

A more representative example of AFDC benefits could have been derived from either: (1) the 1965 study showing the average AFDC family annual income from all sources to be $1,800, or (2) current statistics showing the average family AFDC payment to be $152.75 a month. An unrepresentative example from the other extreme, using October 1966 statistics, would show that in Mississippi the maximum *annual* amount a two person AFDC family could receive was $300, the maximum annual amount an eight person family could receive was $1,080.

(3) Finally, as an example of the "racket" welfare has become the authors cite "an investigation by a Senate committee in 1962 (which) showed that two-thirds of all welfare cases in Washington, D.C., the Nation's capital, were getting aid under false pretenses." This D.C. report promoted a nationwide study in 1963, the results of which the authors chose not to present.

The findings of this study were that for all AFDC cases nationwide, about 5.4 percent were ineligible. Furthermore, agency errors in determining eligibility was the major factor. Less than two percent revealed evidence of willful deceit. Ineligibility was highest in States with extremely restrictive and complex eligibility requirements and insufficient staff. Under a quality control system established after the study, ineligibility has been further reduced to about two percent.

SUCCESS-FAILURE STANDARD

Relief or public assistance is judged in this article solely on the basis of how little it costs and how few persons it helps. A successful program, by the authors' standards, would be one in which the number of recipients and the costs have decreased over the years. Absolute success would be reached when a welfare program no longer existed. Failure, on the other hand, is attributed to a program that has not decreased in size and cost; extreme failure to a program that has increased over the years.

Considerations of financial costs and numbers of recipients are important to all program evaluation; they are not, however, sufficient in and of themselves. For example, few people would call public assistance a success if it decreased its costs and recipients by simply eliminating Aid to the Blind and Old Age Assistance payments. Cost and coverage statistics must, of course, be related to measurements of the need for a program. No such relationship is attempted by the authors and therein lies the weakness of their success-failure standard. The standard is applied without concern for or consideration of the number of persons living in poverty and the extent to which a need for public assistance exists.

seek employment hereafter, instead of living on the dole.

The core change involves aid to families with dependent children, which has doubled in 10 years. Almost five million mothers and their children are now beneficiaries. They are largely concentrated in the urban Negro population of the north.

As Mills said, the committee does not intend to be inhuman. Savings in the year 1972, five years hence for persons trained who become self-sufficient would be $130 million. That is only 7 per cent of the estimated 1972 cost of the program, without changes of $1.837 billion. Presumably, the rest would be unemployable.

In addition, the bill estimates costs in 1972 of $470 million for day care for children of mothers required to work, and $225 million for work training. Thus, $695 million would be spent to enable beneficiaries to earn $130 million. But a break would begin in the present self-feeding system. And, if the bill works as intended, the earnings may be more.

Briefly, the bill denies relief to parents or children over 16 who are deemed qualified to work, or can be trained for work, and who refuse either work or training. They will have to join the rest of the work force instead of living on its earnings.

The best part of the reform is that the reliefers will be the gainers in the long run.

Comments on the Social Security Amendments of 1967, as Passed by the House

EXTENSION OF REMARKS

OF

HON. JAMES H. (JIMMY) QUILLEN

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Monday, August 21, 1967

Mr. QUILLEN. Mr. Speaker, I find that the position taken by the Bristol, Tenn., Herald-Courier on the Social Security Amendments for 1967, which we passed last Thursday, is a sound and insightful appraisal of the measure.

So that these comments will be available to all my colleagues, I insert this editorial in the Appendix of the RECORD:

NEW WELFARE BILL IS LONG OVERDUE

The vote of 413 to 3 by the House of Representatives for a harsh, new line on welfare recipients reflects the mood of the nation. It gives notice that taxpayers are no longer going to stand for making handouts a way of life in this country.

As Chairman Wilbur D. Mills of the Ways and Means Committee, which wrote the bill, said, "We are rough in this bill—we intend to be—but we do not intend to be inhuman."

Mills was referring to the changes the committee made aimed at forcing off the welfare rolls and into gainful employment as many persons as are trainable and employable. They must take work training and

Social Security Amendments of 1967

SPEECH

OF

HON. CORNELIUS E. GALLAGHER

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. GALLAGHER. Mr. Chairman, on April 5, 1935, the Ways and Means Committee report called for "a comprehensive and constructive attack on insecurity." On April 19, after 20 hours of debate under a wide-open rule, the House passed the most sweeping social legislation in history. The Social Security Act was signed into law by President Roosevelt on August 15, 1935.

The legislation we are considering today is a logical and long-needed reaffirmation of our national commitment to mount "a constructive comprehensive and constructive attack on insecurity." Today, there are over 23 million elderly and disabled people, widows, and orphans receiving social security benefits. This is more than three times the number eligible in 1935. In my own State of New Jersey, a total of 758,661 people received $61.6 million in benefits during calendar year 1966. In Hudson and Union Counties alone, $11.4 million in social security benefits was paid to 137,442 citizens. The impact of the changes we are considering today will not be small in New Jersey.

This bill grants an across-the-board 12½-percent increase in benefits for all persons currently on the social security rolls. The proposed increase in old-age benefits will lift the increasingly pressing burden of rising costs from those who are least able to sustain the increases—our elderly citizens. In addition, this legislation would increase the special payments for certain people over 72 years of age who have not been enrolled long enough in the social security program to qualify for the regular cash benefits. I might add here that I have introduced a bill to rectify an inequity that will remain in the law, in that those receiving private pensions remain eligible for this type of pension payment but those receiving some type of governmental pension do not. My bill would afford governmental pensioners equal opportunities for this pension.

In the area of medicare and medicaid, the 1967 amendments strengthen the administration of the program while at the same time improving the efficiency and speeding services to eligible individuals and families.

H.R. 12080 will reform many of the outdated and inefficient provisions dealing with aid to families with dependent children. Emphasis will be placed on work training, employment counseling and job opportunities. Income incentives will be established to encourage members of these families to get and hold a job.

The child welfare and child health sections of the act will be augmented by increased funds as well as consolidation of separate earmarked authorizations in the programs for the health of children and their mothers. More personnel with higher qualifications will be authorized in order to better cope with the increasingly complex situations arising in the child health and welfare area.

Mr. Chairman, in 1957, Health, Education, and Welfare Secretary Marion B. Folsom said:

> (I)n the years ahead . . . the prevention of poverty will become less and less a question of economic capacity. It will be more and more a matter of planning and organizing to do the job.

The amendments we are considering today will implement the long-recognized and pressing changes in the social security setup. By these amendments we will be better able and better organized "to do the job."

As the then 4-term Congressman JOHN W. MCCORMACK said in 1935:

> We cannot legislate today to adequately meet the conditions that might exist in 1970, but at least we can lay the foundation today so that those of 1970 and later will be able to more easily meet the problems that might confront them.

We must have courage equal to our predecessors of 1935 who expertly laid the groundwork of the social security system. We now have the benefit of hindsight to recognize the need for these extensive changes and to meet the challenges wrought by 32 years of dramatic social and economic change in America.

President Johnson, in calling for these omnibus revisions in the social security laws, has faced squarely our responsibility to provide a means to a life of dignity and a sense of security for our senior citizens and for those of our people who have been left without means to carry on a productive life.

I rise in support of the social security amendments as reported by the committee. Although in some cases the increases are minimal, they will, nevertheless, serve to upgrade the social security system and they represent a continuation of our attack on poverty and insecurity in the United States.

Social Security Amendments of 1967

SPEECH

OF

HON. MARGARET M. HECKLER

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, sur-

vivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mrs. HECKLER of Massachusetts. Mr. Chairman, at long last we are considering our obligations in social security legislation—long promised to our senior citizens. Elder Americans were promised benefit increases as of July first of this year. This date passed, and it appeared until recently, that the House Ways and Means Committee might not agree on permanent changes in the social security program for several more months. For this reason, I joined with many other of my colleagues in introducing, on July 20, legislation calling for an immediate increase in retirement benefits retroactive to January 1, 1967, which would give our senior citizens a lump-sum payment from the existing surplus in the social security fund.

Changes in the existing law are long overdue. Rising prices have increased the hardships of those living on fixed incomes. Inflationary trends have eroded their purchasing power, and they have little chance to increase their buying power or catch up with the rising costs of living.

Above all, our elder Americans deserve the opportunity to live in dignity, therefore, I am pleased that the Ways and Means Committee agreed to a 12½-percent increase in benefits for offsetting the rapidly rising costs of living. I only wish that this increase, or part of it, had been made retroactive—if not to January 1, 1967, at least to July 1, 1967.

There are several other areas for improvement in the retirement system that were not contained in the bill reported by the committee. Under this bill, senior citizens may now earn $1,680 per year or $140 a month without losing any benefits. I feel that this provision is inadequate for those who now receive minimum, or near minimum benefits. In many cases, their total income including benefits and earnings fall below the President's defined $3,000 poverty level.

These are two remedies which would significantly improve the lot of those in the lower benefit categories. First, we should remove or significantly raise the ceiling on outside earnings by social security beneficiaries. As the bill stands, there is only a token increase in the earnings ceiling—certainly not enough to assist senior citizens who wish to remain productive in our society. Second, the bill should have established an automatic cost-of-living increase applicable to the benefit schedul^. This measure would keep the beneficiaries purchasing power stable during inflationary periods, and would enable the senior citizens to maintain his well-earned dignity instead of periodically begging Congress for increases to offset inflationary trends.

Mr. Chairman, while I feel that the Ways and Means Committee has done a laudable job, I hope that the other body further improves this most important piece of legislation. Certainly much remains to be done.

Social Security Amendments of 1967

SPEECH
OF
HON. LEONARD FARBSTEIN
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Thursday, August 17, 1967

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 12080) to amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Mr. FARBSTEIN. Mr. Chairman, the parliamentary situation we are working under requires that we either vote for or against the social security amendments in their entirety. I am supporting the social security bill, therefore, because it generally increases the levels of benefits paid to our citizens. I believe that I have a responsibility to my constituents, however, to clearly state my position on specific sections of this bill.

The primary objective of the Social Security Act is to assure for all our elder citizens a retirement of dignity and self-respect. The social security legislation before us today proposes an across-the-board monthly increase in benefits of 12½ percent with the minimum monthly payment being increased from $44 to $50 for a single person. I commend the distinguished members of the Committee on Ways and Means for the long hours they have spent considering this legislation, though I am deeply disappointed in the size of the increase proposed by the committee. I believe it is totally inadequate. It will not get the job done.

Earlier this session, I introduced legislation calling for a 50-percent across-the-board increase in benefits with a minimum monthly payment of $100 to a single person. I believe this 50-percent increase is necessary.

President Johnson in his congressional message on older Americans, called for a 20-percent across-the-board increase with a minimum monthly payment of $70 to a single person. I regret that the committee did not at least support the President's recommendation.

If we are to assure our elder citizens a life free from pressing financial needs, then we must do more than worry about actuarial balance. We must seek out new sources of funds. If the funds collected under the social security system are not adequate, then we have an obligation to provide the financing through general tax revenues as proposed in my social

security proposal. As public servants, we all have obligations to the people we represent. No obligation, in my judgment, holds a higher priority than that of providing adequate retirement benefits for our elder citizens.

I was pleased to see the committee's amendment liberalizing the earnings limitation for retired citizens. I believe it is vitally important that we encourage our citizens to lead active lives in retirement. The measure as reported, raises from $1,500 to $1,680, the amount a person may earn without having his social security benefits withheld. I had proposed a base increase to $1,800 but believe the committee measure is a substantial move in the right direction, for it raises the amount a person may earn in 1 month, and still get full benefits, from $125 to $140. The amount to which the $1 benefit to $2 earning reduction would apply, ranges from $1,680 to $2,880 a year as compared to $1,500 to $2,700 as provided in current law.

I was particularly pleased to see that the committee extended benefits to disabled widows and widowers of covered deceased workers. This new provision will set benefits first payable at age 50 on a graduated basis starting at 50 percent of primary insurance amounts and rising to 82½ percent at age 62. An estimated 65,000 disabled widows and widowers will be eligible for benefits when this provision is enacted.

I had hoped that the committee would raise the benefit level paid all widows, disabled or not, at age 62 to 100 percent or the same as the deceased husband's retirement level. I had proposed such an amendment earlier in the year.

Workers disabled at a young age continue to be a concern. I support the Committee's expanded bill which adds flexibility to the current law. The new provision allows a worker who becomes disabled before the age of 31 to qualify for disability insurance if he worked in one-half of the quarters between the time he was 21 and the time he was disabled, with a minimum of six quarters of coverage. Approximately 100,000 people—disabled workers and their dependents—will receive benefits estimated at $70 million under this provision in 1968.

During the past 10 years, social security benefits have increased approximately 27 percent. During the same period, cost of living has increased approximately 14 percent. It is obvious from these statistics that over half of the social security increases simply went to cover rising living costs. I believe it is essential to tie social security benefits to cost of living. I regret that the committee did not include this important new provision as part of its bill.

AID TO DEPENDENT CHILDREN

I view with serious reservation, the committee-backed restriction placed on States regarding aid to families with dependent children where a parent is absent from the home. By freezing State aid to families with dependent children at the January 1967 percentage ratio of dependent children to the total children under 21 in the State, we are placing a heavy social and financial burden on the individual State governments. And in those States that refuse to accept this burden, very great hardship will result for these children who bear no responsibility for their impoverished situation.

The effects of this provision on a State like New York becomes of grave concern in view of studies like the one recently published by Mr. Jonathan Lindley, of the Economic Development Administration. This study indicated that the migration of our Nation's poor to our urban centers will continue for at least another 10 years. It is possible that this freeze on AFDC funds will work a real hardship on dependent children living in large urban States. I hope that this will not happen, but if it does that the Congress will move quickly to correct this situation.

The members of the committee apparently feel that the substantial increase in the number of children on the AFDC roles is caused by family breakups, illegitimacy, and a lack of emphasis on employment. This is, in part, probably true and to the extent that it is, I applaud the committee's efforts to expand State welfare programs by providing employment counseling, job training, day care services for working mothers, and family planning.

I view with particular enthusiasm the provision establishing an emergency assistance program for dependent children and their families. Federal funds would be available to States under this program on a 50–50 basis for cash payments and on a 75-percent Federal to 25-percent State and local basis for services. Assistance is limited to a 30-day period with no more than one 30-day period in a year. Program coverage includes not only cash payments, but payments to purchase items needed immediately by the family such as living accomodations, medical care, and a variety of related services. I believe we should study the results of this program carefully in the year ahead to see if additional benefits and legislative authority are needed to effectively carry out this emergency assistance program.

In the past, no provisions existed in Federal law through which States could provide an earnings exemption for aid to dependent children families. Under this bill, the first $30 of earned family income plus one-third of earnings above this amount would be retained by the family. In my judgment, this provision is sound, for it provides those members of a family who can work with an incentive to seek employment.

MEDICARE

Medicare legislation was incorporated into the social security system in 1965. This was a landmark piece of social legislation for it expanded retirement benefits to include medical assistance. One of the most far reaching and progressive provisions of the Medicare Act was title XIX, known as medicaid. This provision was aimed at encouraging the individual States to establish a medical assistance program for needy citizens regardless of age. New York State has been a pioneer in this field. The State has moved with vision to provide a responsible medical program for its needy.

The new income restrictions placed on eligibility for the medicaid program are a tragedy. Many working persons who are unable to meet the high cost of medical expenses, many of them now productive members of society, may have to go on welfare in order to receive medical assistance. The new income restrictions will not penalize welfare recipients, but will penalize the self-supporting worker. It is ironic that these new income restrictions are being imposed because the New York program has been too successful. It has been estimated that it will cost New York State over $40 million to maintain the same level of service it now provides under medicaid.

I vigorously oppose this amendment to the Medicare Act as being shortsighted and not attuned to the need of our poor population.

Earlier this year, I proposed legislation extending the medicare program to cover disabled individuals aged 60 or over now under the social security and railroad retirement systems. President Johnson proposed a similar measure. I regret that the Committee on Ways and Means has not moved to extend medical protection to these disabled Americans. The setting up of an Advisory Council to study this question will be of little comfort to those disabled citizens in immediate need of medical assistance. I hope that the Advisory Council will ultimately work as a positive force in securing passage of medical coverage for our disabled citizens and not as just another bureaucratic plot designed to delay consideration of this issue.

I support the committee's amendment extending the number of days of hospitalization which can be covered under medicare in one spell of illness from 90 to 120 days. This provision requires, however, that the patient pay a coinsurance amount of $20 a day or approximately half of the cost of these 30 additional days. We all know that the burden of hospital costs grows heavier with the length and usually related seriousness of an illness. I draw attention specifically, to the supplementary comments of committee member THOMAS CURTIS. Representative CURTIS points out:

> The real health problems lie in the area of financing catastrophic health costs, which can bankrupt even high affluent families.

I urge that the committee and the Department of Health, Education, and Welfare, give careful study to the need for and problems faced in adopting medicare provisions aimed at assisting elder citizens who experience such catastrophic illnesses.

The committee also adopted a third method of paying for physicians services under the supplementary medical insurance program. Presently, a doctor must accept a patient on assignment and thus accepts the fee scale used by Medicare, or secondly, a patient must pay the doctor and then submit a receipted bill to medicare for payment. This latter method has worked a hardship on many older Americans who could not afford to pay the doctor and then wait 3 months for medicare reimbursement, often at a lower fee rate than that charged by the doctor. The new pay method will allow the physicans to submit an itemized bill to medicare for payment. Payment would be made to the physician if the bill is not more than reasonable in charge, other-

wise, it will be made to the patient. This at least eases the hardship on many older citizens. If a physician is unwilling to submit a bill through medicare, the patient is allowed to submit the itemized bill. In my judgement, this new method will provide flexibility in physician payment. It will not, however, erase one of the basic problems of this supplementary medical insurance program, that is the substantial difference in the fees charged patients by physicians and the allowable fee reimbursement under medicare. The elder citizens are still caught in the middle. I urge that careful study be given the problem of reaching a more closely alined medicare-physician fee schedule. This problem should be given top priority.

There are many types of health care which have not been incorporated into the medicare program. For instances, the cost of drugs, dental care, and glasses and eye care weigh heavily on many poor elderly Americans. I command the Committee on Ways and Means for requiring the Secretary of Health, Education, and Welfare, to study the question of adding to the services now covered under the supplementary medical insurance program and by requiring him to report to the Congress before January 1, 1969. Again, I urge that the next year be used by the Secretary to find effective ways of incorporating these basic health services into the medicare program.

90TH CONGRESS
1ST SESSION

H. R. 12080

IN THE SENATE OF THE UNITED STATES

AUGUST 18, 1967

Read twice and referred to the Committee on Finance

AN ACT

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1967".

TABLE OF CONTENTS

TABLE OF CONTENTS—Continued

TABLE OF CONTENTS—Continued

TITLE II—PUBLIC WELFARE AMENDMENTS—Continued

PART 1—PUBLIC ASSISTANCE AMENDMENTS—Continued

PART 2—MEDICAL ASSISTANCE AMENDMENTS

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

TITLE III—IMPROVEMENT OF CHILD HEALTH

TITLE IV—GENERAL PROVISIONS

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

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

INCREASE IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

SEC. 101. (a) Section 215 (a) of the Social Security Act is amended by striking out the table and inserting in lieu thereof the following:

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II	III		IV	V
(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount under 1955 Act)	(Average monthly wage)		(Primary insurance amount)	(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—		
----------	$13.48	$44.00	----------	$67	$50.00	$75.00
$13.49	14.00	45.00	$68	69	50.70	76.10
14.01	14.48	46.00	70	70	51.80	77.70
14.49	15.00	47.00	71	72	52.90	79.40
15.01	15.60	48.00	73	74	54.00	81.00
15.61	16.20	49.00	75	76	55.20	82.80
16.21	16.84	50.00	77	78	56.30	84.50
16.85	17.60	51.00	79	80	57.40	86.10
17.61	18.40	52.00	81	81	58.50	87.80
18.41	19.24	53.00	82	83	59.70	89.60
19.25	20.00	54.00	84	85	60.80	91.20
20.01	20.64	55.00	86	87	61.90	92.90
20.65	21.28	56.00	88	89	63.00	94.50
21.29	21.88	57.00	90	90	64.20	96.30
21.89	22.28	58.00	91	92	65.30	98.00
22.29	22.68	59.00	93	94	66.40	99.60
22.69	23.08	60.00	95	96	67.50	101.30
23.09	23.44	61.00	97	97	68.70	103.10
23.45	23.76	62.10	98	99	69.90	104.90
23.77	24.20	63.20	100	101	71.10	106.70
24.21	24.60	64.20	102	102	72.30	108.50
24.61	25.00	65.30	103	104	73.50	110.30
25.01	25.48	66.40	105	106	74.70	112.10
25.49	25.92	67.50	107	107	76.00	114.00
25.93	26.40	68.50	108	109	77.10	115.70
26.41	26.94	69.60	110	113	78.30	117.50
26.95	27.46	70.70	114	118	79.60	119.40
27.47	28.00	71.70	119	122	80.70	121.10
28.01	28.68	72.80	123	127	81.90	122.90
28.69	29.25	73.90	128	132	83.20	124.80
29.26	29.68	74.90	133	136	84.30	126.50
29.69	30.36	76.00	137	141	85.50	128.30
30.37	30.92	77.10	142	146	86.80	130.20
30.93	31.36	78.20	147	150	88.00	132.00
31.37	32.00	79.20	151	155	89.10	133.70
32.01	32.60	80.30	156	160	90.40	135.60
32.61	33.20	81.40	161	164	91.60	137.40
33.21	33.88	82.40	165	169	92.70	139.10

"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 1965 Act)	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—		
$33.89	$34.50	$83.50	$170	$174	$94.00	$141.00
34.51	35.00	84.60	175	178	95.20	142.80
35.01	35.80	85.60	179	183	96.30	146.40
35.81	36.40	86.70	184	188	97.60	150.40
36.41	37.05	87.80	189	193	98.80	154.40
37.09	37.60	88.90	194	197	100.10	157.60
37.61	38.20	89.90	198	202	101.20	161.60
38.21	39.12	91.00	203	207	102.40	165.60
39.13	39.68	92.10	208	211	103.70	168.80
39.69	40.33	93.10	212	216	104.80	172.80
40.34	41.12	94.20	217	221	106.00	176.80
41.13	41.76	95.30	222	225	107.30	180.00
41.77	42.44	96.30	226	230	108.40	184.00
42.45	43.20	97.40	231	235	109.60	188.00
43.21	43.76	98.50	236	239	110.90	191.20
43.77	44.44	99.60	240	244	112.10	195.20
44.45	44.88	100.60	245	249	113.20	199.20
44.89	45.60	101.70	250	253	114.50	202.40
		102.80	254	258	115.70	206.40
		103.80	259	263	116.80	210.40
		104.90	264	267	118.10	213.60
		106.00	268	272	119.30	217.60
		107.00	273	277	120.40	221.60
		108.10	278	281	121.70	224.80
		109.20	282	286	122.90	228.80
		110.30	287	291	124.10	232.80
		111.30	292	295	125.30	236.00
		112.40	296	300	126.50	240.00
		113.50	301	305	127.70	244.00
		114.50	306	309	128.90	247.20
		115.60	310	314	130.10	251.20
		116.70	315	319	131.30	255.20
		117.70	320	323	132.50	258.40
		118.80	324	328	133.70	262.40
		119.90	329	333	134.90	266.40
		121.00	334	337	136.20	269.60
		122.00	338	342	137.30	273.60
		123.10	343	347	138.50	277.60
		124.20	348	351	139.80	280.80
		125.20	352	356	140.90	284.80
		126.30	357	361	142.10	288.80
		127.40	362	365	143.40	292.00
		128.40	366	370	144.50	296.00
		129.50	371	375	145.70	300.00
		130.60	376	379	147.00	303.20
		131.70	380	384	148.20	307.20
		132.70	385	389	149.30	311.20
		133.80	390	393	150.60	314.40
		134.90	394	398	151.80	318.40
		135.90	399	403	152.90	322.40
		137.00	404	407	154.20	325.60
		138.00	408	412	155.30	329.60
		139.00	413	417	156.40	333.60
		140.00	418	421	157.50	336.80
		141.00	422	426	158.70	340.80
		142.00	427	431	159.80	342.80
		143.00	432	436	160.90	344.80
		144.00	437	440	162.00	346.40
		145.00	441	445	163.20	348.40
		146.00	446	450	164.30	350.40
		147.00	451	454	165.40	352.00
		148.00	455	459	166.50	354.00
		149.00	460	464	167.70	356.00
		150.00	465	468	168.80	357.60
		151.00	469	473	169.90	359.60
		152.00	474	478	171.00	361.60
		153.00	479	482	172.20	363.20
		154.00	483	487	173.30	365.20
		155.00	488	492	174.40	367.20
		156.00	493	496	175.50	368.80
		157.00	497	501	176.70	370.80
		158.00	502	506	177.80	372.80
		159.00	507	510	178.90	374.40
		160.00	511	515	180.00	376.40
		161.00	516	520	181.20	378.40
		162.00	521	524	182.30	380.00

"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 1965 Act)	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—		
		$163.00	$525	$529	$183.40	$382.00
		164.00	530	534	184.50	384.00
		165.00	535	538	185.70	385.60
		166.00	539	543	186.80	387.60
		167.00	544	548	187.90	389.60
		168.00	549	552	189.00	391.20
			553	556	190.00	392.80
			557	559	191.00	394.00
			560	563	192.00	395.60
			564	566	193.00	396.80
			567	569	194.00	398.00
			570	573	195.00	399.60
			574	576	196.00	400.80
			577	580	197.00	402.40
			581	583	198.00	403.60
			584	587	199.00	405.20
			588	590	200.00	406.40
			591	594	201.00	408.00
			595	597	202.00	409.20
			598	601	203.00	410.80
			602	604	204.00	412.00
			605	608	205.00	413.60
			609	611	206.00	414.80
			612	615	207.00	416.40
			616	618	208.00	417.60
			619	622	209.00	419.20
			623	625	210.00	420.40
			626	628	211.00	421.60
			629	633	212.00	423.60"

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

"(2) when two or more persons were entitled (without the application of section 202 (j) (1) and section 223 (b)) to monthly benefits under section 202 or 223 for the second month following the month in which the Social Security Amendments of 1967 are enacted on the basis of the wages and self-employment income of such insured individual, such total of benefits for such

second month or any subsequent month shall not be reduced to less than the larger of—

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

"(B) an amount equal to the sum of the amounts derived by multiplying the benefit amount determined under this title (including this subsection, but without the application of section 222 (b), section 202 (q), and subsections (b), (c), and (d) of this section), as in effect prior to such second month, for each such person for such second month, by 112.5 percent and raising each such increased amount, if it is not a multiple of $0.10, to the next higher multiple of $0.10;

but in any such case (i) paragraph (1) of this subsection shall not be applied to such total of benefits after the application of subparagraph (B), and (ii) if section 202 (k) (2) (A) was applicable in the case of any such benefits for such second month, and ceases to apply after such month, the provisions of subparagraph (B) shall be applied, for and after the month in which section 202 (k) (2) (A) ceases to apply, as though paragraph (1) had not been applicable to such total of benefits for such second month, or".

(c) (1) Section 215 (b) (4) of such Act is amended to read as follows:

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

"(A) who becomes entitled, in or after the second month following the month in which the Social Security Amendments of 1967 are enacted, to benefits under section 202 (a) or section 223; or

"(B) who dies in or after such second month without being entitled to benefits under section 202 (a) or section 223; or

"(C) whose primary insurance amount is required to be recomputed under subsection (f) (2)."

(2) Section 215 (b) (5) of such Act is repealed.

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

"Primary Insurance Amount Under 1965 Act

"(c) (1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed on the basis of the law in effect prior to the enactment of the Social Security Amendments of 1967.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who became en-

titled to benefits under section 202 (a) or section 223 before the second month following the month in which the Social Security Amendments of 1967 are enacted or who died before such second month."

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

(f) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for the month following the month in which this Act is enacted and became entitled to old-age insurance benefits under section 202 (a) of such Act for the second month following the month in which this Act is enacted, or he died in such second month, then, for purposes of section 215 (a) (4) of the Social Security Act (if applicable) the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under section 215 (c) of such Act) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based.

INCREASE IN BENEFITS FOR CERTAIN INDIVIDUALS AGE 72 AND OVER

SEC. 102. (a) (1) Section 227 (a) of the Social Security Act is amended by striking out "$35" and inserting in lieu thereof "$40", and by striking out "$17.50" and inserting in lieu thereof "$20".

(2) Section 227 (b) of such Act is amended by striking out in the second sentence "$35" and inserting in lieu thereof "$40".

(b) (1) Section 228 (b) (1) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40".

(2) Section 228 (b) (2) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40", and by striking out "$17.50" and inserting in lieu thereof "$20".

(3) Section 228 (c) (2) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$20".

(4) Section 228 (c) (3) (A) of such Act is amended by striking out "$35" and inserting in lieu thereof "$40".

(5) Section 228 (c) (3) (B) of such Act is amended by striking out "$17.50" and inserting in lieu thereof "$20".

(c) The amendments made by subsections (a) and (b) shall apply with respect to monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted.

MAXIMUM AMOUNT OF A WIFE'S OR HUSBAND'S INSURANCE BENEFIT

SEC. 103. (a) Section 202 (b) (2) of the Social Security Act is amended to read as follows:

"(2) Except as provided in subsection (q), such wife's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of her husband (or, in the case of a divorced wife, her former husband) for such month, or (B) $105."

(b) Section 202 (c) (3) of such Act is amended to read as follows:

"(3) Except as provided in subsection (q), such husband's insurance benefit for each month shall be equal to whichever of the following is the smaller: (A) one-half of the primary insurance amount of his wife for such month, or (B) $105."

(c) Section 202 (e) (4) of such Act is amended by striking out "50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based" and inserting in lieu thereof "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105".

(d) Section 202 (f) (5) of such Act is amended by

striking out "50 per centum of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based" and inserting in lieu thereof "whichever of the following is the smaller: (A) one-half of the primary insurance amount of the deceased individual on whose wages and self-employment income such benefit is based, or (B) $105".

(e) The amendments made by subsections (a), (b), (c), and (d) shall apply with respect to monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted.

BENEFITS TO DISABLED WIDOWS AND WIDOWERS

SEC. 104. (a) (1) Subparagraph (B) of section 202 (e) (1) of the Social Security Act is amended to read as follows:

"(B) (i) has attained age 60, or (ii) has attained age 50 but has not attained age 60 and is under a disability (as defined in section 223 (d)) which began before the end of the period specified in paragraph (5),".

(2) So much of section 202 (e) (1) of such Act as follows subparagraph (E) is amended to read as follows: "shall be entitled to a widow's insurance benefit for each month, beginning with—

"(F) if she satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which she becomes so entitled to such insurance benefits, or

"(G) if she satisfies subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after her waiting period (as defined in paragraph (6)) in which she becomes so entitled to such insurance benefits, or

"(ii) the first month during all of which she is under a disability and in which she becomes so entitled to such insurance benefits, but only if she was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (5) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, becomes entitled to an old-age insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of such deceased individual, or, if she became entitled to such benefits before she attained age 60, the third month following the month in which her disability ceases (unless she attains age 62 on or before the last day of such third month)."

(3) Section 202 (e) of such Act is further amended by adding after paragraph (4) the following new paragraphs:

"(5) The period referred to in paragraph (1) (B) (ii), in the case of any widow or surviving divorced wife, is the period beginning with whichever of the following is the latest:

"(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income her benefits are or would be based, or

"(B) the last month for which she was entitled to mother's insurance benefits on the basis of the wages and self-employment income of such individual, or

"(C) the month in which a previous entitlement to widow's insurance benefits on the basis of such wages and self-employment income terminated because her disability had ceased,

and ending with the month before the month in which she attains age 60, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

"(6) The waiting period referred to in paragraph (1) (G), in the case of any widow or surviving divorced wife, is the earliest period of six consecutive calendar months—

"(A) throughout which she has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which her application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (5) begins."

(b) (1) Subparagraph (B) of section 202 (f) (1) of such Act is amended to read as follows:

"(B) (i) has attained age 62, or (ii) has attained age 50 but has not attained age 62 and is under a disability (as defined in section 223 (d)) which began before the end of the period specified in paragraph (6),".

(2) So much of section 202 (f) (1) of such Act as follows subparagraph (E) is amended to read as follows: "shall be entitled to a widower's insurance benefit for each month, beginning with—

"(F) if he satisfies subparagraph (B) by reason of clause (i) thereof, the first month in which he becomes so entitled to such insurance benefits, or

"(G) if he satisfies subparagraph (B) by reason of clause (ii) thereof—

"(i) the first month after his waiting period (as defined in paragraph (7)) in which he becomes so entitled to such insurance benefits, or

"(ii) the first month during all of which he is under a disability and in which he becomes so entitled to such insurance benefits, but only if he was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (6) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding 82½ percent of the primary insurance amount of his deceased wife, or the third month following the month in which his disability ceases (unless he attains age 62 on or before the last day of such third month)."

(3) Section 202 (f) (3) of such Act is amended by inserting "subsection (q) and" after "provided in".

(4) Section 202 (f) of such Act is further amended by adding after paragraph (5) the following new paragraphs:

"(6) The period referred to in paragraph (1) (B) (ii),

in the case of any widower, is the period beginning with whichever of the following is the latest:

"(A) the month in which occurred the death of the fully insured individual referred to in paragraph (1) on whose wages and self-employment income his benefits are or would be based, or

"(B) the month in which a previous entitlement to widower's insurance benefits on the basis of such wages and self-employment income terminated because his disability had ceased,

and ending with the month before the month in which he attains age 62, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

"(7) The waiting period referred to in paragraph (1)(G), in the case of any widower, is the earliest period of six consecutive calendar months—

"(A) throughout which he has been under a disability, and

"(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the eighteenth month before the month in which his application is filed, or (ii) the first day of the sixth month before the month in which the period specified in paragraph (6) begins."

(c) (1) The heading of section 202 (q) of such Act is amended to read as follows:

"Reduction of Benefit Amounts for Certain Beneficiaries"

(2) So much of section 202 (q) (1) of such Act as precedes subparagraph (A) is amended by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's".

(3) Subparagraph (A) of section 202 (q) (1) of such Act is amended by striking out "or widow's" and inserting in lieu thereof ", widow's, or widower's".

(4) Section 202 (q) (1) of such Act is amended by adding at the end thereof the following:

"A widow's or widower's insurance benefit reduced pursuant to the preceding sentence shall be further reduced by—

"(C) $^{43}/_{198}$ of 1 percent of the amount of such benefit, multiplied by

"(D) (i) the number of months in the additional reduction period for such benefit (determined under paragraph (6)), if such benefit is for a month before the month in which such individual attains retirement age, or

"(ii) the number of months in the additional adjusted reduction period for such benefit (determined under paragraph (7)), if such benefit is for the month

in which such individual attains retirement age or for any month thereafter."

(5) Section 202 (q) (3) (A) of such Act is amended—

(A) by striking out "or widow's" each place it appears and inserting in lieu thereof "widow's, or widower's";

(B) by striking out "a widow's" and inserting in lieu thereof "a widow's or widower's"; and

(C) by striking out "60" and inserting in lieu thereof "50".

(6) Section 202 (q) (3) (C) of such Act is amended by striking out "or widow's" each time it appears and inserting in lieu thereof "widow's, or widower's".

(7) Section 202 (q) (3) (D) of such Act is amended by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's".

(8) Section 202 (q) (3) (E) of such Act is amended—

(A) by striking out "(or would, but for subsection (e) (1), be)" and inserting in lieu thereof "(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)";

(B) by striking out "widow's" each place it appears and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "she" and inserting in lieu thereof "she or he".

(9) Section 202 (q) (3) (F) of such Act is amended—

(A) by striking out "(or would, but for subsection (e) (1), be)" and inserting in lieu thereof "(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)";

(B) by striking out "widow's" each place it appears and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "she" and inserting in lieu thereof "she or he".

(10) Section 202 (q) (3) (G) of such Act is amended—

(A) by striking out "(or would, but for subsection (e) (1), be)" and inserting in lieu thereof "(or would, but for subsection (e) (1) in the case of a widow or surviving divorced wife or subsection (f) (1) in the case of a widower, be)";

(B) by striking out "widow's" and inserting in lieu thereof "widow's or widower's"; and

(C) by striking out "he" and inserting in lieu thereof "she or he".

(11) Section 202 (q) (6) of such Act is amended to read as follows:

"(6) For the purposes of this subsection—

"(A) the 'reduction period' for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the period—

"(i) beginning—

"(I) in the case of an old-age or husband's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit, or

"(II) in the case of a wife's insurance benefit, with the first day of the first month for which a certificate described in paragraph (5) (A) (i) is effective, or

"(III) in the case of a widow's or widower's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit or the first day of the month in which such individual attains age 60, whichever is the later, and

"(ii) ending with the last day of the month before the month in which such individual attains retirement age; and

"(B) the 'additional reduction period' for an individual's widow's or widower's insurance benefit is the period—

"(i) beginning with the first day of the first

month for which such individual is entitled to such benefit, but only if such individual has not attained age 60 in such first month, and

"(ii) ending with the last day of the month before the month in which such individual attains age 60."

(12) Section 202(q)(7) of such Act is amended—

(A) by inserting "or 'additional adjusted reduction period'" after "the 'adjusted reduction period'";

(B) by striking out "or widow's" and inserting in lieu thereof "widow's, or widower's";

(C) by inserting "or additional reduction period (as the case may be)" after "the reduction period"; and

(D) by striking out "widow's" in subparagraph (E) and inserting in lieu thereof "widow's or widower's", by striking out "she" each place it appears in such subparagraph and inserting in lieu thereof "she or he", and by striking out "her" in such subparagraph and inserting in lieu thereof "her or his".

(13) Section 202(q)(9) of such Act is amended by striking out "widow's" and inserting in lieu thereof "widow's or widower's".

(d)(1)(A) The third sentence of section 203(c) of such Act is amended by striking out "or any subsequent

month" and inserting in lieu thereof "or any subsequent month; nor shall any deduction be made under this subsection from any widow's insurance benefit for any month in which the widow or surviving divorced wife is entitled and has not attained age 62 (but only if she became so entitled prior to attaining age 60), or from any widower's insurance benefit for any month in which the widower is entitled and has not attained age 62".

(B) The third sentence of section 203(f)(1) of such Act is amended by striking out "or (D)" and inserting in lieu thereof the following: "(D) for which such individual is entitled to widow's insurance benefits and has not attained age 62 (but only if she became so entitled prior to attaining age 60) or widower's insurance benefits and has not attained age 62, or (E)".

(C) Section 203(f)(2) of such Act is amended by striking out "and (D)" and inserting in lieu thereof "(D), and (E)".

(D) Section 203(f)(4) of such Act is amended by striking out "(D)" and inserting in lieu thereof "(E)".

(2) Section 216(i)(1) of such Act is amended by inserting "202(e), 202(f)," after "202(d),".

(3)(A) Section 222(a) of such Act is amended by inserting "widow's insurance benefits, or widower's insurance benefits," after "benefits,".

(B) Section 222 (b) (1) of such Act is amended by striking out "child's insurance benefits or if" and inserting in lieu thereof "child's insurance benefits, a widow or surviving divorced wife who has not attained age 60, a widower who has not attained age 62, or".

(4) (A) Section 222 (d) (1) of such Act is amended by inserting "or" at the end of subparagraph (B), and by inserting after such subparagraph the following new subparagraphs:

"(C) entitled to widow's insurance benefits under section 202 (e) prior to attaining age 60, or

"(D) entitled to widower's insurance benefits under section 202 (f) prior to attaining age 62,".

(B) Section 222 (d) (1) of such Act is further amended by striking out "who have attained age 18 and are under a disability," in the first sentence and inserting in lieu thereof the following: "who have attained age 18 and are under a disability, the benefits under section 202 (e) for widows and surviving divorced wives who have not attained age 60 and are under a disability, the benefits under section 202 (f) for widowers who have not attained age 62,".

(5) (A) The first sentence of section 225 of such Act is amended by inserting after "under section 202 (d)," the following: "or that a widow or surviving divorced wife who has not attained age 60 and is entitled to benefits under

section 202 (e), or that a widower who has not attained age 62 and is entitled to benefits under section 202 (f),".

(B) The first sentence of section 225 of such Act is further amended by striking out "223 or 202 (d)" and inserting in lieu thereof "202 (d), 202 (e), 202 (f), or 223".

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

INSURED STATUS FOR YOUNGER DISABLED WORKERS

SEC. 105. (a) Subparagraph (B) (ii) of section 216 (i) (3) of the Social Security Act is amended by striking out "and he is under a disability by reason of blindness (as defined in paragraph (1))".

(b) Subparagraph (B) (ii) of section 223 (c) (1) of such Act is amended by striking out "before he attains" and inserting in lieu thereof "before the quarter in which he attains", and by striking out "and he is under a disability by reason of blindness (as defined in section 216 (i) (1))".

(c) The amendment made by subsection (a) shall apply only with respect to applications for disability determinations filed under section 216 (i) of the Social Security Act in or after the month in which this Act is enacted. The

amendments made by subsection (b) shall apply with respect to monthly benefits under title II of such Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications for such benefits filed in or after the month in which this Act is enacted.

BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

SEC. 106. Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"BENEFITS IN CASE OF MEMBERS OF THE UNIFORMED SERVICES

"SEC. 229. (a) For purposes of determining entitlement to and the amount of any monthly benefit for any month after December 1967, or entitlement to and the amount of any lump-sum death payment in case of a death after such month, payable under this title on the basis of the wages and self-employment income of any individual, and for purposes of section 216(i)(3), such individual shall be deemed to have been paid, in each calendar quarter occurring after 1967 in which he was paid wages for service as a member of a uniformed service (as defined in section 210(m)) which was included in the term 'employment' as defined in section 210(a) as a result of the provisions

of section 210 (l), wages (in addition to the wages actually paid to him for such service) of—

"(1) $100 if the wages actually paid to him in such quarter for such services were $100 or less,

"(2) $200 if the wages actually paid to him in such quarter for such services were more than $100 but not more than $200, or

"(3) $300 in any other case.

"(b) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the Federal Hospital Insurance Trust Fund annually, as benefits under this title and part A of title XVIII are paid after December 1967, such sums as the Secretary determines to be necessary to meet (1) the additional costs, resulting from subsection (a), of such benefits (including lump-sum death payments), (2) the additional administrative expenses resulting therefrom, and (3) any loss in interest to such trust funds resulting from the payment of such amounts. Such additional costs shall be determined after any increases in such benefits arising from the application of section 217 have been made."

LIBERALIZATION OF EARNINGS TEST

SEC. 107. (a) (1) Paragraphs (1), (3), and (4) (B) of section 203 (f) of the Social Security Act are each

amended by striking out "$125" and inserting in lieu thereof "$140".

(2) Paragraph (1) (A) of section 203 (h) of such Act is amended by striking out "$125" and inserting in lieu thereof "$140".

(b) The amendments made by subsection (a) shall apply with respect to taxable years ending after December 1967.

INCREASE OF EARNINGS COUNTED FOR BENEFIT AND TAX PURPOSES

SEC. 108. (a) (1) (A) Section 209 (a) (4) of the Social Security Act is amended by inserting "and prior to 1968" after "1965".

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

"(5) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $7,600 with respect to employment has been paid to an individual during any calendar year after 1967, is paid to such individual during such calendar year;".

(2) (A) Section 211 (b) (1) (D) of such Act is amended by inserting "and prior to 1968" after "1965", and by striking out "; or" and inserting in lieu thereof "; and".

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

"(E) For any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(3) (A) Section 213 (a) (2) (ii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $7,600 in the case of a calendar year after 1967".

(B) Section 213 (a) (2) (iii) of such Act is amended by striking out "after 1965" and inserting in lieu thereof "after 1965 and before 1968, or $7,600 in the case of a taxable year ending after 1967".

(4) Section 215 (e) (1) of such Act is amended by striking out "and the excess over $6,600 in the case of any calendar year after 1965" and inserting in lieu thereof "the excess over $6,600 in the case of any calendar year after 1965 and before 1968, and the excess over $7,600 in the case of any calendar year after 1967".

(b) (1) (A) Section 1402 (b) (1) (D) of the Internal Revenue Code of 1954 (relating to definition of self-employment income) is amended by inserting "and before 1968" after "1965", and by striking out "; or" and inserting in lieu thereof "; and".

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

"(E) for any taxable year ending after 1967, (i) $7,600, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

(2) Section 3121(a)(1) of such Code (relating to definition of wages) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,600".

(3) The second sentence of section 3122 of such Code (relating to Federal service) is amended by striking out "$6,600" and inserting in lieu thereof "$7,600".

(4) Section 3125 of such Code (relating to returns in the case of governmental employees in Guam, American Samoa, and the District of Columbia) is amended by striking out "$6,600" each place it appears and inserting in lieu thereof "$7,600".

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

(A) by inserting "and prior to the calendar year 1968" after "the calendar year 1965";

(B) by inserting after "exceed $6,600," the following: "or (D) during any calendar year after the calendar year 1967, the wages received by him during such year exceed $7,600,"; and

(C) by inserting before the period at the end thereof the following: "and before 1968, or which exceeds the tax with respect to the first $7,600 of such wages received in such calendar year after 1967".

(6) Section 6413 (c) (2) (A) of such Code (relating to refunds of employment taxes in the case of Federal employees) is amended by striking out "or $6,600 for any calendar year after 1965" and inserting in lieu thereof "$6,600 for the calendar year 1966 or 1967, or $7,600 for any calendar year after 1967".

(c) The amendments made by subsections (a) (1) and (a) (3) (A), and the amendments made by subsection (b) (except paragraph (1) thereof), shall apply only with respect to remuneration paid after December 1967. The amendments made by subsections (a) (2), (a) (3) (B), and (b) (1) shall apply only with respect to taxable years ending after 1967. The amendment made by subsection (a) (4) shall apply only with respect to calendar years after 1967.

CHANGES IN TAX SCHEDULES

SEC. 109. (a) (1) Section 1401 (a) of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income for purposes of old-age, survivors, and

disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 5.9 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1971, the tax shall be equal to 6.3 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1970, and before January 1, 1973, the tax shall be equal to 6.9 percent of the amount of the self-employment income for such taxable year; and

"(4) in the case of any taxable year beginning after December 31, 1972, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(a) of such Code (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs

(1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 3.9 percent;

"(2) with respect to wages received during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages received during the calendar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages received after December 31, 1972, the rate shall be 5.0 percent."

(3) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1), (2), (3), and (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 3.9 percent;

"(2) with respect to wages paid during the calendar years 1969 and 1970, the rate shall be 4.2 percent;

"(3) with respect to wages paid during the cal-

endar years 1971 and 1972, the rate shall be 4.6 percent; and

"(4) with respect to wages paid after December 31, 1972, the rate shall be 5.0 percent."

(b) (1) Section 1401 (b) of such Code (relating to rate of tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1966, and before January 1, 1969, the tax shall be equal to 0.50 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1968, and before January 1, 1973, the tax shall be equal to 0.60 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1976, the tax shall be equal to 0.65 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1975, and before January 1, 1980, the tax shall be equal to 0.70 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1979, and before January 1, 1987, the tax shall be equal to 0.80 percent of the amount of the self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning after December 31, 1986, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year."

(2) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"(2) with respect to wages received during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(3) with respect to wages received during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"(4) with respect to wages received during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"(5) with respect to wages received during the cal-

endar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"(6) with respect to wages received after December 31, 1986, the rate shall be 0.90 percent."

(3) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (6) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1967 and 1968, the rate shall be 0.50 percent;

"(2) with respect to wages paid during the calendar years 1969, 1970, 1971, and 1972, the rate shall be 0.60 percent;

"(3) with respect to wages paid during the calendar years 1973, 1974, and 1975, the rate shall be 0.65 percent;

"(4) with respect to wages paid during the calendar years 1976, 1977, 1978, and 1979, the rate shall be 0.70 percent;

"(5) with respect to wages paid during the calendar years 1980, 1981, 1982, 1983, 1984, 1985, and 1986, the rate shall be 0.80 percent; and

"(6) with respect to wages paid after December 31, 1986, the rate shall 0.90 percent."

(c) The amendments made by subsections (a) (1) and (b) (1) shall apply only with respect to taxable years beginning after December 31, 1967. The remaining amendments made by this section shall apply only with respect to remuneration paid after December 31, 1967.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

SEC. 110. (a) Section 201 (b) (1) of the Social Security Act is amended—

(1) by inserting "(A)" after "(1)";

(2) by striking out "1954, and" and inserting in lieu thereof "1954, (B)";

(3) by inserting "and before January 1, 1968," after "December 31, 1965,"; and

(4) by inserting after "so reported," the following: "and (C) 0.95 of 1 per centum of the wages (as so defined) paid after December 31, 1967, and so reported,".

(b) Section 201 (b) (2) of such Act is amended—

(1) by inserting "(A)" after "(2)";

(2) by striking out "1966, and" and inserting in lieu thereof "1966, (B)"; and

(3) by inserting after "December 31, 1965," the following: "and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967,".

PART 2—COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

COVERAGE OF MINISTERS

SEC. 115. (a) The last sentence of section 211 (c) of the Social Security Act is amended to read as follows: "The provisions of paragraph (4) or (5) shall not apply to service performed by an individual unless an exemption under section 1402 (e) of the Internal Revenue Code of 1954 is effective with respect to him."

(b) (1) The last sentence of section 1402 (c) of the Internal Revenue Code of 1954 (relating to definition of trade or business) is amended to read as follows: "The provisions of paragraph (4) or (5) shall not apply to service performed by an individual unless an exemption under subsection (e) is effective with respect to him."

(2) Section 1402 (e) of such Code (relating to ministers, members of religious orders, and Christian Science practitioners) is amended to read as follows:

"(e) MINISTERS, MEMBERS OF RELIGIOUS ORDERS, AND CHRISTIAN SCIENCE PRACTITIONERS.—

"(1) EXEMPTION.—Any individual who is (A) a duly ordained, commissioned, or licensed minister of a church or a member of a religious order or (B) a Christian Science practitioner, upon filing an application (in such form and manner, and with such official, as may be

prescribed by regulations made under this chapter) together with a statement that he is conscientiously opposed to the acceptance (with respect to services performed by him as such minister, member, or practitioner) of any public insurance which makes payments in the event of death, disability, old age, or retirement or makes payments toward the cost of, or provides services for, medical care (including the benefits of any insurance system established by the Social Security Act), shall receive an exemption from the tax imposed by this chapter with respect to services performed by him as such minister, member, or practitioner. Notwithstanding the preceding sentence, an exemption may not be granted to an individual under this subsection if he had filed an effective waiver certificate under this section as it was in effect before its amendment in 1967.

"(2) TIME FOR FILING APPLICATION.—Any individual who desires to file an application pursuant to paragraph (1) must file such application on or before whichever of the following dates is later: (A) the due date of the return (including any extension thereof) for the second taxable year for which he has net earnings from self-employment (computed without regard to subsections (c) (4) and (c) (5)) of $400 or more, any

part of which was derived from the performance of service described in subsection (c) (4) or (c) (5); or (B) the due date of the return (including any extension thereof) for his second taxable year ending after 1967.

"(3) EFFECTIVE DATE OF EXEMPTION.—An exemption received by an individual pursuant to this subsection shall be effective for the first taxable year for which he has net earnings from self-employment (computed without regard to subsections (c) (4) and (c) (5)) of $400 or more, any part of which was derived from the performance of service described in subsection (c) (4) or (c) (5), and for all succeeding taxable years. An exemption received pursuant to this subsection shall be irrevocable."

(c) The amendments made by subsections (a) and (b) shall apply only with respect to taxable years ending after 1967.

COVERAGE OF STATE AND LOCAL EMPLOYEES

SEC. 116. (a) Section 218 (d) (6) (D) of the Social Security Act is amended by inserting "(i)" after "(D)", and by adding at the end thereof the following:

"(ii) Notwithstanding clause (i), the State may, pursuant to subsection (c) (4) (B) and subject to the conditions of continuation or termination of coverage provided for in

subsection (c) (7), modify its agreement under this section to include services performed by all individuals described in clause (i) other than those individuals to whose services the agreement already applies. Such individuals shall be deemed (on and after the effective date of the modification) to be in positions covered by the separate retirement system consisting of the positions of members of the division or part who desire coverage under the insurance system established under this title."

(b) (1) (A) Section 218 (c) (3) of such Act is amended by striking out subparagraph (A), and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(B) Paragraphs (4) and (7) of section 218 (c) of such Act, and paragraph (5) (B) of section 218 (d) of such Act, are each amended by striking out "paragraph (3) (C)" wherever it appears and inserting in lieu thereof "paragraph (3) (B)".

(C) Paragraph (4) (C) of section 218 (d) of such Act is amended by striking out "subsection (c) (3) (C)" and inserting in lieu thereof "subsection (c) (3) (B)".

(2) Section 218 (c) (6) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (C);

(B) by striking out the period at the end of sub-

paragraph (D) and inserting in lieu thereof ", and"; and

(C) by adding at the end thereof the following new subparagraph:

"(E) service performed by an individual as an employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency."

(3) The amendments made by this subsection shall be effective with respect to services performed on or after January 1, 1968.

(c) Section 218(c) of such Act is amended by adding at the end thereof the following new paragraph:

"(8) Notwithstanding any other provision of this section, the agreement with any State entered into under this section may at the option of the State be modified on or after January 1, 1968, to exclude service performed by election officials or election workers if the remuneration paid in a calendar quarter for such service is less than $50. Any modification of an agreement pursuant to this paragraph shall be effective with respect to services performed after an effective date, specified in such modification, which shall not be earlier than the last day of the calendar quarter in which the modification is mailed or delivered by other means to the Secretary."

INCLUSION OF ILLINOIS AMONG STATES PERMITTED TO DIVIDE THEIR RETIREMENT SYSTEMS

SEC. 117. Section 218(d)(6)(C) of the Social Security Act is amended by inserting "Illinois," after "Georgia,".

TAXATION OF CERTAIN EARNINGS OF RETIRED PARTNER

SEC. 118. (a) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out "and" at the end of paragraph (8);

(2) by striking out the period at the end of paragraph (9) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (9) the following new paragraph:

"(10) there shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed by the Secretary of the Treasury or his delegate, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner's death, if—

"(A) such partner rendered no services with respect to any trade or business carried on by such

partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

"(B) no obligation exists (as of the close of the partnership's taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

"(C) such partner's share, if any, of the capital of the partnership has been paid to him in full before the close of the partnership's taxable year referred to in subparagraph (A)."

(b) Section 211(a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (7);

(2) by striking out the period at the end of paragraph (8) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (8) the following new paragraph:

"(9) There shall be excluded amounts received by a partner pursuant to a written plan of the partnership, which meets such requirements as are prescribed

by the Secretary of the Treasury or his delegate, and which provides for payments on account of retirement, on a periodic basis, to partners generally or to a class or classes of partners, such payments to continue at least until such partner's death, if—

"(A) such partner rendered no services with respect to any trade or business carried on by such partnership (or its successors) during the taxable year of such partnership (or its successors), ending within or with his taxable year, in which such amounts were received, and

"(B) no obligation exists (as of the close of the partnership's taxable year referred to in subparagraph (A)) from the other partners to such partner except with respect to retirement payments under such plan, and

"(C) such partner's share, if any, of the capital of the partnership has been paid to him in full before the close of the partnership's taxable year referred to in subparagraph (A)."

(c) The amendments made by this section shall apply only with respect to taxable years ending on or after December 31, 1967.

PART 3—HEALTH INSURANCE BENEFITS

METHOD OF PAYMENT TO PHYSICIANS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 125. (a) Section 1842 (b) (3) (B) of the Social Security Act is amended—

(1) by striking out "(i)"; and

(2) by striking out "and (ii)" and all that follows and inserting in lieu thereof the following: "and such payment will be made—

"(i) on the basis of a receipted bill; or

"(ii) on the basis of an assignment under the terms of which the reasonable charge is the full charge for the service; or

"(iii) on the basis of an itemized bill (I) to the physician or other person providing the service, if such bill is submitted by him in such form and manner as the Secretary may prescribe and within such time as may be specified in regulations and the full charge is found not to exceed the reasonable charge for the service, or (II) to the individual receiving the service, if payment is not made in accordance with clause (I) (either because the charge made is found to exceed the reasonable

charge for the service, or because the physician or other person providing the service fails to submit the bill under clause (I) within the time specified or directs that payment be made to the individual receiving the service) and the bill is submitted in such form and manner as the Secretary may prescribe;

but only if the bill is submitted, or a written request for payment is made in such other form as may be permitted under regulations, no later than the close of the calendar year following the year in which such service is furnished (deeming any service furnished in the last 3 months of any calendar year to have been furnished in the succeeding calendar year);".

(b) The amendments made by subsection (a) shall apply with respect to payments made under part B of title XVIII of the Social Security Act on the basis of bills received after December 31, 1967.

ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICATION IN CASE OF CERTAIN HOSPITAL SERVICES

SEC. 126. (a) Section 1814(a) of the Social Security Act (as amended by section 129(c)(5) of this Act) is amended—

(1) by striking out subparagraph (A) of paragraph (2);

(2) by redesignating subparagraphs (B), (C), (D), and (E) of paragraph (2) as subparagraphs (A), (B), (C), and (D), respectively;

(3) by redesignating paragraphs (3), (4), (5), and (6) as paragraphs (4), (5), (6), and (7), respectively;

(4) by inserting immediately after paragraph (2) the following new paragraph:

"(3) with respect to inpatient hospital services (other than inpatient psychiatric hospital services and inpatient tuberculosis hospital services) which are furnished over a period of time, a physician certifies that such services are required to be given on an inpatient basis for such individual's medical treatment, or that inpatient diagnostic study is medically required and such services are necessary for such purpose, except that (A) such certification shall be furnished only in such cases, with such frequency, and accompanied by such supporting material, appropriate to the cases involved, as may be provided by regulations, and (B) the first such

certification required in accordance with clause (A) shall be furnished no later than the 20th day of such period;"; and

(5) by striking out "(D), or (E)" in the last sentence and inserting in lieu thereof "or (D)".

(b) Section 1835 (a) (2) (B) of such Act is amended by inserting after "medical and other health services," the following: "except services described in subparagraphs (B) and (C) of section 1861 (s) (2),".

(c) The amendments made by this section shall apply with respect to services furnished after the date of the enactment of this Act.

INCLUSION OF PODIATRISTS' SERVICES UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 127. (a) Section 1861 (r) of the Social Security Act is amended—

(1) by striking out "or (2)" and inserting in lieu thereof "(2)"; and

(2) by inserting before the period at the end thereof the following: ", or (3) except for the purposes of section 1814 (a), section 1835, and subsection (k) of this section, a doctor of podiatry or surgical chiropody, but (unless clause (1) of this subsection also applies to him) only with respect to functions which he is legally author-

ized to perform as such by the State in which he performs them".

(b) Section 1862 (a) of such Act is amended—

(1) by striking out "or" at the end of paragraph (11);

(2) by striking out the period at the end of paragraph (12) and inserting in lieu thereof "; or"; and

(3) by adding after paragraph (12) the following new paragraph:

"(13) where such expenses are for—

"(A) the treatment of flat foot conditions and the prescription of supportive devices therefor,

"(B) the treatment of subluxations of the foot, or

"(C) routine foot care (including the cutting or removal of corns, warts, or calluses, the trimming of nails, and other routine hygienic care)."

(c) The amendments made by subsections (a) and (b) shall apply with respect to services furnished after December 31, 1967.

EXCLUSION OF CERTAIN SERVICES

SEC. 128. Section 1862 (a) (7) of the Social Security Act is amended by inserting after "changing eyeglasses," the following: "procedures performed (during the course of any

eye examination) to determine the refractive state of the eyes,".

TRANSFER OF ALL OUTPATIENT HOSPITAL SERVICES TO SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 129. (a) Section 1861 (s) (2) of the Social Security Act is amended—

(1) by inserting "(A)" after "(2)";

(2) by striking out "physicians' bills" and all that follows and inserting in lieu thereof the following: "physicians' bills;

"(B) hospital services (including drugs and biologicals which cannot, as determined in accordance with regulations, be self-administered) incident to physicians' services rendered to outpatients; and

"(C) diagnostic services which are—

"(i) furnished to an individual as an outpatient by a hospital or by others under arrangements with them made by a hospital, and

"(ii) ordinarily furnished by such hospital (or by others under such arrangements) to its outpatients for the purpose of diagnostic study;".

(b) Section 1861 (s) of such Act is further amended by adding at the end thereof (after and below paragraph (11)) the following new sentence:

"There shall be excluded from the diagnostic services speci-

fied in paragraph (2) (C) any item or service (except services referred to in paragraph (1)) which—

"(12) would not be included under subsection (b) if it were furnished to an inpatient of a hospital; or

"(13) is furnished under arrangements referred to in such paragraph (2) (C) unless furnished in the hospital or in other facilities operated by or under the supervision of the hospital or its organized medical staff."

(c) (1) Section 226(b) (1) of such Act is amended by striking out "post-hospital home health services, and outpatient hospital diagnostic services" and inserting in lieu thereof "and post-hospital home health services".

(2) Section 1812(a) of such Act is amended—

(A) by adding "and" at the end of paragraph (2);

(B) by striking out "; and" at the end of paragraph (3) and inserting in lieu thereof a period; and

(C) by striking out paragraph (4).

(3) Section 1813(a) of such Act is amended by striking out paragraph (2), and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(4) (A) Section 1813(b) (1) of such Act is amended by striking out "or diagnostic study".

(B) The first sentence of section 1813(b) (2) of such Act is amended by striking out "or diagnostic study".

(5) (A) Section 1814(a) (2) of such Act is amended—

(i) by adding "or" at the end of subparagraph (D);

(ii) by striking out "or" at the end of subparagraph (E); and

(iii) by striking out subparagraph (F).

(B) The last sentence of section 1814(a) of such Act is amended by striking out "(E), or (F)" and inserting in lieu thereof "or (E)".

(6) Section 1814(d) of such Act is amended by striking out "or outpatient hospital diagnostic services".

(7) Section 1833(b) of such Act is amended—

(A) by striking out "(or regarded under clause (2) as incurred in such preceding year with respect to services furnished in such last three months)"; and

(B) by striking out ", and (2)" and all that follows and inserting in lieu thereof a period.

(8) Section 1833(d) of such Act is amended by striking out "other than subsection (a) (2) (A) thereof".

(9) (A) Section 1835(a) of such Act is amended by striking out "Payment" and inserting in lieu thereof "Except as provided in subsection (b), payment".

(B) Section 1835 of such Act is further amended by redesignating subsection (b) as subsection (c), and by inserting after subsection (a) the following new subsection:

"(b) Payment may also be made to any hospital for

services described in subparagraph (C) of section 1861(s)(2) furnished to an individual entitled to benefits under this part even though such hospital does not have an agreement in effect under this title if (A) such services were emergency services and (B) the Secretary would be required to make such payment if the hospital had such an agreement in effect and otherwise met the conditions of payment hereunder. Such payments shall be made only in the amounts provided under section 1833(a)(2) and then only if such hospital agrees to comply, with respect to the emergency services provided, with the provisions of section 1866(a)."

(C) Section 1861(e) of such Act is amended—

(i) by striking out "except for purposes of section 1814(d)," and inserting in lieu thereof "except for purposes of sections 1814(d) and 1835(b),"; and

(ii) by striking out "(including determination of whether an individual received inpatient hospital services for purposes of such section)" and inserting in lieu thereof "and 1835(b) (including determination of whether an individual received inpatient hospital services or diagnostic services for purposes of such sections)".

(10) Section 1861(p) of such Act is repealed.

(11) Section 1861(y)(3) of such Act is amended by striking out "1813(a)(4)" and inserting in lieu thereof "1813(a)(3)".

(12) (A) Section 1866 (a) (2) (A) of such Act is amended—

(i) by striking out ", (a) (2), or (a) (4)" and inserting in lieu thereof "or (a) (3)"; and

(ii) by striking out "or, in the case of outpatient hospital diagnostic services, for which payment is made under part A".

(B) Section 1866 (a) (2) (C) of such Act is amended by striking out "1813 (a) (3)" and inserting in lieu thereof "1813 (a) (2)".

(13) Section 21 (a) of the Railroad Retirement Act of 1937 is amended by striking out "post-hospital home health services, and outpatient hospital diagnostic services" and inserting in lieu thereof "and post-hospital home health services".

(d) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.

BILLING BY HOSPITAL FOR SERVICES FURNISHED TO OUTPATIENTS

SEC. 130. (a) Section 1835 (a) of the Social Security Act (as amended by section 129 (c) (9) (A) of this Act) is further amended by striking out "Except as provided in subsection (b)," and inserting in lieu thereof "Except as

provided in subsections (b) and (c)".

(b) Section 1835 of such Act (as amended by section 129(c) (9) (B) of this Act) is amended by redesignating subsection (c) (as redesignated) as subsection (d), and by inserting after subsection (b) the following new subsection:

"(c) Notwithstanding the provisions of this section and sections 1832, 1833, and 1866(a) (1) (A), a hospital may, subject to such limitations as may be prescribed by regulations, collect from an individual the customary charges for services specified in subparagraphs (B) and (C) of section 1861(s) (2) and furnished to him by such hospital, but only if such charges for such services do not exceed $50, and such customary charges shall be regarded as expenses incurred by such individual with respect to which benefits are payable in accordance with section 1833(a) (1). Payments under this title to hospitals which have elected to make collections from individuals in accordance with the preceding sentence shall be adjusted periodically to place the hospital in the same position it would have been had it instead been reimbursed in accordance with section 1833 (a) (2)."

(c) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.

PAYMENT OF REASONABLE CHARGES FOR RADIOLOGICAL OR PATHOLOGICAL SERVICES FURNISHED BY CERTAIN PHYSICIANS TO HOSPITAL INPATIENTS

SEC. 131. (a) Section 1833 (a) (1) of the Social Security Act is amended—

(1) by striking out "except that" and inserting in lieu thereof "except that (A)", and

(2) by striking out "of subsection (b)" and inserting in lieu thereof "of subsection (b), and (B) with respect to expenses incurred for radiological or pathological services for which payment may be made under this part, furnished to an inpatient of a hospital by a physician in the field of radiology or pathology, the amounts paid shall be equal to 100 percent of the reasonable charges for such services".

(b) Section 1833 (b) of such Act (as amended by section 129 (c) (7) of this Act) is amended by inserting before the period at the end thereof the following: ", and (2) such total amount shall not include expenses incurred for radiological or pathological services furnished to such individual as an inpatient of a hospital by a physician in the field of radiology or pathology".

(c) The amendments made by this section shall apply with respect to services furnished after December 31, 1967.

PAYMENT FOR PURCHASE OF DURABLE MEDICAL EQUIPMENT

SEC. 132. (a) Section 1861 (s) (6) of the Social Security Act is amended by striking out "rental of", and by inserting before the semicolon at the end thereof the following: ", whether furnished on a rental basis or purchased".

(b) Section 1833 of such Act is amended by adding at the end thereof the following new subsection:

"(f) In the case of the purchase of durable medical equipment included under section 1861 (s) (6), by or on behalf of an individual, payment shall be made in such amounts as the Secretary determines to be equivalent to payments that would have been made under this part had such equipment been rented and over such period of time as the Secretary finds such equipment would be used for such individual's medical treatment, except that with respect to purchases of inexpensive equipment (as determined by the Secretary) payment may be made in a lump sum if the Secretary finds that such method of payment is less costly or more practical than periodic payments."

(c) The amendments made by this section shall apply only with respect to items purchased after December 31, 1967.

PAYMENT FOR PHYSICAL THERAPY SERVICES FURNISHED BY HOSPITAL TO OUTPATIENTS

SEC. 133. (a) Subparagraph (B) of section 1861 (s) (2) of the Social Security Act (as amended by section 129 (a) (2) of this Act) is amended by striking out "; and" and inserting in lieu thereof "and physical therapy furnished to an outpatient, in a place of residence used as such outpatient's home, by a hospital or by others under arrangements with them made by such hospital if such therapy is under the supervision of such hospital; and".

(b) The amendment made by subsection (a) shall apply to services furnished after December 31, 1967.

PAYMENT FOR CERTAIN PORTABLE X-RAY SERVICES

SEC. 134. (a) Section 1861 (s) (3) of the Social Security Act is amended by striking out "diagnostic X-ray tests," and inserting in lieu thereof the following: "diagnostic X-ray tests (including tests under the supervision of a physician, furnished in a place of residence used as the patient's home, if the performance of such tests meets such conditions relating to health and safety as the Secretary may find necessary),".

(b) The amendment made by subsection (a) shall apply with respect to services furnished after December 31, 1967.

BLOOD DEDUCTIBLES

SEC. 135. (a) (1) Section 1813 (a) (2) of the Social Security Act (as redesignated by section 129 (c) (3) of this Act) is amended to read as follows:

"(2) The amount payable to any provider of services under this part for services furnished an individual during any spell of illness shall be further reduced by a deduction equal to the cost of the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to him as part of such services during such spell of illness."

(b) Section 1866 (a) (2) (C) of such Act (as amended by section 129 (c) (12) (B) of this Act) is amended—

(1) by striking out "may also charge" and inserting in lieu thereof "may in accordance with its customary practice also appropriately charge";

(2) by inserting after "whole blood" the following: "(or equivalent quantities of packed red blood cells, as defined under regulations)";

(3) by inserting after "blood" where it appears in clauses (i), (ii), and (iii) the following: "(or equivalent quantities of packed red blood cells, as so defined)"; and

(4) by adding at the end thereof the following new

sentence: "For purposes of clause (iii) of the preceding sentence, whole blood (or equivalent quantities of packed red blood cells, as so defined) furnished an individual shall be deemed replaced when the provider of services is given one pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is imposed under section 1813 (a) (2)."

(c) Section 1833 (b) of such Act (as amended by sections 129 (c) (7) and 131 (b) of this Act) is amended by adding at the end thereof the following new sentence: '"The total amount of the expenses incurred by an individual as determined under the preceding sentence shall, after the reduction specified in such sentence, be further reduced by an amount equal to the expenses incurred for the first three pints of whole blood (or equivalent quantities of packed red blood cells, as defined under regulations) furnished to the individual during the calendar year, except that such deductible for such blood shall in accordance with regulations be appropriately reduced to the extent that there has been a replacement of such blood (or equivalent quantities of packed red blood cells, as so defined); and for such purposes blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual shall be

deemed replaced when the institution or other person furnishing such blood (or such equivalent quantities of packed red blood cells, as so defined) is given one pint of blood in addition to the number of pints of blood (or equivalent quantities of packed red blood cells, as so defined) furnished such individual with respect to which a deduction is made under this sentence."

(d) The amendments made by this section shall apply with respect to payment for blood (or packed red blood cells) furnished an individual after December 31, 1967.

ENROLLMENT UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM BASED ON ALLEGED DATE OF ATTAINING AGE 65

SEC. 136. (a) Section 1837(d) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Where the Secretary finds that an individual who has attained age 65 failed to enroll under this part during his initial enrollment period (based on a determination by the Secretary of the month in which such individual attained age 65), because such individual (relying on documentary evidence) was mistaken as to his correct date of birth, the Secretary shall establish for such individual an initial enrollment period based on his attaining age 65 at the time shown in such documentary evidence (with a coverage

period determined under section 1838 as though he had attained such age at that time)."

(b) The amendment made by subsection (a) shall apply to individuals enrolling under part B of title XVIII in months beginning after the date of the enactment of this Act.

EXTENSION OF MAXIMUM DURATION OF BENEFITS FOR INPATIENT HOSPITAL SERVICES TO 120 DAYS

SEC. 137. (a) (1) Section 1812 (a) (1) of the Social Security Act is amended by striking out "up to 90 days" and inserting in lieu thereof "up to 120 days".

(2) Section 1812 (b) (1) of such Act is amended by striking out "for 90 days" and inserting in lieu thereof "for 120 days".

(b) The second sentence of section 1813 (a) (1) of such Act is amended to read as follows: "Such amount shall be further reduced by a coinsurance amount equal to—

"(A) one-fourth of the inpatient hospital deductible for each day (before the 91st day) on which such individual is furnished such services during such spell of illness after such services have been furnished to him for 60 days during such spell; and

"(B) one-half of the inpatient hospital deductible for each day (before the 121st day) on which such individual is furnished such services during such spell of

illness after such services have been furnished to him for 90 days during such spell;

except that the reduction under this sentence for any day shall not exceed the charges imposed for that day with respect to such individual for such services (except that, if the customary charges for such services are greater than the charges so imposed, such customary charges shall be considered to be the charges so imposed)."

(c) The amendments made by subsections (a) and (b) shall apply with respect to services furnished after December 31, 1967.

LIMITATION ON SPECIAL REDUCTION IN ALLOWABLE DAYS OF INPATIENT HOSPITAL SERVICES

SEC. 138. (a) Section 1812(c) of the Social Security Act is amended by striking out "in the 90-day period immediately before such first day shall be included in determining the 90-day limit under subsection (b)(1) (but not in determining the 190-day limit under subsection (b)(3))" and inserting in lieu thereof "in the 120-day period immediately before such first day shall be included in determining the 120-day limit under subsection (b)(1), insofar as such limit applies to (1) inpatient psychiatric hospital services and inpatient tuberculosis hospital services, or

(2) inpatient hospital services for an individual who is an inpatient primarily for the diagnosis or treatment of mental illness or tuberculosis (but shall not be included in determining such 120-day limit insofar as it applies to other inpatient hospital services or in determining the 190-day limit under subsection (b) (3))".

(b) The amendment made by subsection (a) shall apply with respect to payment for services furnished after December 31, 1967.

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

SEC. 139. Section 103 (a) (2) of the Social Security Amendments of 1965 is amended by striking out "1965" in clause (B) and inserting in lieu thereof "1966".

ADVISORY COUNCIL TO STUDY COVERAGE OF THE DISABLED UNDER TITLE XVIII OF THE SOCIAL SECURITY ACT

SEC. 140. (a) The Secretary of Health, Education, and Welfare shall appoint an Advisory Council to study the need for coverage of the disabled under the health insurance program of title XVIII of the Social Security Act.

(b) The Council shall be appointed by the Secretary during 1968 without regard to the provisions of title 5, United States Code, governing appointments in the competitive service and shall consist of 12 persons who shall, to

the extent possible, represent organizations of employers and employees in equal numbers, and represent self-employed persons and the public.

(c) The Council is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall, in addition, make available to such Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

(d) Members of the Council, while serving on the business of the Council (inclusive of travel time), shall receive compensation at rates fixed by the Secretary, but not exceeding $100 per day and, while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government employed intermittently.

(e) The Council shall make findings on the unmet need of the disabled for health insurance, on the costs involved in providing the disabled with insurance protection to cover the cost of hospital and medical services, and on the ways of financing this insurance. The Council shall submit a report of its findings to the Secretary not later than January 1, 1969, together with recommendations on how such protec-

tion should be financed and, if such financing is to be accomplished through the trust funds established under title XVIII of the Social Security Act, on the extent to which each of such trust funds should bear the cost of such financing. Such report shall thereupon be transmitted to the Congress and to the Boards of Trustees created by sections 1817 (b) and 1841 (b) of the Social Security Act. After the date of transmittal to the Congress of the report, the Council shall cease to exist.

STUDY TO DETERMINE FEASIBILITY OF INCLUSION OF CERTAIN ADDITIONAL SERVICES UNDER PART B OF TITLE XVIII OF THE SOCIAL SECURITY ACT

SEC. 141. The Secretary shall make a study relating to the inclusion under the supplementary medical insurance program (part B of title XVIII of the Social Security Act) of services of additional types of licensed practitioners performing health services in independent practice. The Secretary shall make a report to the Congress prior to January 1, 1969, of his finding with respect to the need for covering, under the supplementary medical insurance program, any of the various types of services such practitioners perform and the costs to such program of covering such additional services, and shall make recommendations as to the priority and method for covering these services and the measures that should be adopted to protect the health and

safety of the individuals to whom such services would be furnished.

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

ELIGIBILITY OF ADOPTED CHILD FOR MONTHLY BENEFITS

SEC. 150. (a) The second sentence of section 216(e) of the Social Security Act is amended by striking out "before the end of two years after the day on which such individual died or the date of enactment of this Act" and inserting in lieu thereof "only if (A) proceedings for the adoption of the child had been instituted by such individual before his death, or (B) such child was adopted by such individual's surviving spouse before the end of two years after (i) the day on which such individual died or (ii) the date of enactment of the Social Security Amendments of 1958".

(b) The amendment made by subsection (a) shall apply with respect to monthly benefits payable under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of an application filed in or after the month in which this Act is enacted.

CRITERIA FOR DETERMINING CHILD'S DEPENDENCY ON MOTHER

SEC. 151. (a) Section 202(d)(3) of the Social Security Act is amended—

(1) by inserting "or his mother or adopting mother" after "his father or adopting father" in the first sentence; and

(2) by striking out ", if such individual is the child's father," in the second sentence.

(b) Section 202 (d) (4) of such Act is amended by inserting "or stepmother" after "stepfather" each place it appears.

(c) Section 202 (d) of such Act is further amended by striking out paragraph (5), and by redesignating paragraphs (6) through (10) as paragraphs (5) through (9), respectively.

(d) (1) The paragraph of section 202 (d) of such Act redesignated as paragraph (9) by subsection (c) of this section is amended by striking out "under paragraph (9)" and inserting in lieu thereof "under paragraph (8)".

(2) Paragraphs (2) and (3) of section 202 (s) of such Act are each amended by striking out "(d) (6)," and inserting in lieu thereof "(d) (5),".

(3) Section (5) (l) (1) of the Railroad Retirement Act of 1937 is amended—

(A) by striking out "(3), (4), or (5)" in the third sentence and inserting in lieu thereof "(3) or (4)"; and

(B) by striking out "paragraph (8)" in the ninth sentence and inserting in lieu thereof "paragraph (7)".

(e) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act (and annuities accruing under the Railroad Retirement Act of 1937) for and after the second month following the month in which this Act is enacted, but only on the basis of applications filed in or after the month in which this Act is enacted.

UNDERPAYMENTS

SEC. 152. (a) Section 204(d) of the Social Security Act is amended to read as follows:

"(d) Notwithstanding the provisions of subsection (a), if an individual dies before any payment due him under this title is completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit on the basis of the same wages and self-employment income as was the deceased individual;

"(2) if there is no person who meets the requirements of paragraph (1), or if the person who meets such requirements dies before the payment due him

under this title is completed, to the child or children, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such child, in equal parts to each such child);

"(3) if there is no person who meets the requirements of paragraph (1) or (2), or if each person who meets such requirements dies before the payment due him under this title is completed, to the parent or parents, if any, of the deceased individual who were, for the month in which the deceased individual died, entitled to monthly benefits on the basis of the same wages and self-employment income as was the deceased individual (and, in case there is more than one such parent, in equal parts to each such parent);

"(4) if there is no person who meets the requirements of paragraph (1), (2), or (3), or if each person who meets such requirements dies before the payment due him under this title is completed, to the legal representative of the estate of the deceased individual;

"(5) if there is no person who meets the requirements of paragraph (1) (2), (3), or (4), or if each person who meets such requirements dies before the pay-

ment due him under this title is completed, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual; or

"(6) if there is no person who meets the requirements of paragraph (1), (2), (3), (4), or (5), or if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of the deceased individual (and, in case there is more than one such child, in equal parts to each such child)."

(b) The heading of section 1870 of such Act is amended by adding at the end thereof "AND SETTLEMENT OF CLAIMS FOR BENEFITS ON BEHALF OF DECEASED INDIVIDUALS".

(c) Section 1870 of such Act is amended by adding after subsection (d) the following new subsections:

"(e) If an individual who received medical and other health services for which payment may be made under section 1832(a)(1) dies, and payment for such services was made (other than under this title) and the individual died before any payment due with respect to such services was completed, payment of the amount due (including the amount of any unnegotiated checks) shall be made—

"(1) if the payment for such services was made by a person other than the deceased individual, to the

person or persons determined by the Secretary under regulations to have paid for such services; or

"(2) if the payment for such services was made by the deceased individual before his death, or if there is no person to whom payment can be made under paragraph (1) (or each such person dies before such payment is completed)—

"(A) to the legal representative of the estate of such deceased individual, if any;

"(B) if there is no legal representative, to the person, if any, determined by the Secretary to be the surviving spouse of the deceased individual and to have been living in the same household with the deceased at the time of his death;

"(C) if there is no person who meets the requirements of subparagraph (A) or (B), or if each person who meets such requirements dies before the payment due him under this title is completed, to the surviving spouse of the deceased individual who was, for the month in which the deceased individual died, entitled to a monthly benefit under title II on the basis of the same wages and self-employment income as was the deceased individual; or

"(D) if there is no person who meets the requirements of subparagraph (A), (B) or (C), or

if each person who meets such requirements dies before the payment due him under this title is completed, to the person or persons, if any, determined by the Secretary to be the child or children of such deceased individual (and in case there is more than one such child, in equal parts to each such child).

"(f) If an individual who received medical and other health services for which payment may be made under section 1832(a)(1) dies, and—

"(1) no assignment of the right to payments was made by such individual before his death, and

"(2) payment for such services has not been made, payment for such services shall be made to the physician or other person who provided such services, but payment shall be made under this subsection only in such amount and subject to such conditions as would have been applicable if the individual who received the services had not died, and only if the person or persons who provided the services agrees that the reasonable charge is the full charge for the services."

(d) Section 1842(b)(3)(B) of such Act (as amended by section 128(a) of this Act) is amended by striking out "and such payment will be made" and inserting in lieu thereof "and such payment will (except as otherwise provided in section 1870(f)) be made".

SIMPLIFICATION OF COMPUTATION OF PRIMARY INSURANCE AMOUNT AND QUARTERS OF COVERAGE IN CASE OF 1937–1950 WAGES

SEC. 153. (a) (1) Section 215(d) (1) of the Social Security Act is amended to read as follows:

"Primary Insurance Benefit Under 1939 Act

"(d) (1) For purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as follows:

"(A) The individual's average monthly wage shall be determined as provided in subsection (b) (but without regard to paragraph (4) thereof) of this section, except that for purposes of paragraph (2) (C) and (3) of such subsection, 1936 shall be used instead of 1950.

"(B) For purposes of subparagraphs (B) and (C) of subsection (b) (2), an individual whose total wages prior to 1951 (as defined in subparagraph (C) of this subsection)—

"(i) do not exceed $27,000 shall be deemed to have been paid such wages in equal parts in nine calendar years after 1936 and prior to 1951;

"(ii) exceed $27,000 and are less than $42,000 shall be deemed to have been paid (I) $3,000 in each of such number of calendar years after 1936 and prior to 1951 as is equal to the

integer derived by dividing such total wages by $3,000, and (II) the excess of such total wages over the product of $3,000 times such integer, in an additional calendar year in such period; or

"(iii) are at least $42,000 shall be deemed to have been paid $3,000 in each of the fourteen calendar years after 1936 and prior to 1951.

"(C) For the purposes of subparagraph (B), 'total wages prior to 1951' with respect to an individual means the sum of (i) remuneration credited to such individual prior to 1951 on the records of the Secretary, (ii) wages deemed paid prior to 1951 to such individual under section 217, and (iii) compensation under the Railroad Retirement Act of 1937 prior to 1951 creditable to him pursuant to this title.

"(D) The individual's primary insurance benefit shall be 45.6 per centum of the first $50 of his average monthly wage as computed under this subsection, plus 11.4 per centum of the next $200 of such average monthly wage."

(2) Section 215(d)(2) of such Act is amended to read as follows:

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

"(A) with respect to whom at least one of the quarters elapsing prior to 1951 is a quarter of coverage;

"(B) except as provided in paragraph (3), who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951; and

"(C) (i) who becomes entitled to benefits under section 202 (a) or 223 after the date of the enactment of the Social Security Amendments of 1967, or

"(ii) who dies after such date without being entitled to benefits under section 202 (a) or 223, or

"(iii) whose primary insurance amount is required to be recomputed under section 215 (f) (2)."

(3) Section 215 (d) (3) of such Act is amended to read as follows:

"(3) The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of 1967 shall be applicable in the case of an individual—

"(A) who attained age 21 after 1936 and prior to 1951, or

"(B) who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this

section (as amended by the Social Security Amendments of 1967) and section 220.".

(4) So much of section 215(f)(2) of such Act as precedes subparagraph (E) is amended to read as follows:

"(2) If an individual has wages or self-employment income for a year after 1965 for any part of which he is entitled to old-age insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulations prescribe, recompute such individual's primary insurance amount with respect to each such year. Such recomputation shall be made as provided in subsection (a)(1) and (3) as though the year with respect to which such recomputation is made is the last year of the period specified in subsection (b)(2)(C). A recomputation under this paragraph with respect to any year shall be effective—"

(5) Subparagraphs (E) and (F) of such section 215(f)(2) are redesignated as subparagraphs (A) and (B), respectively.

(6) Section 215(f) of such Act is further amended by adding at the end thereof the following new paragraph:

"(5) In the case of a man who became entitled to old-age insurance benefits and died before the month in which he attained age 65, the Secretary shall recompute his primary insurance amount as provided in subsection (a) as though he became entitled to old-age insurance benefits

in the month in which he died; except that (i) his computation base years referred to in subsection (b) (2) shall include the year in which he died, and (ii) his elapsed years referred to in subsection (b) (3) shall not include the year in which he died or any year thereafter. Such recomputation of such primary insurance amount shall be effective for and after the month in which he died."

(7) (A) The amendments made by paragraphs (4) and (5) shall apply with respect to recomputations made under section 215 (f) (2) of the Social Security Act after the date of the enactment of this Act.

(B) The amendment made by paragraph (6) shall apply with respect to individuals who die after the date of enactment of this Act.

(8) In any case in which—

(A) any person became entitled to a monthly benefit under section 202 or 223 of the Social Security Act after the date of enactment of this Act and before the second month following the month in which this Act is enacted, and

(B) the primary insurance amount on which the amount of such benefit is based was determined by applying section 215 (d) of the Social Security Act as amended by this Act,

such primary insurance amount shall, for purposes of section

215(c) of the Social Security Act, as amended by this Act, be deemed to have been computed on the basis of the Social Security Act in effect prior to the enactment of this Act.

(9) The amendment made by paragraphs (1) and (2) shall not apply with respect to monthly benefits for any month prior to January 1967.

(b)(1) Section 213 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Alternative Method for Determining Quarters of Coverage With Respect to Wages in the Period from 1937 to 1950

"(c) For purposes of section 214(a), an individual shall be deemed to have one quarter of coverage for each $400 of his total wages prior to 1951 (as defined in section 215(d)(1)(C)), except where—

"(1) such individual is not a fully insured individual on the basis of the number of quarters of coverage so derived plus the number of quarters of coverage derived from the wages and self-employment income credited to him for periods after 1950, or

"(2) such individual's elapsed years (for purposes of section 214(a)(1)) are less than 7."

(2) The amendment made by paragraph (1) shall

apply only in the case of an individual who applies for benefits under section 202 (a) of the Social Security Act after the date of the enactment of this Act, or who dies after such date without being entitled to benefits under section 202 (a) or 223 of the Social Security Act.

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

(1) by striking out "section 302 of" and by striking out "Amendments of 1965" and inserting in lieu thereof "Amendments of 1965 and 1967" in the first sentence; and

(2) by striking out "after 1965, or dies after 1965" and inserting in lieu thereof "after the date of the enactment of the Social Security Amendments of 1967, or dies after such date", and by striking out "Amendments of 1965" and inserting in lieu thereof "Amendments of 1967", in the second sentence.

DEFINITIONS OF WIDOW, WIDOWER, AND STEPCHILD

SEC. 154. (a) Section 216 (c) of the Social Security Act is amended by striking out "not less than one year" in clause (5) and inserting in lieu thereof "not less than nine months".

(b) The first sentence of section 216 (e) of such Act is amended by striking out "the day on which such indi-

vidual died" and inserting in lieu thereof "not less than nine months immediately preceding the day on which such individual died".

(c) Section 216 (g) of such Act is amended by striking out "not less than one year" in clause (5) and inserting in lieu thereof "not less than nine months".

(d) Section 216 of such Act is further amended by adding at the end thereof the following new subsection:

"Waiver of Nine-Month Requirement for Widow, Stepchild, or Widower in Case of Accidental Death or in Case of Serviceman Dying in Line of Duty

"(k) The requirement in clause (5) of subsection (c) or clause (5) of subsection (g) that the surviving spouse of an individual have been married to such individual for a period of not less than nine months immediately prior to the day on which such individual died in order to qualify as such individual's widow or widower, and the requirement in subsection (e) that the stepchild of a deceased individual have been such stepchild for not less than nine months immediately preceding the day on which such individual died in order to qualify as such individual's child, shall be deemed to be satisfied, where such individual dies within the applicable nine-month period, if his death—

"(1) is accidental, or

"(2) occurs in line of duty while he is a member of a uniformed service serving on active duty (as defined in section 210(l)(2)),

and he would satisfy such requirement if a three-month period were substituted for the nine-month period; except that this subsection shall not apply if the Secretary determines that at the time of the marriage involved the individual could not have reasonably been expected to live for nine months. For purposes of paragraph (1) of the preceding sentence, the death of an individual is accidental if he receives bodily injuries solely through violent, external, and accidental means and, as a direct result of the bodily injuries and independently of all other causes, loses his life not later than three months after the day on which he receives such bodily injuries."

(e) The amendments made by this section shall apply with respect to monthly benefits under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications filed in or after the month in which this Act is enacted.

HUSBAND'S AND WIDOWER'S INSURANCE BENEFITS WITHOUT REQUIREMENT OF WIFE'S CURRENTLY INSURED STATUS

SEC. 155. (a) (1) Section 202 (c) (1) of the Social Security Act is amended by striking out "a currently insured individual (as defined in section 214 (b))" in the matter preceding subparagraph (A) and inserting in lieu thereof "an individual".

(2) Section 202 (c) (2) of such Act is amended by striking out "The requirement in paragraph (1) that the individual entitled to old-age or disability insurance benefits be a currently insured individual, and the provisions of subparagraph (C) of such paragraph," and inserting in lieu thereof "The provisions of subparagraph (C) of paragraph (1)".

(b) (1) Section 202 (f) (1) of such Act is amended—

(A) by striking out "and currently" in the matter preceding subparagraph (A), and

(B) by striking out ", and she was a currently insured individual," in subparagraph (D) (ii).

(2) Section 202 (f) (2) of such Act is amended by striking out "The requirement in paragraph (1) that the

deceased fully insured individual also be a currently insured individual, and the provisions of subparagraph (D) of such paragraph," and inserting in lieu thereof "The provisions of subparagraph (D) of paragraph (1)".

(c) In the case of any husband who would not be entitled to husband's insurance benefits under section 202 (c) of the Social Security Act or any widower who would not be entitled to widower's insurance benefits under section 202 (f) of such Act except for the enactment of this section, the requirement in section 202 (c) (1) (C) or 202 (f) (1) (D) of such Act relating to the time within which proof of support must be filed shall not apply if such proof of support is filed within two years after the month following the month in which this Act is enacted.

(d) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for and after the second month following the month in which this Act is enacted, but only on the basis of applications filed in or after the month in which this Act is enacted.

DEFINITION OF DISABILITY

SEC. 156. (a) Section 223 (c) of the Social Security Act is amended—

(1) by inserting "of Insured Status and Waiting Period" after "Definitions" in the heading;

(2) by striking out paragraph (2); and

(3) by redesignating paragraph (3) as paragraph (2).

(b) Section 223 of such Act is further amended by adding at the end thereof the following new subsection:

"Definition of Disability

"(d) (1) The term 'disability' means—

"(A) inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months; or

"(B) in the case of an individual who has attained the age of 55 and is blind (within the meaning of 'blindness' as defined in section 216(i) (1)), inability by reason of such blindness to engage in substantial gainful activity requiring skills or abilities comparable to those of any gainful activity in which he has previously engaged with some regularity and over a substantial period of time.

"(2) For purposes of paragraph (1) (A)—

"(A) an individual (except a widow, surviving divorced wife, or widower for purposes of section 202 (e) or (f)) shall be determined to be under a disability

only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the general area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work.

"(B) A widow, surviving divorced wife, or widower shall not be determined to be under a disability (for purposes of section 202 (e) or (f)) unless his or her physical or mental impairment or impairments are of a level of severity which under regulations prescribed by the Secretary is deemed to be sufficient to preclude an individual from engaging in any gainful activity.

"(3) For purposes of this subsection, a 'physical or mental impairment' is an impairment that results from anatomical, physiological, or psychological abnormalities which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques.

"(4) The Secretary shall by regulations prescribe the criteria for determining when services performed or earnings derived from services demonstrate an individual's ability to

engage in substantial gainful activity. Notwithstanding the provisions of paragraph (2), an individual whose services or earnings meet such criteria shall, except for purposes of section 222 (c), be found not to be disabled.

"(5) An individual shall not be considered to be under a disability unless he furnishes such medical and other evidence of the existence thereof as the Secretary may require."

(c) (1) Section 202 (d) (1) (B) of such Act is amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(2) Paragraphs (1), (2), and (3) of section 202 (s) of such Act are each amended by striking out "section 223 (c)" and inserting in lieu thereof "section 223 (d)".

(3) Section 221 (a) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(4) Section 221 (c) of such Act is amended by striking out "or 223 (c)" and inserting in lieu thereof "or 223 (d)".

(5) Section 222 (c) (4) (B) of such Act is amended by striking out "section 223 (c) (2)" and inserting in lieu thereof "section 223 (d)".

(6) Section 223 (a) (1) (D) of such Act is amended by striking out "subsection (c) (2)" and inserting in lieu thereof "subsection (d)".

(7) The first sentence of section 223 (a) (1) of such

Act is further amended by striking out "subsection (c) (3)" and inserting in lieu thereof "subsection (c) (2)".

(8) The last sentence of section 223 (a) (1) is amended by striking out "subsection (c) (2) except for subparagraph (B) thereof" and inserting in lieu thereof "subsection (d) except for paragraph (1) (B) thereof".

(9) Section 225 of such Act is amended by striking out "section 223 (c) (2)" and inserting in lieu thereof "section 223 (d)".

(d) Section 216 (i) (1) of such Act is amended by striking out the third sentence and inserting in lieu thereof the following: "The provisions of paragraphs (2) (A), (3), (4), and (5) of section 223 (d) shall be applied for purposes of determining whether an individual is under a disability within the meaning of the first sentence of this paragraph in the same manner as they are applied for purposes of paragraph (1) of such section."

(e) The amendments made by this section shall be effective with respect to applications for disability insurance benefits under section 223 of the Social Security Act, and for disability determinations under section 216 (i) of such Act, filed—

(1) in or after the month in which this Act is enacted, or

(2) before the month in which this Act is enacted if the applicant has not died before such month and if—

(A) notice of the final decision of the Secretary of Health, Education, and Welfare has not been given to the applicant before such month; or

(B) the notice referred to in subparagraph (A) has been so given before such month but a civil action with respect to such final decision is commenced under section 205 (g) of the Social Security Act (whether before, in, or after such month) and the decision in such civil action has not become final before such month.

DISABILITY BENEFITS AFFECTED BY RECEIPT OF WORKMEN'S COMPENSATION

SEC. 157. (a) (1) The last sentence of section 224 (a) of the Social Security Act is amended by inserting after "his wages and self-employment income" where it first appears in clause (B) the following: "(computed without regard to the limitations specified in sections 209 (a) and 211 (b) (1))".

(2) Section 224 (a) of such Act is further amended by adding at the end thereof the following: "In any case where an individual's wages and self-employment income reported to the Secretary for a calendar year reach the limitations

specified in sections 209 (a) and 211 (b) (1), the Secretary under regulations shall estimate the total of such wages and self-employment income for purposes of clause (B) of the preceding sentence on the basis of such information as may be available to him indicating the extent (if any) by which such wages and self-employment income exceed such limitations."

(b) (1) The amendments made by subsection (a) shall apply only with respect to monthly benefits under title II of the Social Security Act for months after the month in which this Act is enacted.

(2) For purposes of any redetermination which is made under section 224 (f) of the Social Security Act in the case of benefits subject to reduction under section 224 of such Act, where such reduction as first computed was effective with respect to benefits for the month in which this Act is enacted or a prior month, the amendments made by subsection (a) of this section shall also be deemed to have applied in the initial determination of the "average current earnings" of the individual whose wages and self-employment income are involved.

EXTENSION OF TIME FOR FILING REPORTS OF EARNINGS

SEC. 158. (a) Section 203 (h) (1) (A) of the Social Security Act is amended by adding at the end thereof the following new sentence: "The Secretary may grant a reason-

able extension of time for making the report of earnings required in this paragraph if he finds that there is valid reason for a delay, but in no case may the period be extended more than three months."

(b) Section 203 (h) (2) of such Act is amended by striking out "within the time prescribed therein" and inserting in lieu thereof "within the time prescribed by or in accordance with such paragraph".

PENALTIES FOR FAILURE TO FILE TIMELY REPORTS OF EARNINGS AND OTHER EVENTS

SEC. 159. (a) Section 203 (h) (2) (A) of the Social Security Act is amended by inserting before the semicolon at the end thereof the following: ", except that if the deduction imposed under subsection (b) by reason of his earnings for such year is less than the amount of his benefit (or benefits) for the last month of such year for which he was entitled to a benefit under section 202, the additional deduction shall be equal to the amount of the deduction imposed under subsection (b) but not less than $10".

(b) Section 203 (g) of such Act is amended by striking out all that follows "shall suffer" and inserting in lieu thereof the following: "deductions in addition to those imposed under subsection (c) as follows:

"(1) if such failure is the first one with respect to which an additional deduction is imposed by this sub-

section, such additional deduction shall be equal to his benefit or benefits for the first month of the period for which there is a failure to report even though such failure is with respect to more than one month;

"(2) if such failure is the second one with respect to which an additional deduction is imposed by this subsection, such additional deduction shall be equal to two times his benefit or benefits for the first month of the period for which there is a failure to report even though such failure is with respect to more than two months; and

"(3) if such failure is the third or a subsequent one for which an additional deduction is imposed under this subsection, such additional deduction shall be equal to three times his benefit or benefits for the first month of the period for which there is a failure to report even though the failure to report is with respect to more than three months;

except that the number of additional deductions required by this subsection shall not exceed the number of months in the period for which there is a failure to report. As used in this subsection, the term 'period for which there is a failure to report' with respect to any individual means the period for which such individual received and accepted insurance benefits under section 202 without mak-

ing a timely report and for which deductions are required under subsection (c)."

(c) The amendments made by this section shall apply with respect to any deductions imposed on or after the date of the enactment of this Act under subsections (g) and (h) of section 203 of the Social Security Act on account of failure to make a report required thereby.

LIMITATION ON PAYMENT OF BENEFITS TO ALIENS OUTSIDE THE UNITED STATES

SEC. 160. (a) (1) Section 202 (t) (1) of the Social Security Act is amended by adding at the end thereof (after and below subparagraph (B)) the following new sentence: "For purposes of the preceding sentence, after an individual has been outside the United States for any period of thirty consecutive days he shall be treated as remaining outside the United States until he has been in the United States for a period of thirty consecutive days."

(2) The amendment made by paragraph (1) shall apply only with respect to six-month periods (within the meaning of section 202 (t) (1) (A) of the Social Security Act) which begin after the date of the enactment of this Act.

(b) (1) Section 202 (t) (4) of such Act is amended—

(A) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof a semicolon; and

(B) by adding at the end thereof (after and below subparagraph (E)) the following:

"except that subparagraphs (A) and (B) of this paragraph shall not apply in the case of any individual who is a citizen of a foreign country that has in effect a social insurance or pension system which is of general application in such country and which satisfies subparagraph (A) but not subparagraph (B) of paragraph (2), or who is a citizen of a foreign country that has no social insurance or pension system of general application if at any time within five years prior to the month in which the Social Security Amendments of 1967 are enacted (or the first month thereafter for which his benefits are subject to suspension under paragraph (1)) payments to individuals residing in such country were withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123)."

(2) The amendment made by paragraph (1) shall apply only with respect to monthly benefits under title II of the Social Security Act for and after the sixth month following the month in which this Act is enacted.

(c) (1) Section 202 (t) of such Act is further amended by adding at the end thereof the following new paragraph:

"(10) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section or under section 223, for any month beginning on or after the

date on which this paragraph is enacted, to an individual who is not a citizen or national of the United States and who resides during such month in a foreign country if payments for such month to individuals residing in such country are withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123)."

(2) Section 202(t)(6) of such Act is amended by striking out "by reason of paragraph (1)" and inserting in lieu thereof "by reason of paragraph (1) or (10)".

(3) Whenever benefits which an individual who is not a citizen or national of the United States was entitled to receive under title II of the Social Security Act for months beginning prior to the date of the enactment of this Act have been withheld by the Treasury Department under the first section of the Act of October 9, 1940 (31 U.S.C. 123), any such benefits, payable to such individual for months after the month in which the determination by the Treasury Department that the benefits should be so withheld was made, shall not be paid—

(A) to any person other than such individual, or, if such individual dies before such benefits can be paid, to any person other than an individual who was entitled for the month in which the deceased individual died (with the application of section 202(j)(1) of the

Social Security Act) to a monthly benefit under title II of such Act on the basis of the same wages and self-employment income as such deceased individual, or

(B) in excess of the equivalent of the last twelve months' benefits that would have been payable to such individual.

RESIDUAL PAYMENTS TO CERTAIN CHILDREN

SEC. 161. (a) The last sentence of section 203 (a) of the Social Security Act is amended to read as follows: "Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased; except that if such total of benefits for such month includes any benefit or benefits under section 202 (d) which are payable solely by reason of section 216 (h) (3), the reduction shall be first applied to reduce (proportionately where there is more than one benefit so payable) the benefits so payable (but not below zero)."

(b) The amendment made by subsection (a) of this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for and after the second month after the month in which this Act is enacted.

TRANSFER TO HEALTH INSURANCE BENEFITS ADVISORY COUNCIL OF NATIONAL MEDICAL REVIEW COMMITTEE FUNCTIONS; INCREASE IN COUNCIL'S MEMBERSHIP

SEC. 162. (a) Section 1867 of the Social Security Act is amended to read as follows:

"HEALTH INSURANCE BENEFITS ADVISORY COUNCIL

"SEC. 1867. (a) There is hereby created a Health Insurance Benefits Advisory Council which shall consist of 19 persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include persons who are outstanding in fields related to hospital, medical, and other health activities, persons who are representative of organizations and associations of professional personnel in the field of medicine, and at least one person who is representative of the general public. Each member shall hold office for a term of 4 years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term. A member shall not be eligible to serve continuously for more than 2 terms. The Secretary may, at the request of the Ad-

visory Council or otherwise, appoint such special advisory professional or technical committees as may be useful in carrying out this title. Members of the Advisory Council and members of any such advisory or technical committee, while attending meetings or conferences thereof or otherwise serving on business of the Advisory Council or of such committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of 5 or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council.

"(b) It shall be the function of the Advisory Council (1) to advise the Secretary on matters of general policy in the administration of this title and in the formulation of regulations under this title, and (2) to study the utilization of hospital and other medical care and services for which payment may be made under this title with a view to recommending any changes which may seem desirable in the way in which such care and services are utilized or in the ad-

ministration of the programs established by this title, or in the provisions of this title. The Advisory Council shall make an annual report to the Secretary on the performance of its functions, including any recommendations it may have with respect thereto, and such report shall be transmitted promptly by the Secretary to the Congress.

"(c) The Advisory Council is authorized to engage such technical assistance as may be required to carry out its functions, and the Secretary shall, in addition, make available to the Advisory Council such secretarial, clerical, and other assistance and such pertinent data obtained and prepared by the Department of Health, Education, and Welfare as the Advisory Council may require to carry out its functions."

(b) The amendment made by subsection (a) shall not be construed as affecting the terms of office of the members of the Health Insurance Benefits Advisory Council in office on the date of the enactment of this Act or their successors. The terms of office of the three additional members of the Health Insurance Benefits Advisory Council first appointed pursuant to the increase in the membership of such Council provided by such amendment shall expire, as designated by the Secretary at the time of appointment, one at the end of the first year, one at the end of the second year, and one at the end of the third year after the date of appointment.

(c) Section 1868 of the Social Security Act is repealed.

ADVISORY COUNCIL ON SOCIAL SECURITY

SEC. 163. (a) (1) Section 706 (a) of the Social Security Act is amended by striking out "During 1968 and every fifth year thereafter" and inserting in lieu thereof "During February 1969 and during February of every fourth year thereafter".

(2) The first sentence of section 706 (d) of such Act is amended by striking out "second".

(b) Section 706 (b) of such Act is amended by striking out "shall consist of the Commissioner of Social Security, as Chairman, and 12 other persons, appointed by the Secretary" and inserting in lieu thereof "shall consist of a Chairman and 12 other persons, appointed by the Secretary".

REIMBURSEMENT OF CIVIL SERVICE RETIREMENT ANNUITANTS FOR CERTAIN PREMIUM PAYMENTS UNDER SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 164. Section 1840 (e) (1) of the Social Security Act is amended by adding at the end thereof the following new sentence: "A plan described in section 8903 of title 5, United States Code, may reimburse each annuitant enrolled in such plan an amount equal to the premiums paid by him under this part if such reimbursement is paid entirely from funds of such plan which are derived from sources other than the contributions described in section 8906 of such title."

APPROPRIATIONS TO SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

SEC. 165. (a) Section 1844 (a) of the Social Security Act is amended to read as follows:

"(a) There are authorized to be appropriated from time to time, out of any moneys in the Treasury not otherwise appropriated, to the Federal Supplementary Medical Insurance Trust Fund—

"(1) a Government contribution equal to the aggregate premiums payable under this part and deposited in the Trust Fund, and

"(2) such sums as the Secretary deems necessary to place the Trust Fund, at the end of any fiscal year occurring after June 30, 1967, in the same position in which it would have been at the end of such fiscal year if (A) a Government contribution representing the excess of the premiums deposited in the Trust Fund during the fiscal year ending June 30, 1967, over the Government contribution actually appropriated to the Trust Fund during such fiscal year had been appropriated to it on June 30, 1967, and (B) the Government contribution for premiums deposited in the Trust Fund after June 30, 1967, had been appropriated to it when such premiums were deposited."

(b) Section 1844 (b) of such Act is amended by striking out "1967" and inserting in lieu thereof "1969".

DISCLOSURE TO COURTS OF WHEREABOUTS OF CERTAIN INDIVIDUALS

SEC. 166. (a) Section 1106 (c) (1) of the Social Security Act is amended by inserting "(A)" after "(c) (1)", by redesignating subparagraphs (A) through (D) as clauses (i) through (iv), respectively, and by adding at the end thereof the following new subparagraph:

"(B) If a request for the most recent address of any individual so included is filed (in accordance with paragraph (2) of this subsection) by a court having jurisdiction to issue orders against individuals for the support and maintenance of their children, the Secretary shall furnish such address, or the address of the individual's most recent employer, or both, for the court's own use in issuing or determining whether to issue such an order against such individual (and for no other purpose), if the court certifies that the information is requested for such use."

(b) (1) Section 1106 (c) (2) of such Act is amended by striking out ", and shall be accompanied" and all that follows and inserting in lieu thereof "(and, in the case of a request under paragraph (1) (A), shall be accompanied by

a certified copy of the order referred to in clauses (i) and (iv) thereof)."

(2) Section 1106(c)(3) of such Act is amended by striking out "authorized by subparagraph (D) thereof" and inserting in lieu thereof "authorized by subparagraph (A)(iv) or (B) thereof".

REPORTS OF BOARDS OF TRUSTEES TO CONGRESS

SEC. 167. (a) Sections 201(c)(2), 1817(b)(2), and 1841(b)(2) of the Social Security Act are each amended by striking out "March" and inserting in lieu thereof "April".

(b) Section 201(c) of such Act is amended by inserting immediately before the last sentence the following new sentence: "Such report shall also include an actuarial analysis of the benefit disbursements made from the Federal Old-Age and Survivors Insurance Trust Fund with respect to disabled beneficiaries."

GENERAL SAVINGS PROVISION

SEC. 168. (a) Where—

(1) one or more persons were entitled (without the application of section 202(j)(1) of the Social Security Act) to monthly benefits under section 202 or 223 of such Act for the effective month on the basis of

the wages and self-employment income of an individual, and

(2) one or more persons (not included in paragraph (1)) become entitled to monthly benefits under such section 202 for the first month after the effective month on the basis of such wages and self-employment by reason of the amendments made to such Act by sections 104, 150, 151, 154, and 155 of this Act, and

(3) the total of benefits to which all persons are entitled under such section 202 or 223 on the basis of such wages and self-employment for such first month are reduced by reason of section 203(a) of such Act, as amended by this Act (or would, but for the penultimate sentence of such section 203(a), be so reduced),

then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after the effective month shall be increased, after the application of such section 203(a), to the amount it would have been if the person or persons referred to in paragraph (2) were not entitled to a benefit referred to in such paragraph.

(b) For purposes of subsection (a), the term "effective month" means the month after the month in which this Act is enacted.

TITLE II—PUBLIC WELFARE AMENDMENTS

PART 1—PUBLIC ASSISTANCE AMENDMENTS

PROGRAMS OF SERVICES FURNISHED TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 201. (a) (1) Section 402 (a) of the Social Security Act (as amended by section 202 (a) of this Act) is amended by striking out "and" at the end of clause (13); by striking out ", and provide for coordination of such programs" and all that follows in clause (14); by striking out the period at the end of clause (14) and inserting in lieu thereof a semicolon; and by adding after clause (14) the following new clauses: "(15) provide—

"(A) for the development of a program for each appropriate relative and dependent child receiving aid under the plan, and each appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under clause (7), with the objective of—

"(i) assuring, to the maximum extent possible, that such relative, child, and individual will enter the labor force and accept employment so that they will become self-sufficient, and

"(ii) preventing or reducing the incidence of

illegitimate births, and otherwise strengthening family life,

"(B) for the implementation of such programs by assuring that—

"(i) the employment potential of such relatives, children, and individuals is evaluated and they are furnished such services as child-care services and testing, counseling, basic education, vocational training, and special job development to assist them in securing and retaining employment or in raising the level of their skills to secure advancement in their employment, and

"(ii) in all appropriate cases family planning services are offered to them,

and in appropriate cases by providing aid to families with dependent children in the form of payments of the types described in section 406(b)(2),

"(C) for such review of each such program as may be necessary (as frequently as may be necessary, but at least once a year) to insure that it is being effectively implemented,

"(D) for furnishing the Secretary with such reports as he may specify showing the results of such programs, and

"(E) to the extent that such programs are de-

veloped and implemented by services furnished by the staff of the State agency or the local agency administering the State plan in each of the political subdivisions of the State, for the establishment of a single organizational unit in such State or local agency, as the case may be, responsible for the furnishing of such services;

(16) provide that where the State agency has reason to believe that the home in which a relative and child receiving aid reside is unsuitable for the child because of the neglect, abuse, or exploitation of such child it shall bring such condition to the attention of the appropriate court or law enforcement agencies in the State, providing such data with respect to the situation it may have; (17) provide—

"(A) for the development and implementation of a program under which the State agency will undertake—

"(i) in the case of an illegitimate child receiving aid to families with dependent children, to establish the paternity of such child and secure support for him, and

"(ii) in the case of any child receiving such aid who has been deserted or abandoned by his parent, to secure support for such child from such parent (or from any other person legally liable for such support), utilizing any reciprocal arrangements

adopted with other States to obtain or enforce court orders for support, and

"(B) for the establishment of a single organizational unit in the State agency or local agency administering the State plan in each political subdivision which will be responsible for the administration of the program referred to in clause (A);

(18) provide for entering into cooperative arrangements with appropriate courts and law enforcement officials (A) to assist the State agency in administering the program referred to in clause (17) (A), including the entering into of financial arrangements with such courts and officials in order to assure optimum results under such program, and (B) with respect to any other matters of common concern to such courts or officials and the State agency or local agency administering the State plan."

(2) Section 402 (a) (13) of such Act (as redesignated by section 202 (a) of this Act) is amended by striking out "(if any)".

(b) Section 402 of such Act is amended by adding at the end thereof the following new subsection:

"(c) The Secretary shall, on the basis of his review of the reports received from the States under clause (15) of subsection (a), compile such data as he believes necessary

and from time to time publish his findings as to the effectiveness of the programs developed and administered by the States under such clause. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the programs developed and administered by each State under such clause (15)."

(c) Section 403 (a) (3) of such Act is amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) 75 per centum of so much of such expenditures as are for—

"(i) services which are furnished pursuant to clause (15) of section 402 (a) and which are provided to any relative or child who is receiving aid under the plan or to any other individual (living in the same home as such relative and child) whose needs are taken into account in making the determination under clause (7) of such section, or

"(ii) any of the services specified in or under subsection (c) and provided to any relative or dependent child who is applying for or receiving aid under the plan, or any other individual (living in the same home as such rel-

ative and child) whose needs are taken into account in making the determination under clause (7) of section 402 (a), or

"(iii) any of the services specified in clause (15) of section 402 (a), or specified in or under subsection (c), which are provided to any child who is applying for aid under the plan or who, within such period or periods as the Secretary may prescribe, has been or is likely to become an applicant for or recipient of such aid, or to any relative with whom any such child is living, or to any other individual (living in the same home as such relative and child) whose needs are or would be taken into account in making the determination under clause (7) of section 402 (a), or

"(iv) the training of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision; plus".

(d) Section 403 (a) (3) of such Act is further amended—

(1) by striking out "subparagraphs (A) and (B)" in the sentence following subparagraph (C) and inserting in lieu thereof "subparagraph (A)";

(2) by inserting before the period at the end of the sentence following subparagraph (C) the following: "; and except that, to the extent specified by the Secretary, child-welfare services, family planning services, and family services may be provided from sources other than those referred to in subparagraphs (D) and (E)"; and

(3) by striking out "subparagraphs (B) and (C) apply" in the last sentence and inserting in lieu thereof "subparagraph (C) applies".

(e) (1) Section 403 (c) of such Act is amended to read as follows:

"(c) For purposes of paragraphs (3) (A) (ii) and (3) (A) (iii) of subsection (a), the services referred to in such paragraphs as specified in or under this subsection include—

"(1) child-welfare services as defined in section 425,

"(2) family services as defined in section 406 (d), and

"(3) other services to maintain and strengthen family life for children, and to help relatives with whom children are living and other individuals (living in the same home as a relative and child) whose needs are or would be taken into account in making the determination under clause (7) of section 402 (a) to attain or retain

capability for self-support or self-care, which are specified by the Secretary.

but only with respect to a State whose State plan approved under section 402 provides that when such services are furnished by the staff of the State agency or local agency administering such plan, the organizational unit referred to in section 402 (a) (15) (E) will be responsible for furnishing such services."

(2) Section 403 (a) (3) of such Act is amended by striking out "whose State plan approved under section 402 meets the requirements of subsection (c) (1)", and by striking out "; and" at the end and inserting in lieu thereof a period.

(3) Section 403 (a) (4) of such Act is repealed.

(4) Section 408 (d) of such Act is amended by striking out "and (4)".

(f) Section 406 of such Act is amended by adding at the end thereof the following new subsection:

"(d) The term 'family services' means services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other services as will assist members of a family to attain or retain capability for the maximum self-support and personal independence."

(g) (1) The amendments made by subsection (a) of

this section shall be effective October 1, 1967; except that a State shall not be deemed to have failed to comply with such amendments prior to July 1, 1969, because its plan approved under section 402 of the Social Security Act has not been modified to comply with such amendments.

(2) The amendments made by subsections (c), (d), and (e) of this section shall apply in the case of any State with respect to services and training furnished on or after the date as of which the modification of the State plan to comply with the amendments made by subsection (a) is approved.

(h) Notwithstanding subparagraph (A) of section 403 (a) (3) of the Social Security Act (as amended by subsection (c) of this section), the rate specified in such subparagraph in the case of any State shall be 85 per centum (rather than 75 per centum) with respect to expenditures, for services furnished pursuant to clause (15) of section 402 (a) of such Act, made on or after October 1, 1967, and prior to July 1, 1969.

EARNINGS EXEMPTION FOR RECIPIENTS OF AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 202. (a) Clauses (8) through (13) of section 402 (a) of the Social Security Act are redesignated as clauses (9) through (14), respectively.

(b) Effective July 1, 1969, section 402 (a) of such Act

is amended by striking out clause (7) and inserting in lieu thereof the following: "(7) except as may be otherwise provided in clause (8), provide that the State agency shall, in determining need, take into consideration any other income and resources of any child or relative claiming aid to families with dependent children, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid, as well as any expenses reasonably attributable to the earning of any such income; (8) provide that, in making the determination under clause (7), the State agency—

"(A) shall with respect to any month disregard—

"(i) all of the earned income of each dependent child receiving aid to families with dependent children for any month in which such child (I) is under age 16, or (II) if age 16 or over but under age 21, is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment, and

"(ii) in the case of earned income of a dependent child not included under clause (i), a relative

receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first $30 of the total of such earned income for such month plus one-third of the remainder of such income for such month; and

"(B) (i) may, subject to the limitations prescribed by the Secretary, permit all or any portion of the earned or other income to be set aside for future identifiable needs of a dependent child, and (ii) may, before disregarding the amounts referred to in subparagraph (A) and clause (i) of this subparagraph, disregard not more than $5 per month of any income;

except that, with respect to any month, the State agency shall not disregard any earned income (other than income referred to in subparagraph (B)) of—

"(C) any one of the persons specified in clause (ii) of subparagraph (A) if such person—

"(i) terminated his employment or reduced his earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary; or

"(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which

he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment; or

"(D) any of such persons specified in clause (ii) of subparagraph (A) if with respect to such month the income of the persons so specified (within the meaning of clause (7)) was in excess of their need as determined by the State agency pursuant to clause (7) (without regard to clause (8)), unless, for any one of the four months preceding such month, the needs of such persons were met by the furnishing of aid under the plan;".

(c) A State whose plan under section 402 of the Social Security Act has been approved by the Secretary shall not be deemed to have failed to comply substantially with the requirements of section 402 (a) (7) of such Act (as in effect prior to July 1, 1969) for any period beginning after September 30, 1967, and ending prior to July 1, 1969, if for such period the State agency disregards earned income of the individuals involved in accordance with the requirements specified in section 402 (a) (7) and (8) of such Act as amended by this section.

(d) In determining the need of individuals claiming aid to families with dependent children (and individuals whose needs are taken into account in making such determination) under a State plan approved under section 402 of the Social Security Act which provides for the determination of such need under the provisions of section 402 (a) (7) and (8) of such Act as amended by this section, the State shall apply such provisions notwithstanding any provision of law (other than such Act) requiring the State to disregard earned income of such individuals in determining need under such State plan.

DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

SEC. 203. (a) Section 407 of the Social Security Act is amended to read as follows:

"DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

"SEC. 407. (a) The term 'dependent child' shall, notwithstanding section 406 (a), include a needy child who meets the requirements of section 406 (a) (2), who has been deprived of parental support or care by reason of the unemployment (as determined in accordance with standards prescribed by the Secretary) of his father, and who is living with any of the relatives specified in section 406 (a) (1) in a place of residence maintained by one or more of such relatives as his (or their) own home.

"(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—

"(1) requires the payment of aid to families with dependent children with respect to a dependent child as defined in subsection (a) when—

"(A) such child's father has not been employed (as determined in accordance with standards prescribed by the Secretary) for at least 30 days prior to the receipt of such aid,

"(B) such father has not without good cause, within such period (of not less than 30 days) as may be prescribed by the Secretary, refused a bona fide offer of employment or training for employment, and

"(C) (i) such father has 6 or more quarters of work (as defined in subsection (d) (1)) in any 13-calendar-quarter period ending within one year prior to the application for such aid or (ii) he received unemployment compensation under an unemployment compensation law of a State or of the United States, or he was qualified (within the meaning of subsection (d) (3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and

"(2) provides—

"(A) (i) for the establishment of a work and

training program in accordance with section 409, and (ii) for such assurances as will satisfy the Secretary that fathers of dependent children as defined in subsection (a) are assigned as participants to projects under such program within 30 days after receipt of aid with respect to such children;

"(B) that the services of the public employment offices in the State shall be utilized in order to assist fathers of dependent children as defined in subsection (a) to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such fathers and for maximum utilization of the job placement services and other services and facilities of such offices;

"(C) for entering into cooperative arrangements with the State agency responsible for administering or supervising the administration of vocational education in the State, designed to assure maximum utilization of available public vocational education services and facilities in the State in order to encourage the retraining of individuals capable of being retrained; and

"(D) for the denial of aid to families with dependent children to any child or relative specified

in subsection (a) if, and for as long as, such child's father—

"(i) is not currently registered with the public employment offices in the State,

"(ii) refuses without good cause to undertake, or continue to undertake, work or training in the program referred to in subparagraph (A),

"(iii) refuses without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment,

"(iv) refuses without good cause to undergo the retraining referred to in subparagraph (C), or

"(v) receives unemployment compensation under an unemployment compensation law of a State or of the United States.

"(c) Notwithstanding any other provision of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children—

"(1) where such expenditures are made with respect to any dependent child as defined in subsection (a)—

"(A) for any part of the 30-day period referred to in subparagraph (A) of subsection (b) (1), or

"(B) for any period prior to the time when the father satisfies subparagraphs (B) and (C) of subsection (b) (1), and

"(2) if, and for as long as, no action is taken under the program specified in subparagraph (A) of subsection (b) (2) (after the 30-day period referred to therein) to assign such child's father to a project under such program, unless the State agency or local agency administering the plan determines, in accordance with standards prescribed by the Secretary, that any such assignment would be detrimental to the health of such father or that no such project is available.

"(d) For purposes of this section—

"(1) the term 'quarter of work' with respect to any individual means a calendar quarter in which such individual received earned income of not less than $50 (or which is a 'quarter of coverage' as defined in section 213 (a) (2)), or in which such individual participated in a community work and training program under section

409 or any other work and training program subject to the limitations in section 409;

"(2) the term 'calendar quarter' means a period of 3 consecutive calendar months ending on March 31, June 30, September 30, or December 31; and

"(3) an individual shall be deemed qualified for unemployment compensation under the State's unemployment compensation law if—

"(A) he would have been eligible to receive such unemployment compensation upon filing application, or

"(B) he performed work not covered under such law and such work, if it had been covered, would (together with any covered work he performed) have made him eligible to receive such unemployment compensation upon filing application."

(b) In the case of an application for aid to families with dependent children under a State plan approved under section 402 of such Act with respect to a dependent child as defined in section 407 (a) of such Act (as amended by this section) within 6 months after the effective date of the modification of such State plan which provides for payments in accordance with section 407 of such Act as so amended, the father of such child shall be deemed to meet the requirements

of subparagraph (C) of section 407 (b) (1) of such Act (as so amended) if at any time after April 1961 and prior to the date of application such father met the requirements of such subparagraph (C). For purposes of the preceding sentence, an individual receiving aid to families with dependent children (under section 407 of the Social Security Act as in effect before the enactment of this Act) for the last month ending before the effective date of the modification referred to in such sentence shall be deemed to have filed application for such aid under such section 407 (as amended by this section) on the day after such effective date.

(c) The amendment made by subsection (a) shall be effective October 1, 1967; except that (1) no State which had in operation a program of aid with respect to children of unemployed parents under section 407 of the Social Security Act (as in effect prior to such amendment) in the calendar quarter commencing July 1, 1967, shall be required to include any additional child or family under its State plan approved under section 402 of such Act, by reason of the enactment of such amendment, prior to July 1, 1969; and (2) no such State shall be required to deny aid under such State plan to any individual, because the plan does not establish a community work and training program in accordance with section 409 of such Act, prior to July 1, 1969.

COMMUNITY WORK AND TRAINING PROGRAMS

SEC. 204. (a) Section 409 of the Social Security Act is amended to read as follows:

"COMMUNITY WORK AND TRAINING PROGRAMS

"SEC. 409. For the purpose of assisting the States in encouraging, through community work and training programs of a constructive nature, the conservation of work skills and the development of new skills in appropriate cases for children and relatives receiving aid to families with dependent children, and other individuals (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under section 402(a)(7), under conditions which are designed to assure protection of the health and welfare of such persons, expenditures (other than for medical or any other type of remedial care) for any month with respect to a dependent child under a State plan approved under section 402 shall be included in the term 'aid to families with dependent children' (as defined in section 406(b)) where such expenditures are made in the form of payments for work performed in such month by such child, relative, or other individual if—

"(1) such child, relative, or other individual has attained age 16,

"(2) such work is performed under a work and

training program administered or supervised by the State agency and maintained and operated by that agency or another public or nonprofit agency for the purpose of preparing individuals for, or restoring them to, employability,

"(3) there is State financial participation in such expenditures,

"(4) the State plan includes provisions which, in the judgment of the Secretary, provide reasonable assurance that—

"(A) such work and training program conforms to standards prescribed by the Secretary;

"(B) such program is in effect in those political subdivisions of the State in which there is a significant number (determined in accordance with standards prescribed by the Secretary) of individuals who have attained age 16 and are receiving aid to families with dependent children;

"(C) (i) the vocational needs and potential of each appropriate child and each relative (applying for or receiving aid to families with dependent children), and of each other appropriate individual (living in the same home as a relative and child receiving such aid) whose needs are (or would but for section 402 (a) (20) (B) be) taken into account in making

the determination under section 402(a)(7), are evaluated, and (ii) the program is made available to any such child, relative, or other individual who is determined to have the capability for employment;

"(D) appropriate standards for health, safety, and other conditions applicable to the performance of such work are established and maintained (except that if State law establishes standards for health and safety which are applicable to the performance of such work in the State, the requirements of this subparagraph shall be deemed to be satisfied);

"(E) payments for such work are at rates not less than the minimum rate (if any) provided by or under applicable Federal or State law for the same type of work and not less than the rates prevailing for similar work in the community (except that in the case of work by individuals who under such law are considered learners or handicapped persons, payments may be at any special minimum rates established for them by or under such law);

"(F) such work is performed on projects which serve a useful public purpose and do not result in displacement of regular workers, with provision in appropriate cases for the performance of such work (pursuant to agreement entered into by the State

or local agency administering the State plan) for Federal, State, or local agencies or for private employers, organizations, agencies, or institutions;

"(G) in determining the needs of any such child, relative, or other individual, any additional expenses reasonably attributable to such work will be considered;

"(H) any such child, relative, or other individual shall have reasonable opportunities to seek regular employment and to secure any appropriate training or retraining which may be available; and

"(I) any such child, relative, or other individual will, with respect to the work so performed, be covered under the State workmen's compensation law or be provided comparable protection; and

"(5) the State plan includes—

"(A) provision for entering into cooperative arrangements with the public employment offices in the State for the utilization of such offices to assist any such child, relative, or other individual performing such work under such program to secure employment or occupational training, including appropriate provision for registration and periodic reregistration of such individuals and for maximum utilization of

the job placement, vocational evaluation, testing, counseling, and other services and facilities of such offices;

"(B) provision that the services and facilities under title II of the Manpower Development and Training Act of 1962, and the services and facilities under any other Federal and State programs for manpower training, retraining, and work experience, shall, to the extent available, be utilized for the training, retraining, and work experience of the persons accepted for participation under such work and training program;

"(C) provision for entering into cooperative arrangements with the Federal and State agencies responsible for administering or supervising the administration of vocational education and adult education in the State, designed to assure maximum utilization of available public vocational or adult education services and facilities in the State in order to encourage the training or retraining of any such child, relative, or other individual performing work under such program and otherwise assist them in preparing for regular employment;

"(D) provision for assuring appropriate arrangements for the care and protection of children

during the absence from the home of any such relative performing work or receiving training under such program; and

"(E) provision that there will be no adjustment or recovery by the State or any political subdivision thereof on account of any payments which are correctly made for such work."

(b) Section 402(a) of such Act (as amended by sections 201(a) and 202(a) of this Act) is amended by inserting before the period at the end thereof the following new clauses: "; (19) include provisions to assure that all appropriate children and relatives receiving aid to families with dependent children, and all other appropriate individuals (living in the same home as a relative and child receiving such aid) whose needs are taken into account in making the determination under clause (7), register and periodically reregister with the public employment offices of the State; (20) provide that (A) if and for as long as any such appropriate child or relative refuses without good cause to so register or reregister, or refuses without good cause to accept employment in which he is able to engage and which is offered through the public employment offices of the State or is otherwise offered by an employer (and the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to

be a bona fide offer of employment), or refuses without good cause to participate in a work and training program under section 409 or undergo any other training for employment, then—

"(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under clause (7), and aid for any dependent child in the family in any form other than payments of the type described in section 406(b)(2) (which may be made in such a case without regard to clauses (A) through (E) thereof) or section 408 will be denied,

"(ii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal, and

"(iii) if there is more than one child receiving aid in the family, aid for any such child will be denied if that child makes such refusal;

and (B) if and for as long as any such other appropriate individual makes such a refusal, such individual's needs shall not be taken into account in making the determination under clause (7); (21) effective July 1, 1969, provide for (A) a work and training program meeting the requirements of section 409 for appropriate individuals who have attained age 16 and are receiving aid to families with depend-

ent children, and for other appropriate individuals living in the same home whose needs are taken into account in making the determination under clause (7), with the objective that a maximum number of such individuals will be benefited through the conservation of their work skills and the development of new skills, and (B) expenditures in the form of payments described in such section 409".

(c) Section 403 (a) (3) of such Act (as amended by section 201 (c) of this Act) is amended by inserting after subparagraph (A) the following new subparagraph:

"(B) 75 per centum of so much of such expenditures as are for—

"(i) training, supervision, materials, and such other items as are authorized by the Secretary, in connection with a work and training program described in section 409, and

"(ii) other services (not included in clause (i)), specified by the Secretary, which are related to the purposes of such a program and are provided to individuals who are participants in such a program; plus".

(d) Section 403 (a) of such Act is further amended by adding at the end thereof the following new sentence: "For purposes of subparagraph (B) of paragraph (3), subject to limitations prescribed by the Secretary, the

services and items referred to in clauses (i) and (ii) of such subparagraph may be furnished, pursuant to agreement entered into by the State or local agency administering the State plan, by employers, organizations, agencies, and institutions equipped to furnish such services and items."

(e) Notwithstanding subparagraph (B) of section 403 (a) (3) of the Social Security Act (as added by subsection (c) of this section), the rate specified in such subparagraph in the case of any State shall be 85 per centum (rather than 75 per centum) with respect to expenditures, for services and training furnished, made on or after October 1, 1967, and prior to July 1, 1969.

(f) (1) Title III of the Social Security Act is amended by adding at the end thereof the following new section:

"SERVICES FURNISHED BY PUBLIC EMPLOYMENT OFFICES OF THE STATE

"SEC. 304. The Secretary of Health, Education, and Welfare shall enter into cooperative agreements with the Secretary of Labor for the provision through the public employment offices in each State of such services as the Secretary of Health, Education, and Welfare shall specify as necessary to assure that individuals receiving or applying for aid to families with dependent children under a plan approved under part A of title IV of this Act (1) are registered and periodically reregistered at such offices, (2) are

receiving testing and counseling services and such other services as such offices make available to individuals to assist them in securing and retaining employment, and (3) are, in appropriate cases, referred to employers who have requested such offices to furnish applicants for job placement. The State agency administering or supervising the administration of the plan of any State approved under section 402 of this Act shall pay the Secretary of Labor (as expenses subject to section 403 (a) (3) (B) of this Act) for any costs incurred in providing the services described in clause (2) of the preceding sentence with respect to individuals who are receiving or applying for aid (or whose needs are taken into account) under such plan."

(2) Section 402 (a) of such Act (as amended by the preceding provisions of this Act) is amended by inserting before the period at the end thereof the following new clause: "; (22) provide for payment to the Secretary of Labor for any costs incurred in providing the services described in clause (2) of the first sentence of section 304 with respect to individuals who are receiving or applying for aid (or whose needs are taken into account) under the plan".

(g) The amendments made by subsections (a), (c), and (f) (2) shall be effective on July 1, 1969, or, if earlier (in the case of any State), on the date as of which the modification of the State plan to comply with such amendments

is approved. Except as otherwise specifically indicated therein, the amendment made by subsection (b) shall be effective April 1, 1968.

FEDERAL PARTICIPATION IN PAYMENTS FOR FOSTER CARE OF CERTAIN DEPENDENT CHILDREN

SEC. 205. (a) Section 402 (a) of the Social Security Act (as amended by the preceding provisions of this Act) is amended by inserting before the period at the end thereof the following new clause: "; and (23) effective July 1, 1969, provide for aid to families with dependent children in the form of foster care in accordance with section 408".

(b) Section 403 (a) (1) (B) of such Act is amended by striking out "as exceeds" and all that follows and inserting in lieu thereof the following: "as exceeds (i) the product of $32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of $100 multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and".

(c) Section 408 (a) of such Act is amended by inserting "(A)" after "and (4) who", and by inserting before the semicolon at the end thereof the following: ", or (B) (i) would have received such aid in or for such month if application had been made therefor, or (ii) in the case of a

child who had been living with a relative specified in section 406(a) within 6 months prior to the month in which such proceedings were initiated, would have received such aid in or for such month if in such month he had been living with (and removed from the home of) such a relative and application had been made therefor".

(d) Sections 135(e) and 155(b) of the Public Welfare Amendments of 1962 are each amended by striking out ", and ending with the close of June 30, 1968".

(e) The amendments made by subsections (b) and (c) shall apply only with respect to foster care provided after September 1967.

EMERGENCY ASSISTANCE FOR CERTAIN NEEDY FAMILIES WITH DEPENDENT CHILDREN

SEC. 206. (a) Section 403(a) of the Social Security Act (as amended by section 201(e) of this Act) is amended by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and", and by inserting after paragraph (3) the following new paragraph:

"(4) in the case of any State, an amount equal to the sum of—

"(A) 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with chil-

dren in the form of payments or care specified in paragraph (1) of section 406 (e), and

"(B) 75 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children in the form of services specified in paragraph (2) of section 406 (e)."

(b) Section 406 of such Act (as amended by section 201 (f) of this Act) is amended by adding at the end thereof the following new subsection:

"(e) The term 'emergency assistance to needy families with children' means any of the following, furnished for a period not in excess of 30 days in any 12-month period, in the case of a needy child under the age of 21 who is (or, within such period as may be specified by the Secretary, has been) living with any of the relatives specified in subsection (a) (1) in a place of residence maintained by one or more of such relatives as his or their own home, but only where such child is without available resources and the payments, care, or services involved are necessary to avoid destitution of such child or to provide suitable living arrangements in a home for such child—

"(1) money payments, payments in kind, or such other payments as the State agency may specify with respect to, or medical care or any other type of remedial

care recognized under State law on behalf of, such child or any other member of the household in which he is living, and

"(2) such services as may be specified by the Secretary;

but only with respect to a State whose State plan approved under section 402 includes provision for such assistance."

PROTECTIVE PAYMENTS AND VENDOR PAYMENTS WITH RESPECT TO DEPENDENT CHILDREN

SEC. 207. (a) (1) Section 406 (b) (2) of the Social Security Act is amended by striking out all that follows "(2)" and precedes "but only", and inserting in lieu thereof the following: "payments with respect to any dependent child (including payments to meet the needs of the relative, and the relative's spouse, with whom such child is living, and the needs of any other individual living in the same home if such needs are taken into account in making the determination under section 402 (a) (7)) which do not meet the preceding requirements of this subsection, but which would meet such requirements except that such payments are made to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such child or relative, or are made on behalf of such child or relative directly to a person furnishing food, living accommodations, or other

goods, services, or items to or for such child, relative, or other individual,".

(2) Section 406 (b) (2) of such Act is further amended by striking out clause (B), and redesignating clauses (C) through (F) as clauses (B) through (E), respectively.

(3) Section 406 (b) of such Act is further amended by adding at the end thereof (after and below clause (E) (as redesignated by paragraph (2) of this subsection)) the following: "except that payments made under this clause (2) shall be included in aid to families with dependent children without regard to clauses (A) through (E) in the case of a refusal described in section 402 (a) (20) ;".

(b) Section 403 (a) of such Act (as amended by the preceding provisions of this Act) is amended by striking out the sentence immediately following paragraph (4).

(c) Section 202 (e) of the Public Welfare Amendments of 1962 is amended by striking out ", and ending with the close of June 30, 1968".

LIMITATION ON NUMBER OF CHILDREN WITH RESPECT TO WHOM FEDERAL PAYMENTS MAY BE MADE

SEC. 208. (a) Section 403 (a) of the Social Security Act is amended by striking out "shall pay" in the matter preceding paragraph (1) and inserting in lieu thereof the following: "shall (subject to subsection (d)) pay".

(b) Section 403 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding any other provision of this Act, the number of dependent children who have been deprived of parental support or care by reason of the continued absence from the home of a parent with respect to whom payments under this section may be made to a State for any calendar quarter after 1967 shall not exceed the number which bears the same ratio to the total population of such State under the age of 21 on the first day of the year in which such quarter falls as the number of such dependent children with respect to whom payments under this section were made to such State for the calendar quarter beginning January 1, 1967, bore to the total population of such State under the age of 21 on that date."

FEDERAL PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

SEC. 209. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"FEDERAL PARTICIPATION IN PAYMENTS FOR REPAIRS TO HOME OWNED BY RECIPIENT OF AID OR ASSISTANCE

"SEC. 1119. In the case of an expenditure for repairing the home owned by an individual who is receiving aid or assistance, other than medical assistance to the aged, under a State plan approved under title I, X, XIV, or XVI, if—

"(1) the State agency or local agency administering the plan approved under such title has made a

finding (prior to making such expenditure) that (A) such home is so defective that continued occupancy is unwarranted, (B) unless repairs are made to such home, rental quarters will be necessary for such individual, and (C) the cost of rental quarters to take care of the needs of such individual (including his spouse living with him in such home and any other person whose needs were taken into account in determining the need of such individual) would exceed (over such time as the Secretary may specify) the cost of repairs needed to make such home habitable together with other costs attributable to continued occupancy of such home, and

"(2) no such expenditures were made for repairing such home pursuant to any prior finding under this section,

the amount paid to any such State for any quarter under section 3(a), 1003(a), 1403(a), or 1603(a) shall be increased by 50 per centum of such expenditures, except that the excess above $500 expended with respect to any one home shall not be included in determining such expenditures."

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after September 30, 1967.

PART 2—MEDICAL ASSISTANCE AMENDMENTS

LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

SEC. 220. (a) Section 1903 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(f) (1) (A) Payment under the preceding provisions of this section shall not be made with respect to any amount expended as medical assistance in a calendar quarter, in any State, for any member of a family the annual income of which exceeds the applicable income limitation determined under this paragraph.

"(B) (i) Except as provided in subparagraph (C) and in clause (ii) of this subparagraph, the applicable income limitation with respect to any family is the amount determined, in accordance with standards prescribed by the Secretary, to be equivalent to 133⅓ percent of the highest amount which would ordinarily be paid to a family of the same size without any income or resources, in the form of money payments, under the plan of the State approved under section 402 of this Act.

"(ii) If the Secretary finds that the operation of a uniform maximum limits payments to families of more than

one size, he may adjust the amount otherwise determined under clause (i) to take account of families of different sizes.

"(C) If 133⅓ percent of the average per capita income of the State is lower, by any percentage, than the amount that would be determined under subparagraph (B) in the case of a family consisting of four individuals—

"(i) the applicable income limitation for such a family shall be 133⅓ percent of such average per capita income, and

"(ii) the applicable income limitation as otherwise determined under subparagraph (B) for a family of any other size shall be reduced by the same percentage.

"(D) The total amount of any applicable income limitation determined under subparagraph (B) or (C) shall, if it is not a multiple of $100 or such other amount as the Secretary may prescribe, be rounded by the next higher multiple of $100 or such other amount, as the case may be.

"(2) In computing a family's income for purposes of paragraph (1), there shall be excluded any costs (whether in the form of insurance premiums or otherwise) incurred by such family for medical care or for any other type of remedial care recognized under State law.

"(3) For purposes of paragraph (1) (B), in the case of a family consisting of only one individual, the 'highest

amount which would ordinarily be paid' to such family under the State's plan approved under section 402 of this Act shall be the amount determined by the State agency (on the basis of reasonable relationship to the amounts payable under such plan to families consisting of two or more persons) to be the amount of the aid which would ordinarily be payable under such plan to a family (without any income or resources) consisting of one person if such plan (without regard to section 408) provided for aid to such a family.

"(4) For purposes of paragraph (1) (C), the per capita income of each State shall be promulgated by the Secretary between July 1 and August 31 of each year, on the basis of the most recent calendar year for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the four quarters in the calendar year next succeeding such promulgation: *Provided,* That the Secretary shall make the promulgation which is effective for quarters in the calendar year 1968 as soon as possible after the enactment of the Social Security Amendments of 1967."

(b) (1) In the case of any State whose plan under title XIX of the Social Security Act is approved by the Secretary of Health, Education, and Welfare under section

1902 after July 25, 1967, the amendment made by subsection (a) shall apply with respect to calendar quarters beginning after the date of enactment of this Act.

(2) In the case of any State whose plan under title XIX of the Social Security Act was approved by the Secretary of Health, Education, and Welfare under section 1902 of the Social Security Act prior to July 26, 1967, the amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1968, except that—

(A) with respect to the third and fourth calendar quarters of 1968, such subsection shall be applied by substituting in subsection (f) of section 1903 of the Social Security Act 150 percent for 133⅓ percent each time such latter figure appears in such subsection (f), and

(B) with respect to all calendar quarters during 1969, such subsection shall be applied by substituting in subsection (f) of section 1903 of such Act 140 percent for 133⅓ percent each time such latter figure appears in such subsection (f).

MAINTENANCE OF STATE EFFORT

SEC. 221. (a) Section 1117 (a) of the Social Security Act is amended by adding at the end thereof the following new sentence: "For any fiscal year ending on or after

June 30, 1967, and before July 1, 1969, in lieu of the substitution provided by paragraph (3) or (4), at the option of the State (i) paragraphs (1) and (2) of this subsection shall be applied on a fiscal year basis (rather than on a quarterly basis), and (ii) the base period fiscal year shall be either the fiscal year ending June 30, 1965, or the fiscal year ending June 30, 1964 (whichever is chosen by the State).

(b) Section 1117 of such Act is further amended by adding at the end thereof the following new subsection:

"(d) (1) In the case of the quarters in any fiscal year ending before July 1, 1969, the reduction (if any) under this section shall, at the option of the State, be determined under paragraph (2), (3), or (4) of this subsection instead of under the preceding provisions of this section.

"(2) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account only money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX, and

"(C) subsection (c) shall be applied by eliminating the reference to section 1903, and by substituting

a reference to this paragraph for the reference to subsections (a) and (b).

"(3) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account payments under section 523 and section 422,

"(B) subsection (b) shall be applied by adding a reference to section 523 and section 422 after each reference to title XIX, and

"(C) subsection (c) shall be applied by adding a reference to section 523 and section 422 after the reference to section 1903, and by substituting a reference to this paragraph for the reference to subsections (a) and (b).

"(4) If the reduction determination is made under this paragraph for a State, then—

"(A) subsection (a) shall be applied by taking into account only (i) money payments under plans of the State approved under titles I, X, XIV, and XVI, and part A of title IV, and (ii) payments under section 523 and section 422,

"(B) subsection (b) shall be applied by eliminating each reference to title XIX and substituting a reference to section 523 and section 422, and

"(C) subsection (c) shall be applied by eliminating the reference to section 1903 and substituting a reference to section 523 and section 422, and by substituting a reference to this paragraph for the reference to subsections (a) and (b)."

COORDINATION OF TITLE XIX AND THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

SEC. 222. (a) Section 1843 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(h) (1) The Secretary shall, at the request of a State made before January 1, 1970, enter into a modification of an agreement entered into with such State pursuant to subsection (a) under which the coverage group described in subsection (b) and specified in such agreement is broadened to include individuals who are eligible to receive medical assistance under the plan of such State approved under title XIX.

"(2) For purposes of this section, an individual shall be treated as eligible to receive medical assistance under the plan of the State approved under title XIX if, for the month in which the modification is entered into under this subsection or for any month thereafter, he has been determined to be eligible to receive medical assistance under such plan. In the case of any individual who would (but for this subsec-

tion) be excluded from the agreement, subsections (c) and (d) (2) shall be applied as if they referred to the modification under this subsection (in lieu of the agreement under subsection (a)), and subsection (d) (2) (C) shall be applied by substituting 'second month following the first month' for 'first month'."

(b) (1) Section 1843 (d) (3) (A) of such Act is amended by striking out "ineligible for money payments of a kind specified in the agreement" and inserting in lieu thereof the following: "ineligible both for money payments of a kind specified in the agreement and (if there is in effect a modification entered into under subsection (h)) for medical assistance".

(2) Section 1843 (f) of such Act is amended—

(A) by inserting after "or XVI" the following: "or eligible to receive medical assistance under the plan of such State approved under title XIX"; and

(B) by inserting after "and XVI" the following: "and individuals eligible to receive medical assistance under the plan of the State approved under title XIX".

(3) The heading of section 1843 of such Act is amended by adding at the end thereof the following: "(OR ARE ELIGIBLE FOR MEDICAL ASSISTANCE)".

(c) Section 1903 (b) of such Act is amended by insert-

ing "(1)" after "(b)", and by adding at the end thereof the following new paragraph:

"(2) Notwithstanding the preceding provisions of this section, the amount determined under subsection (a) (1) for any State for any quarter beginning after December 31, 1967, shall not take into account any amounts expended as medical assistance with respect to individuals aged 65 or over which would not have been so expended if the individuals involved had been enrolled in the insurance program established by part B of title XVIII."

(d) Effective with respect to calendar quarters beginning after December 31, 1967, section 1903 (a) (1) of such Act is amended by striking out "and other insurance premiums" and inserting in lieu thereof "and, except in the case of individuals sixty-five years of age or older who are not enrolled under part B of title XVIII, other insurance premiums".

(e) (1) Section 1843 (a) of such Act is amended by striking out "1968" and inserting in lieu thereof "1970".

(2) Section 1843 (c) of such Act is amended—

(A) by striking out "and before January 1, 1968"; and

(B) by striking out "thereafter before January 1968"; and inserting in lieu thereof "thereafter".

(3) Section 1843 (d) (2) (D) of such Act is amended by striking out "(not later than January 1, 1968)".

MODIFICATION OF COMPARABILITY PROVISIONS

SEC. 223. (a) Section 1902 (a) (10) of the Social Security Act is amended—

(1) by inserting "(I)" after "except that" in the matter following subparagraph (B), and

(2) by inserting before the semicolon at the end the following: ", and (II) the making available of supplementary medical insurance benefits under part B of title XVIII to individuals eligible therefor (either pursuant to an agreement entered into under section 1843 or by reason of the payment of premiums under such title by the State agency on behalf of such individuals), or provision for meeting part or all of the cost of the deductibles, cost sharing, or similar charges under part B of title XVIII for individuals eligible for benefits under such part, shall not, by reason of this paragraph (10), require the making available of any such benefits, or the making available of services of the same amount, duration, and scope, to any other individuals".

(b) The amendments made by subsection (a) shall apply with respect to calendar quarters beginning after June 30, 1967.

REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PLAN

SEC. 224. Section 1902 (a) (13) of the Social Security Act is amended by striking out "provide (A) for inclusion of at least the care and services listed in clauses (1) through (5) of section 1905 (a), and (B)" and inserting in lieu thereof the following: "provide (A) for inclusion of at least—

"(i) the care and services listed in clauses (1) through (5) of section 1905 (a), or

"(ii) the care and services listed in any seven of the clauses numbered (1) through (14) of such section,

and (B)".

EXTENT OF FEDERAL FINANCIAL PARTICIPATION IN CERTAIN ADMINISTRATIVE EXPENSES

SEC. 225. (a) Section 1903 (a) (2) of the Social Security Act is amended by striking out "of the State agency (or of the local agency administering the State plan in the political subdivision)" and inserting in lieu thereof "of the State agency or any other public agency".

(b) The amendment made by subsection (a) shall apply with respect to expenditures made after December 31, 1967.

ADVISORY COUNCIL ON MEDICAL ASSISTANCE

SEC. 226. Title XIX of the Social Security Act is amended by adding at the end thereof the following new section:

"ADVISORY COUNCIL ON MEDICAL ASSISTANCE

"SEC. 1906. For the purpose of advising the Secretary on matters of general policy in the administration of this title (including the relationship of this title and title XVIII) and making recommendations for improvements in such administration, there is hereby created a Medical Assistance Advisory Council which shall consist of twenty-one persons, not otherwise in the employ of the United States, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The Secretary shall from time to time appoint one of the members to serve as Chairman. The members shall include representatives of State and local agencies and nongovernmental organizations and groups concerned with health, and of consumers of health services, and a majority of the membership of the Advisory Council shall consist of representatives of consumers of health services. Each member shall hold office for a term of four years, except that any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term,

and except that the terms of office of the members first taking office shall expire, as designated by the Secretary at the time of appointment, five at the end of the first year, five at the end of the second year, five at the end of the third year, and six at the end of the fourth year after the date of appointment. A member shall not be eligible to serve continuously for more than two terms. The Secretary may, at the request of the Council or otherwise, appoint such special advisory professional or technical committees as may be useful in carrying out this title. Members of the Advisory Council and members of any such advisory or technical committee, while attending meetings or conferences thereof or otherwise serving on business of the Advisory Council or of such committee, shall be entitled to receive compensation at rates fixed by the Secretary, but not exceeding $100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. The Advisory Council shall meet as frequently as the Secretary deems necessary. Upon request of five or more members, it shall be the duty of the Secretary to call a meeting of the Advisory Council."

FREE CHOICE BY INDIVIDUALS ELIGIBLE FOR MEDICAL ASSISTANCE

SEC. 227. (a) Section 1902 (a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (21);

(2) by striking out the period at the end of paragraph (22) and inserting in lieu thereof "; and "; and

(3) by adding after paragraph (22) the following new paragraph;

"(23) provide that any individual eligible for medical assistance may obtain such assistance from any institution, agency, or person, qualified to perform the service or services required (including an organization which provides such services, or arranges for their availability, on a prepayment basis), who undertakes to provide him such services."

(b) The amendments made by this section shall apply with respect to calendar quarters beginning after June 30, 1969; except that such amendments shall apply in the case of Puerto Rico, the Virgin Islands, and Guam only with respect to calendar quarters beginning after June 30, 1972.

UTILIZATION OF STATE FACILITIES TO PROVIDE CONSULTATIVE SERVICES TO INSTITUTIONS FURNISHING MEDICAL CARE

SEC. 228. (a) Section 1902 (a) of the Social Security Act (as amended by section 227 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (22);

(2) by striking out the period at the end of paragraph (23) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (23) the following new paragraph:

"(24) effective July 1, 1969, provide for consultative services by health agencies and other appropriate agencies of the State to hospitals, nursing homes, home health agencies, clinics, laboratories, and such other institutions as the Secretary may specify in order to assist them (A) to qualify for payments under this Act, (B) to establish and maintain such fiscal records as may be necessary for the proper and efficient administration of this Act, and (C) to provide information needed to determine payments due under this Act on account of care and services furnished to individuals."

(b) Effective July 1, 1969, the last sentence of section 1864 (a) of such Act is repealed.

PAYMENTS FOR SERVICES AND CARE BY A THIRD PARTY

SEC. 229. (a) Section 1902 (a) of the Social Security Act (as amended by section 228 of this Act) is amended—

(1) by striking out "and" at the end of paragraph (23);

(2) by striking out the period at the end of paragraph (24) and inserting in lieu thereof "; and"; and

(3) by inserting after paragraph (24) the following new paragraph:

"(25) provide (A) that the State or local agency administering such plan will take all reasonable measures to ascertain the legal liability of third parties to pay for care and services (available under the plan) arising out of injury, disease, or disability, (B) that where the State or local agency knows that a third party has such a legal liability such agency will treat such legal liability as a resource of the individual on whose behalf the care and services are made available for purposes of paragraph (17) (B), and (C) that in any case where such a legal liability is found to exist after medical assistance has been made available on behalf of the individual, the

State or local agency will seek reimbursement for such assistance to the extent of such legal liability."

(b) The amendment made by subsection (a) shall apply with respect to legal liabilities of third parties arising after March 31, 1968.

(c) Section 1903 (d) (2) of such Act is amended by adding at the end thereof the following new sentence: "Expenditures for which payments were made to the State under subsection (a) shall be treated as an overpayment to the extent that the State or local agency administering such plan has been reimbursed for such expenditures by a third party pursuant to the provisions of its plan in compliance with section 1902 (a) (25)."

DIRECT PAYMENTS TO CERTAIN RECIPIENTS OF MEDICAL ASSISTANCE

SEC. 230. Section 1905 (a) of the Social Security Act is amended by inserting after "for individuals" in the matter preceding clause (i) the following: ", and, with respect to physicians' services, at the option of the State, to individuals not receiving aid or assistance under the State's plan approved under title I, X, XIV, or XVI, or part A of title IV,".

DATE ON WHICH STATE PLANS UNDER TITLE XIX MUST MEET CERTAIN FINANCIAL PARTICIPATION REQUIREMENTS

SEC. 231. Section 1902 (a) (2) of the Social Security Act is amended by striking out "July 1, 1970" and inserting in lieu thereof "July 1, 1969".

PART 3—CHILD-WELFARE SERVICES AMENDMENTS

INCLUSION OF CHILD-WELFARE SERVICES IN TITLE IV

SEC. 235. (a) The heading of title IV of the Social Security Act is amended to read as follows:

"TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES"

(b) Title IV of such Act is further amended by inserting immediately after the heading of the title the following:

"PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN"

(c) Title IV of such Act is further amended by adding at the end thereof the following new part:

"PART B—CHILD-WELFARE SERVICES

"APPROPRIATION

"SEC. 420. For the purpose of enabling the United States, through the Secretary, to cooperate with State public welfare agencies in establishing, extending, and strengthening child-welfare services, the following sums are hereby

authorized to be appropriated: $55,000,000 for the fiscal year ending June 30, 1968, $100,000,000 for the fiscal year ending June 30, 1969, and $110,000,000 for each fiscal year thereafter.

"ALLOTMENTS TO STATES

"SEC. 421. The sum appropriated pursuant to section 420 for each fiscal year shall be allotted by the Secretary for use by cooperating State public welfare agencies which have plans developed jointly by the State agency and the Secretary, as follows: He shall allot $70,000 to each State, and shall allot to each State an amount which bears the same ratio to the remainder of the sum so appropriated for such year as the product of (1) the population of such State under the age of 21 and (2) the allotment percentage of such State (as determined under section 423) bears to the sum of the corresponding products of all the States.

"PAYMENT TO STATES

"SEC. 422. (a) From the sums appropriated therefor and the allotment available under this part, the Secretary shall from time to time pay to each State—

"(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

"(A) provides for coordination between the

services provided under such plan and the services provided for dependent children under the State plan approved under part A of this title, with a view to provision of welfare and related services which will best promote the welfare of such children and their families, and

"(B) provides, with respect to day care services (including the provision of such care) provided under the plan—

"(i) for cooperative arrangements with the State health authority and the State agency primarily responsible for State supervision of public schools to assure maximum utilization of such agencies in the provision of necessary health services and education for children receiving day care,

"(ii) for an advisory committee, to advise the State public welfare agency on the general policy involved in the provision of day care services under the plan, which shall include among its members representatives of other State agencies concerned with day care or services related thereto and persons representative of professional or civic or other public or nonprofit private agencies, organizations, or

groups concerned with the provision of day care,

"(iii) for such safeguards as may be necessary to assure provision of day care under the plan only in cases in which it is in the best interest of the child and the mother and only in cases in which it is determined, under criteria established by the State, that a need for such care exists; and, in cases in which the family is able to pay part or all of the costs of such care, for payment of such fees as may be reasonable in the light of such ability,

"(iv) for giving priority, in determining the existence of need for such day care, to members of low-income or other groups in the population, and to geographical areas, which have the greatest relative need for extension of such day care, and

"(v) that day care provided under the plan will be provided only in facilities (including private homes) which are licensed by the State, or approved (as meeting the standards established for such licensing) by the State agency responsible for licensing facilities of this type, and

"(2) that makes a satisfactory showing that the State is extending the provision of child-welfare services in the State, with priority being given to communities with the greatest need for such services after giving consideration to their relative financial need, and with a view to making available by July 1, 1975, in all political subdivisions of the State, for all children in need thereof, child-welfare services provided by the staff (which shall to the extent feasible be composed of trained child-welfare personnel) of the State public welfare agency or of the local agency participating in the administration of the plan in the political subdivision,

an amount equal to the Federal share (as determined under section 423) of the total sum expended under such plan (including the cost of administration of the plan) in meeting the costs of State, district, county, or other local child-welfare services, in developing State services for the encouragement and assistance of adequate methods of community child-welfare organization, in paying the costs of returning any runaway child who has not attained the age of eighteen to his own community in another State, and of maintaining such child until such return (for a period not exceeding fifteen days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child. In develop-

ing such services for children, the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the State and local communities as may be authorized by the State.

"(b) The method of computing and paying such amounts shall be as follows:

"(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of subsection (a).

"(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this section was greater or less than the amount which should have been paid to the State for such prior period under this section.

"ALLOTMENT PERCENTAGE AND FEDERAL SHARE

"SEC. 423. (a) The 'allotment percentage' for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States; except that (1) the allotment percentage

shall in no case be less than 30 per centum or more than 70 per centum, and (2) the allotment percentage shall be 70 per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(b) The 'Federal share' for any State for any fiscal year shall be 100 per centum less that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States, except that (1) in no case shall the Federal share be less than $33\frac{1}{3}$ per centum or more than $66\frac{2}{3}$ per centum, and (2) the Federal share shall be $66\frac{2}{3}$ per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(c) The Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the United States for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation: *Provided*, That the Federal shares and allotment percentages promulgated under section 524(c) of the Social Security Act in 1966 shall be effective for purposes of this section for the fiscal years ending June 30, 1968, and June 30, 1969.

"(d) For purposes of this section, the term 'United States' means the fifty States and the District of Columbia.

"REALLOTMENT

"SEC. 424. The amount of any allotment to a State under section 421 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in such section shall be available for reallotment from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans so developed for sums in excess of those previously allotted to them under that section and (2) will be able to use such excess amounts during such fiscal year. Such reallotments shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallotted to a State shall be deemed part of its allotment under section 421.

"DEFINITION

"SEC. 425. For purposes of this title, the term 'child-welfare services' means public social services which supplement, or substitute for, parental care and supervision for

the purpose of (1) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent, or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, including the strengthening of their own homes where possible or, where needed, the provision of adequate care of children away from their homes in foster family homes or day-care or other child-care facilities.

"RESEARCH, TRAINING, OR DEMONSTRATION PROJECTS

"SEC. 426. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine—

"(1) for grants by the Secretary—

"(A) to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child-welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare;

"(B) to State or local public agencies responsible for administering, or supervising the administration of, the plan under this part, for projects for the demonstration of the utilization of research (including findings resulting therefrom) in the field of child welfare in order to encourage experimental and special types of welfare services; and

"(C) to public or other nonprofit institutions of higher learning for special projects for training personnel for work in the field of child welfare, including traineeships with such stipends and allowances as may be permitted by the Secretary; and

"(2) for contracts or jointly financed cooperative arrangements with States and public and other organizations and agencies for the conduct of research, special projects, or demonstration projects relating to such matters.

"(b) Payments of grants or under contracts or cooperative arrangements under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants, contracts, or other arrangements."

(d) (1) Subparagraphs (A) and (B) of section 422

(a) (1) of the Social Security Act (as added by subsection (c) of this section) are redesignated as (B) and (C).

(2) So much of paragraph (1) of section 422 (a) of such Act (as added by subsection (c) of this section) as precedes subparagraph (B) (as redesignated) is amended to read as follows:

"(1) that has a plan for child-welfare services which has been developed as provided in this part and which—

"(A) provides that (i) the State agency designated pursuant to section 402 (a) (3) to administer or supervise the administration of the plan of the State approved under part A of this title will administer or supervise the administration of such plan for child-welfare services and (ii) to the extent that child-welfare services are furnished by the staff of the State agency or local agency administering such plan for child-welfare services, the organizational unit in such State or local agency established pursuant to section 402 (a) (15) will be responsible for furnishing such child-welfare services,".

(e) (1) Part 3 of title V of the Social Security Act is repealed on the date this Act is enacted.

(2) Part B of title IV of the Social Security Act (as added by subsection (c) of this section), and the amend-

ments made by subsections (a) and (b) of this section, shall become effective on the date this Act is enacted.

(3) The amendments made by subsection (d) shall become effective July 1, 1969.

(f) In the case of any State which has a plan developed as provided in part 3 of title V of the Social Security Act as in effect prior to the enactment of this Act—

(1) such plan shall be treated as a plan developed, as provided in part B of title IV of such Act, on the date this Act is enacted;

(2) any sums appropriated, allotted, or reallotted pursuant to part 3 of title V for the fiscal year ending June 30, 1968, shall be deemed appropriated, allotted, or reallotted (as the case may be) under part B of title IV of such Act for such fiscal year; and

(3) any overpayment or underpayment which the Secretary determines was made to the State under section 523 of the Social Security Act and with respect to which adjustment has not then already been made under subsection (b) of such section shall, for purposes of section 422 of such Act, be considered an overpayment or underpayment (as the case may be) made under section 422 of such Act.

(g) Any sums appropriated or grants made pursuant to section 526 of the Social Security Act (as in effect prior to the enactment of this Act) shall be deemed to have been

appropriated or made (as the case may be) under section 426 of the Social Security Act (as added by subsection (c) of this section).

(h) Each State plan approved under title IV of the Social Security Act as in effect on the day preceding the date of the enactment of this Act shall be deemed, without the necessity of any change in such plan, to have been conformed with the amendments made by subsections (a) and (b) of this section.

CONFORMING AMENDMENTS

SEC. 236. (a) Section 228(d)(1) of the Social Security Act is amended by striking out "IV,", and by inserting after "XVI," the following: "or part A of title IV,".

(b)(1) The first sentence of section 401 of the Social Security Act is amended by striking out "title" and inserting in lieu thereof "part".

(2) The proviso in section 403(a)(3)(D) of such Act is amended by striking out "title" and inserting in lieu thereof "part".

(3) The last sentence of section 403(c)(2) of such Act is amended by striking out "title" and inserting in lieu thereof "part".

(4) Section 404(b) of such Act is amended by striking out "title" and inserting in lieu thereof "part".

(5) Section 406 of such Act is amended by striking out "title" in the matter preceding subsection (a) and inserting in lieu thereof "part".

(c) (1) Section 1106(c) (1) of such Act is amended by striking out "IV,", and by inserting after "XIX," the following: "or part A of title IV,".

(2) Section 1109 of such Act is amended by striking out "IV,", and by inserting after "XIX" the following: ", or part A of title IV,".

(3) Section 1111 of such Act is amended by striking out "IV,", and by inserting after "XVI," the following: "and part A of title IV,".

(4) Section 1115 of such Act is amended by striking out "IV,", and by inserting after "XIX" the following: ", or part A of title IV,".

(5) Section 1116 of such Act is amended—

(A) by striking out "IV," in subsection (a) (1), and by inserting after "XIX," in such subsection the following: "or part A of title IV,"; and

(B) by striking out "IV," in subsections (b) and (d), and by inserting after "XIX" in such subsections the following: ", or part A of title IV,".

(6) Section 1117 of such Act is amended—

(A) by striking out "IV," in clause (A) of subsection (a) (2), and by inserting after "XIX" in such clause the following: ", and part A of title IV,";

(B) by striking out "IV," each place it appears in subsection (b);

(C) by inserting after "and XIX" in subsection (b) the following: ", and part A of title IV,";

(D) by inserting after "or XIX" in subsection (b) the following: ", or part A of title IV".

(7) Section 1118 of such Act is amended by striking out "IV,", and by inserting after "XVI," the following: "and part A of title IV,".

(d) Section 1602 (a) (11) of such Act is amended by striking out "title IV, X, or XIV" and inserting in lieu thereof "part A of title IV or under title X or XIV".

(e) (1) Section 1843 (b) (2) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", and part A of title IV".

(2) Section 1843 (f) of such Act is amended—

(A) by striking out "IV," in the first sentence, and by inserting after "XVI," the first place it appears in such sentence the following: "or part A of title IV,", and

(B) by striking out "IV," in the second sentence, and by inserting after "XVI" in such sentence the following: ", and part A of title IV".

(f) (1) Section 1902 (a) (10) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", and part A of title IV".

(2) Section 1902 (a) (17) of such Act is amended by

striking out "IV,", and by inserting after "XVI" the following: ", or part A of title IV".

(3) Section 1902 (b) (2) of such Act is amended by striking out "title IV" and inserting in lieu thereof "part A of title IV".

(4) Section 1902 (c) of such Act is amended by striking out "IV,", and by inserting after "XVI" the following: ", or part A of title IV".

(5) Section 1903 (a) (1) of such Act is amended by striking out "IV,", and by inserting after "XVI," the following: "or part A of title IV,".

(6) Section 1905 (a) (ii) of such Act is amended by striking out "title IV" and inserting in lieu thereof "part A of title IV".

PART 4—MISCELLANEOUS AND TECHNICAL AMENDMENTS

PARTIAL PAYMENTS TO STATES

SEC. 245. Sections 4, 404 (a), 1004, and 1404 of the Social Security Act are each amended—

(1) by striking out "further payments will not be made to the State" and inserting in lieu thereof "further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure)"; and

(2) by striking out the last sentence and inserting in lieu thereof the following: "Until he is so satisfied

he shall make no further payments to such State (or shall limit payments to categories under or parts of the State plan not affected by such failure)."

CONTRACTS FOR COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

SEC. 246. Section 1110(a)(2) of the Social Security Act is amended by striking out "nonprofit".

PERMANENT AUTHORITY TO SUPPORT DEMONSTRATION PROJECTS

SEC. 247. Section 1115 of the Social Security Act is amended—

(1) by striking out "$2,000,000" and inserting in lieu thereof "$4,000,000"; and

(2) by striking out "ending prior to July 1, 1968" and inserting in lieu thereof "beginning after June 30, 1967".

SPECIAL PROVISIONS RELATING TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 248. (a)(1) Section 1108 of the Social Security Act is amended to read as follows:

"LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

"SEC. 1108. (a) The total amount certified by the Secretary of Health, Education, and Welfare under title I, X, XIV, and XVI, and under part A of title IV (exclu-

sive of any amounts on account of services and items to which subsection (b) applies)—

"(1) for payment to Puerto Rico shall not exceed—

"(A) $12,500,000 with respect to the fiscal year 1968,

"(B) $15,000,000 with respect to the fiscal year 1969,

"(C) $18,000,000 with respect to the fiscal year 1970,

"(D) $21,000,000 with respect to the fiscal year 1971, or

"(E) $24,000,000 with respect to the fiscal year 1972 and each fiscal year thereafter;

"(2) for payment to the Virgin Islands shall not exceed—

"(A) $425,000 with respect to the fiscal year 1968,

"(B) $500,000 with respect to the fiscal year 1969,

"(C) $600,000 with respect to the fiscal year 1970,

"(D) $700,000 with respect to the fiscal year 1971, or

"(E) $800,000 with respect to the fiscal year 1972 and each fiscal year thereafter; and

"(3) for payment to Guam shall not exceed—

"(A) $575,000 with respect to the fiscal year 1968,

"(B) $690,000 with respect to the fiscal year 1969,

"(C) $825,000 with respect to the fiscal year 1970,

"(D) $960,000 with respect to the fiscal year 1971, or

"(E) $1,100,000 with respect to the fiscal year 1972 and each fiscal year thereafter.

"(b) The total amount certified by the Secretary under part A of title IV, on account of family planning services and services and items referred to in sections 403(a)(3)(B) and 304(2) with respect to any fiscal year—

"(1) for payment to Puerto Rico shall not exceed $2,000,000,

"(2) for payment to the Virgin Islands shall not exceed $65,000, and

"(3) for payment to Guam shall not exceed $90,000.

"(c) The total amount certified by the Secretary under title XIX with respect to any fiscal year—

"(1) for payment to Puerto Rico shall not exceed $20,000,000,

"(2) for payment to the Virgin Islands shall not exceed $650,000, and

"(3) for payment to Guam shall not exceed $900,000.

"(d) Notwithstanding the provisions of sections 502 (a) and 512 (a) of this Act, and the provisions of sections 421, 503 (1), and 504 (1) of this Act as amended by the Social Security Amendments of 1967, and until such time as the Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the initial allotment specified in such sections, allot such smaller amounts to Guam as he may deem appropriate."

(2) The amendment made by paragraph (1) shall apply with respect to fiscal years beginning after June 30, 1967.

(b) Notwithstanding subparagraphs (A) and (B) of section 403 (a) (3) of such Act (as amended by this Act), the rate specified in such subparagraphs in the case of Puerto Rico, the Virgin Islands, and Guam shall be 60 per centum (rather than 75 or 85 per centum).

(c) Effective July 1, 1969, neither the provisions of clauses (A) through (C) of section 402 (a) (7) of such Act as in effect before the enactment of this Act nor the

provisions of section 402 (a) (8) of such Act as amended by section 202 (b) of this Act shall apply in the case of Puerto Rico, the Virgin Islands, or Guam. Effective no later than July 1, 1972, the State plans of Puerto Rico, the Virgin Islands, and Guam approved under section 402 of such Act shall provide for the disregarding of income in making the determination under section 402 (a) (7) of such Act in amounts (agreed to between the Secretary and the State agencies involved) sufficiently lower than the amounts specified in section 402 (a) (8) of such Act to reflect appropriately the applicable differences in income levels.

(d) The amendment made by section 220 (a) of this Act shall not apply in the case of Puerto Rico, the Virgin Islands, or Guam.

(e) Effective with respect to quarters after 1967, section 1905 (b) of such Act is amended by striking out "55 per centum" and inserting in lieu thereof "50 per centum".

APPROVAL OF CERTAIN PROJECTS

SEC. 249. Title XI of the Social Security Act is amended by adding at the end thereof (after the new section added by section 209 of this Act) the following new section:

"APPROVAL OF CERTAIN PROJECTS

"SEC. 1120. (a) No payment shall be made under this Act with respect to any experimental, pilot, demonstration,

or other project all or any part of which is wholly financed with Federal funds made available under this Act (without any State, local, or other non-Federal financial participation) unless such project shall have been personally approved by the Secretary or Under Secretary of Health, Education, and Welfare.

"(b) As soon as possible after the approval of any project under subsection (a), the Secretary shall submit to the Congress a description of such project including a statement of its purpose, probable cost, and expected duration."

TITLE III—IMPROVEMENT OF CHILD HEALTH

CONSOLIDATION OF SEPARATE PROGRAMS UNDER TITLE V OF THE SOCIAL SECURITY ACT

SEC. 301. Effective with respect to fiscal years beginning after June 30, 1968, title V of the Social Security Act (as otherwise amended by this Act) is amended to read as follows:

"TITLE V—MATERNAL AND CHILD HEALTH AND CRIPPLED CHILDREN'S SERVICES

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 501. For the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under the conditions in such State,

"(1) services for reducing infant mortality and otherwise promoting the health of mothers and children; and

"(2) services for locating, and for medical, surgical, corrective, and other services and care for and facilities for diagnosis, hospitalization, and aftercare for, children who are crippled or who are suffering from conditions leading to crippling,

there are authorized to be appropriated $250,000,000 for the fiscal year ending June 30, 1969, $275,000,000 for the fiscal year ending June 30, 1970, $300,000,000 for the fiscal year ending June 30, 1971, $325,000,000 for the fiscal year ending June 30, 1972, and $350,000,000 for the fiscal year ending June 30, 1973, and each fiscal year thereafter.

"PURPOSES FOR WHICH FUNDS ARE AVAILABLE

"SEC. 502. (a) Appropriations pursuant to section 501 shall be available for the following purposes in the following proportions:

"(1) In the case of the fiscal year ending June 30, 1969, and each of the next 3 fiscal years, (A) 50 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; (B) 40 percent thereof shall be for grants pursuant to sections 508, 509, and 510; and (C) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512,

"(2) In the case of the fiscal year ending June 30, 1973, and each fiscal year thereafter, (A) 90 percent of the appropriation for such year shall be for allotments pursuant to sections 503 and 504; and (B) 10 percent thereof shall be for grants, contracts, or other arrangements pursuant to sections 511 and 512.

Not to exceed 5 percent of the appropriation for any fiscal year under this section shall be transferred, at the request of the Secretary, from one of the purposes specified in paragraph (1) or (2) to another purpose or purposes so specified. For each fiscal year, the Secretary shall determine the portion of the appropriation, within the percentage determined above to be available for sections 503 and 504, which shall be available for allotment pursuant to section 503 and the portion thereof which shall be available for allotment pursuant to section 504.

"ALLOTMENTS TO STATES FOR MATERNAL AND CHILD HEALTH SERVICES

"SEC. 503. The amount determined to be available pursuant to section 502 for allotments under this section shall be allotted for payments for maternal and child health services as follows:

"(1) One-half of such amount shall be allotted by allotting to each State $70,000 plus such part of the remainder of such one-half as he finds that the number

of live births in such State bore to the total number of live births in the United States in the latest calendar year for which he has statistics.

"(2) The remaining one-half of such amount shall (in addition to the allotments under paragraph (1)) be allotted to the States from time to time according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of live births in such State; except that not more than 25 percent of such one-half shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 505), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of maternal and child health.

"ALLOTMENTS TO STATES FOR CRIPPLED CHILDREN'S SERVICES

"SEC. 504. The amount determined to be available pursuant to section 502 for allotments under this section shall be allotted for payments for crippled children's services as follows:

"(1) One-half of such amount shall be allotted by allotting to each State $70,000 and allotting the re-

mainder of such one-half according to the need of each State as determined by him after taking into consideration the number of crippled children in such State in need of the services referred to in paragraph (2) of section 501 and the cost of furnishing such services to them.

"(2) The remaining one-half of such amount shall (in addition to the allotments under paragraph (1)) be allotted to the States from time to time according to the financial need of each State for assistance in carrying out its State plan, as determined by the Secretary after taking into consideration the number of crippled children in each State in need of the services referred to in paragraph (2) of section 501 and the cost of furnishing such services to them; except that not more than 25 percent of such one-half shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 505), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of services for crippled children.

"APPROVAL OF STATE PLANS

"SEC. 505. (a) In order to be entitled to payments from allotments under section 502, a State must have a

State plan for maternal and child health services and services for crippled children which—

"(1) provides for financial participation by the State;

"(2) provides for the administration of the plan by the State health agency or the supervision of the administration of the plan by the State health agency; except that in the case of those States which on July 1, 1967, provided for administration (or supervision thereof) of the State plan approved under section 513 (as in effect on such date) by a State agency other than the State health agency, the plan of such State may be approved under this section if it would meet the requirements of this subsection except for provision of administration (or supervision thereof) by such other agency for the portion of the plan relating to services for crippled children, and, in each such case, the portion of such plan which each such agency administers, or the administration of which each such agency supervises, shall be regarded as a separate plan for purposes of this title;

"(3) provides such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation

of any individual employed in accordance with such methods) as are necessary for the proper and efficient operation of the plan;

"(4) provides that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as he may from time to time find necessary to assure the correctness and verification of such reports;

"(5) provides for cooperation with medical, health, nursing, educational, and welfare groups and organizations and, with respect to the portion of the plan relating to services for crippled children, with any agency in such State charged with administering State laws providing for vocational rehabilitation of physically handicapped children;

"(6) provides for payment of the reasonable cost (as determined in accordance with standards approved by the Secretary and included in the plan) of inpatient hospital services provided under the plan;

"(7) provides, with respect to the portion of the plan relating to services for crippled children, for early identification of children in need of health care and services, and for health care and treatment needed to correct or ameliorate defects or chronic conditions discovered

thereby, through provision of such periodic screening and diagnostic services, and such treatment, care and other measures to correct or ameliorate defects or chronic conditions, as may be provided in regulations of the Secretary;

"(8) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 508 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily helping to reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with child bearing and of satisfactorily helping to reduce infant and maternal mortality;

"(9) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 509 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the health of children and youth of school or preschool age;

"(10) effective July 1, 1972, provides a program (carried out directly or through grants or contracts) of projects described in section 510 which offers reasonable assurance, particularly in areas with concentrations of low-income families, of satisfactorily promoting the

dental health of children and youth of school or preschool age;

"(11) provides for carrying out the purposes specified in section 501; and

"(12) provides for the development of demonstration services (with special attention to dental care for children and family planning services for mothers) in needy areas and among groups in special need.

"(b) The Secretary shall approve any plan which meets the requirements of subsection (a).

"PAYMENTS

"SEC. 506. (a) From the sums appropriated therefor and the allotments available under section 503(1) or 504(1), as the case may be, the Secretary shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing July 1, 1968, an amount, which shall be used exclusively for carrying out the State plan, equal to one-half of the total sum expended during such quarter for carrying out such plan with respect to maternal and child health services and services for crippled children, respectively.

"(b)(1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsection (a) for such quarter, such esti-

mates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such other investigation as the Secretary may find necessary.

"(2) The Secretary shall then pay to the State, in such installments as he may determine, the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to such State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

"(3) Upon the making of an estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.

"(c) The Secretary shall also from time to time make payments to the States from their respective allotments pursuant to section 503(2) or 504(2). Payments of grants under sections 503(2), 504(2), 508, 509, 510, and 511, and of grants, contracts, or other arrangements under section

512, may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the section involved.

"(d) The total amount determined under subsections (a) and (b) and the first sentence of subsection (c) for any fiscal year ending after June 30, 1968, shall be reduced by the amount by which the sum expended (as determined by the Secretary) from non-Federal sources for maternal and child health services and services for crippled children for such year is less than the sum expended from such sources for such services for the fiscal year ending June 30, 1968. In the case of any such reduction, the Secretary shall determine the portion thereof which shall be applied, and the manner of applying such reduction, to the amounts otherwise payable from allotments under section 503 or section 504.

"(e) Notwithstanding the preceding provisions of this section, no payment shall be made to any State thereunder from the allotments under section 503 or section 504 for any period after June 30, 1968, unless the State makes a satisfactory showing that it is extending the provision of services, including services for dental care for children and family planning for mothers, to which such State's plan applies in

the State with a view to making such services available by July 1, 1975, to children and mothers in all parts of the State.

"OPERATION OF STATE PLANS

"SEC. 507. If the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of the State plan approved under this title, finds—

"(1) that the plan has been so changed that it no longer complies with the provisions of section 505; or

"(2) that in the administration of the plan there is a failure to comply substantially with any such provision;

the Secretary shall notify such State agency that further payments will not be made to the State (or, in his discretion, that payments will be limited to categories under or parts of the State plan not affected by such failure), until the Secretary is satisfied that there will no longer be any such failure to comply. Until he is so satisfied he shall make no further payments to such State (or shall limit payments to categories under or parts of the State plan not affected by such failure).

"SPECIAL PROJECT GRANTS FOR MATERNITY AND INFANT CARE

"SEC. 508. (a) In order to help reduce the incidence of mental retardation and other handicapping conditions caused by complications associated with childbearing and to help reduce infant and maternal mortality, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, grants to the State health agency of any State and, with the consent of such agency, to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost (exclusive of general agency overhead) of any project for the provision of—

"(1) necessary health care to prospective mothers (including, after childbirth, health care to mothers and their infants) who have or are likely to have conditions associated with childbearing or are in circumstances which increase the hazards to the health of the mothers or their infants (including those which may cause physical or mental defects in the infants), or

"(2) necessary health care to infants during their

first year of life who have any condition or are in circumstances which increase the hazards to their health, or

"(3) family planning services,

but only if the State or local agency determines that the recipient will not otherwise receive such necessary health care or services because he is from a low-income family or for other reasons beyond his control.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"SPECIAL PROJECT GRANTS FOR HEALTH OF SCHOOL AND PRESCHOOL CHILDREN

"SEC. 509. (a) In order to promote the health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make, from the sums available under clause (B) of paragraph (1) of section 502, grants to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, to the State agency of the State administering or supervising the administration of the State plan approved under section 505, to any school of medicine (with appropriate participation by a school of dentistry), and to any teaching hospital affiliated with such a school, to pay

not to exceed 75 percent of the cost of projects of a comprehensive nature for health care and services for children and youth of school age or for preschool children (to help them prepare to start school). No project shall be eligible for a grant under this section unless it provides (1) for the coordination of health care and services provided under it with, and utilization (to the extent feasible) of, other State or local health, welfare, and education programs for such children, (2) for payment of the reasonable cost (as determined in accordance with standards approved by the Secretary) of inpatient hospital services provided under the project, and (3) that any treatment, correction of defects, or aftercare provided under the project is available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control; and no such project for children and youth of school age shall be considered to be of a comprehensive nature for purposes of this section unless it includes (subject to the limitation in the preceding provisions of this sentence) at least such screening, diagnosis, preventive services, treatment, correction of defects, and aftercare, both medical and dental, as may be provided for in regulations of the Secretary.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"SPECIAL PROJECT GRANTS FOR DENTAL HEALTH OF CHILDREN

"SEC. 510. (a) In order to promote the dental health of children and youth of school or preschool age, particularly in areas with concentrations of low-income families, the Secretary is authorized to make grants, from the sums available under clause (B) of paragraph (1) of section 502, to the State health agency of any State and (with the consent of such agency) to the health agency of any political subdivision of the State, and to any other public or nonprofit private agency, institution, or organization, to pay not to exceed 75 percent of the cost of projects of a comprehensive nature for dental care and services for children and youth of school age or for preschool children. No project shall be eligible for a grant under this section unless it provides that any treatment, correction of defects, or aftercare provided under the project is available only to children who would not otherwise receive it because they are from low-income families or for other reasons beyond their control, and unless it includes (subject to the limitation in the foregoing provisions of this sentence) at least such preventive services, treatment, correction of defects, and after care, for such age groups, as may be provided in regulations of the Secretary. Such projects may also include research looking toward the development of new

methods of diagnosis or treatment, or demonstration of the utilization of dental personnel with various levels of training.

"(b) No grant may be made under this section for any project for any period after June 30, 1972.

"TRAINING OF PERSONNEL

"SEC. 511. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to public or nonprofit private institutions of higher learning for training personnel for health care and related services for mothers and children, particularly mentally retarded children and children with multiple handicaps. In making such grants, the Secretary shall give priority to programs providing training at the undergraduate level.

"RESEARCH PROJECTS RELATING TO MATERNAL AND CHILD HEALTH SERVICES AND CRIPPLED CHILDREN'S SERVICES

"SEC. 512. From the sums available under clause (C) of paragraph (1) or clause (B) of paragraph (2) of section 502, the Secretary is authorized to make grants to or jointly financed cooperative arrangements with public or other nonprofit institutions of higher learning, and public or nonprofit private agencies and organizations engaged in research or in maternal and child health or crippled children's programs, and contracts with public or nonprofit private agencies and organizations engaged in research or in such programs, for research projects relating to maternal and child health

services or crippled children's services which show promise of substantial contribution to the advancement thereof. Effective with respect to grants made and arrangements entered into after June 30, 1968, (1) special emphasis shall be accorded to projects which will help in studying the need for, and the feasibility, costs, and effectiveness of, comprehensive health care programs in which maximum use is made of health personnel with varying levels of training, and in studying methods of training for such programs, and (2) grants under this section may also include funds for the training of health personnel for work in such projects.

"ADMINISTRATION

"SEC. 513. (a) The Secretary of Health, Education, and Welfare shall make such studies and investigations as will promote the efficient administration of this title.

"(b) Such portion of the appropriations for grants under section 501 as the Secretary may determine, but not exceeding one-half of 1 percent thereof, shall be available for evaluation by the Secretary (directly or by grants or contracts) of the programs for which such appropriations are made and, in the case of allotments from any such appropriation, the amount available for allotments shall be reduced accordingly.

"(c) Any agency, institution, or organization shall, if and to the extent prescribed by the Secretary, as a condition to receipt of grants under this title, cooperate with the State agency administering or supervising the administration of the State plan approved under title XIX in the provision of care

and services, available under a plan or project under this title, for children eligible therefor under such plan approved under title XIX.

"DEFINITION

"SEC. 514. For purposes of this title, a crippled child is an individual under the age of 21 who has an organic disease, defect, or condition which may hinder the achievement of normal growth and development."

CONFORMING AMENDMENTS

SEC. 302. (a) Section 1905 (a) (4) of the Social Security Act is amended by inserting "(A)" after "(4)", and by inserting before the semicolon at the end thereof the following: "(B) effective July 1, 1969, such early and periodic screening and diagnosis of individuals who are eligible under the plan and are under the age of 21 to ascertain their physical or mental defects, and such health care, treatment, and other measures to correct or ameliorate defects and chronic conditions discovered thereby, as may be provided in regulations of the Secretary".

(b) Section 1902 (a) (11) of such Act is amended by inserting "(A)" after "(11)", and by inserting before the semicolon at the end thereof the following: ", and (B) effective July 1, 1969, provide, to the extent prescribed by the Secretary, for entering into agreements, with any agency, institution, or organization receiving payments for part or all of the cost of plans or projects under title V, (i) providing for utilizing such agency, institution, or organiza-

tion in furnishing care and services which are available under such plan or project under title V and which are included in the State plan approved under this section and (ii) making such provision as may be appropriate for reimbursing such agency, institution, or organization for the cost of any such care and services furnished any individual for which payment would otherwise be made to the State with respect to him under section 1903".

1968 AUTHORIZATION FOR MATERNITY AND INFANT CARE PROJECTS

SEC. 303. Section 531 (a) of the Social Security Act is amended by striking out "and $30,000,000 for each of the next three fiscal years" and inserting in lieu thereof "$30,000,000 for each of the next 2 fiscal years, and $35,000,000 for the fiscal year ending June 30, 1968".

SHORT TITLE

SEC. 304. This title may be cited as the "Child Health Act of 1967".

TITLE IV—GENERAL PROVISIONS

SOCIAL WORK MANPOWER AND TRAINING

SEC. 401. Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"GRANTS FOR EXPANSION AND DEVELOPMENT OF UNDERGRADUATE AND GRADUATE PROGRAMS

"SEC. 707. (a) There is authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1969,

and $5,000,000 for each of the three succeeding fiscal years, for grants by the Secretary to public or nonprofit private colleges and universities and to accredited graduate schools of social work or an association of such schools to meet part of the costs of development, expansion, or improvement of (respectively) undergraduate programs in social work and programs for the graduate training of professional social work personnel, including the costs of compensation of additional faculty and administrative personnel and minor improvements of existing facilities. Not less than one-half of the sums appropriated for any fiscal year under the authority of this subsection shall be used by the Secretary for grants with respect to undergraduate programs.

"(b) In considering applications for grants under this section, the Secretary shall take into account the relative need in the States for personnel trained in social work and the effect of the grants thereon.

"(c) Payment of grants under this section may be made (after necessary adjustments on account of previously made overpayments or underpayments) in advance or by way of reimbursement, and on such terms and conditions and in such installments, as the Secretary may determine.

"(d) For purposes of this section—

"(1) the term 'graduate school of social work' means a department, school, division, or other administrative unit, in a public or nonprofit private college or university, which provides, primarily or exclusively, a

program of education in social work and allied subjects leading to a graduate degree in social work;

"(2) the term 'accredited' as applied to a graduate school of social work refers to a school which is accredited by a body or bodies approved for the purpose by the Commissioner of Education or with respect to which there is evidence satisfactory to the Secretary that it will be so accredited within a reasonable time; and

"(3) the term 'nonprofit' as applied to any college or university refers to a college or university which is a corporation or association, or is owned and operated by one or more corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual."

INCENTIVE FOR LOWERING COSTS WHILE MAINTAINING QUALITY AND INCREASING EFFICIENCY IN THE PROVISION OF HEALTH SERVICES

SEC. 402. (a) The Secretary of Health, Education, and Welfare is authorized to develop and engage in experiments under which organizations and institutions which would otherwise be entitled to reimbursement or payment on the basis of reasonable cost for services provided—

(1) under title XVIII of the Social Security Act

(2) under a State plan approved under title XIX of such Act, or

(3) under a plan developed under title V of such Act,

and which are selected by the Secretary in accordance with regulations established by the Secretary, would be reimbursed or paid in any manner mutually agreed upon by the Secretary and the organization or institution. The method of reimbursement which may be applied in such experiments shall be such as the Secretary may select and may be based on charges or costs adjusted by incentive factors and may include specific incentive payments or reductions of payments for the performance of specific actions but in any case shall be such as he determines may, through experiment, be demonstrated to have the effect of increasing the efficiency and economy of health services through the creation of additional incentives to these ends without adversely affecting the quality of such services.

(b) In the case of any experiment under subsection (a), the Secretary may waive compliance with the requirements of titles XVIII, XIX, and V of the Social Security Act insofar as such requirements relate to reimbursement or payment on the basis of reasonable cost; and costs incurred in such experiment in excess of the costs which would otherwise be reimbursed or paid under such titles may be reimbursed or paid to the extent that such waiver applies to them (with such excess being borne by the Secretary).

(c) Section 1875(b) of the Social Security Act is amended by inserting after "under parts A and B" the fol-

lowing: "(including the experimentation authorized by section 402 of the Social Security Amendments of 1967)".

CHANGES TO REFLECT CODIFICATION OF TITLE 5, UNITED STATES CODE

SEC. 403. (a) (1) Section 210(a) (6) (C) (iv) of the Social Security Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351(2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(2) Section 210(a) (6) (C) (vi) of such Act is amended by striking out "the Civil Service Retirement Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(3) Section 210(a) (7) (D) (ii) of such Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351(2) of title 5, United States Code", and by striking out "; 5 U.S.C. 1052".

(b) Section 215(h) (1) of such Act is amended—

(1) by striking out "of the Civil Service Retirement Act," and inserting in lieu thereof "of subchapter III of chapter 83 of title 5, United States Code,"; and

(2) by striking out "under the Civil Service Retirement Act" and inserting in lieu thereof "under subchapter III of chapter 83 of title 5, United States Code,".

(c) (1) Section 217(f) (1) of such Act is amended—

(A) by striking out "the Civil Service Retirement Act of May 29, 1930, as amended," and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,"; and

(B) by striking out "such Act of May 29, 1930, as amended," and inserting in lieu thereof "such subchapter III".

(2) Section 217(f)(2) of such Act is amended by striking out "the Civil Service Retirement Act of May 29, 1930, as amended," and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(d)(1) Section 706(b) of such Act is amended by striking out "the civil service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".

(2) Section 706(c)(2) of such Act is amended by striking out "section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2)" and inserting in lieu thereof "section 5703 of title 5, United States Code,".

(e)(1) Section 1114(b) of such Act is amended by striking out "the civil-service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".

(2) Section 1114(f) of such Act is amended by striking out "the civil-service laws" and inserting in lieu thereof "the provisions of title 5, United States Code, governing appointments in the competitive service".

(3) Section 1114 (g) of such Act is amended by striking out "section 5 of the Administrative Expenses Act of 1946 (5 U.S.C. 73b–2)" and inserting in lieu thereof "section 5703 of title 5, United States Code.".

(f) (1) Section 1501 (a) (6) of such Act is amended by striking out "the Civil Service Retirement Act of 1930" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(2) Section 1501 (a) (9) of such Act is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(g) (1) Section 1840 (e) (1) of such Act is amended by striking out "the Civil Service Retirement Act, or other Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code, or any other law".

(2) Section 1840 (e) (2) of such Act is amended by striking out "such other Act" and inserting in lieu thereof "such other law".

(h) Section 103 (b) (3) of the Social Security Amendments of 1965 is amended—

(1) by striking out "the Federal Employees Health Benefits Act of 1959" in subparagraph (A) and inserting in lieu thereof "chapter 89 of title 5, United States Code"; and

(2) by striking out "such Act" in subparagraph (C) and inserting in lieu thereof "such chapter".

(i) (1) Section 3121 (b) (6) (C) (iv) of the Internal Revenue Code of 1954 is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C., sec. 1052".

(2) Section 3121 (b) (6) (C) (vi) of such Code is amended by striking out "the Civil Service Retirement Act" and inserting in lieu thereof "subchapter III of chapter 83 of title 5, United States Code,".

(3) Section 3121 (b) (7) (C) (ii) of such Code is amended by striking out "under section 2 of the Act of August 4, 1947" and inserting in lieu thereof "under section 5351 (2) of title 5, United States Code", and by striking out "; 5 U.S.C. 1052".

MEANING OF SECRETARY

SEC. 404. As used in the amendments made by this Act (unless the context otherwise requires), the term "Secretary" means the Secretary of Health, Education, and Welfare.

Passed the House of Representative August 17, 1967.

Attest: W. PAT JENNINGS,

Clerk.

90TH CONGRESS
1ST SESSION

H. R. 12080

AN ACT

To amend the Social Security Act to provide an increase in benefits under the old-age, survivors, and disability insurance system, to provide benefits for additional categories of individuals, to improve the public assistance program and programs relating to the welfare and health of children, and for other purposes.

AUGUST 18, 1967

Read twice and referred to the Committee on Finance

Commissioner's Bulletin

SOCIAL SECURITY ADMINISTRATION

Number 60 August 17, 1967

SOCIAL SECURITY AMENDMENTS OF 1967

To Administrative, Supervisory,
and Technical Employees

Today the House of Representatives passed, without amendment, H. R. 12080, the "Social Security Amendments of 1967," by a vote of 415 to 3. This is the bill that was described in Commissioner's Bulletin No. 59.

The bill now goes to the Senate for consideration by the Committee on Finance. Public hearings on the bill have been scheduled by the Committee to begin next Tuesday, August 22.

Robert M. Ball

Robert M. Ball
Commissioner

90th Congress
1st Session

COMMITTEE PRINT

SOCIAL SECURITY AMENDMENTS OF 1967

COMPARISON OF H.R. 12080, AS PASSED BY THE HOUSE OF REPRESENTATIVES, WITH EXISTING LAW

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

AUGUST 23, 1967

Printed for the use of the Committee on Finance

WASHINGTON : 1967

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CONTENTS

MAJOR PROVISIONS OF H.R. 12080, SOCIAL SECURITY AMENDMENTS OF 1967, AS PASSED BY THE HOUSE OF REPRESENTATIVES

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

HEALTH INSURANCE (Title XVIII of the Social Security Act)

PUBLIC ASSISTANCE AMENDMENTS

MEDICAL CARE FOR THE NEEDY (MEDICARE)

CHILD WELFARE SERVICES

CHILD HEALTH

Tables

MAJOR PROVISIONS OF H.R. 12080, SOCIAL SECURITY AMENDMENTS OF 1967, AS PASSED BY THE HOUSE OF REPRESENTATIVES

I. Old-Age, Survivors, Disability, and Health Insurance Amendments

A. Old-Age, Survivors, and Disability Insurance

1. INCREASE IN SOCIAL SECURITY BENEFITS

Benefits would be increased by 12½ percent for people now receiving benefits, with a minimum benefit of $50 a month for a worker who retired at age 65 or later. Under present law benefits range from $44 to $142 a month for retired workers who are now receiving benefits and who retired at age 65 or later. Under the provisions of H.R. 12080 these amounts would be increased to $50 and $159.80. The average social security benefit now paid to all aged couples—$145 a month—would be increased to $164.

The bill provides for an increase in the amount of special payments now given to certain people age 72 and over from $35 to $40 for a worker or a widow, and from $52.50 to $60 for a couple.

Provision is made in the bill to increase the amount of earnings which would be subject to social security taxes and used in computing benefits. Under present law a person pays taxes on—and will collect benefits on—annual earnings of not more than $6,600. Under H.R. 12080 this amount would be increased to $7,600 a year, effective January 1, 1968.

Effective date.—The increased benefits would be payable beginning with the second month after the month in which the bill is enacted.

2. BENEFITS TO DISABLED WIDOWS AND WIDOWERS

The bill provides for the payment of monthly benefits to those disabled widows and widowers of covered deceased workers who are between the ages of 50 and 62. If a disabled widow or widower first received benefits at age 50, then the benefit would be 50 percent of the primary insurance amount. The amount payable would increase up to 82½ percent of the primary insurance amount, depending on the age at which benefits began. The reduction would continue to apply to benefits which were paid after the recipient reached age 62.

A widow or widower would be determined to be disabled only if the disability is one that, under regulations prescribed by the Secretary of Health, Education, and Welfare, is deemed to be severe enough to preclude any gainful activity.

Effective date.—Benefits would be payable for the second month after the month in which the bill is enacted. It is estimated that 65,000 widows and widowers would be eligible for disability benefits upon enactment, and that $60 million in benefits would be paid in 1968.

3. CHANGE IN THE RETIREMENT TEST

The bill provides for an increase from $1,500 to $1,680 in the amount of annual earnings a beneficiary under age 72 can have without having any benefits withheld. Provision is made for an increase from $125 to $140 in the amount of monthly wages a person can have (who does not engage in substantial self-employment) and still get a benefit for the month. As in present law, the bill provides that $1 in benefits be withheld for each $2 of the first $1,200 of earnings above the annual exempt amount, and $1 in benefits for each $1 in earnings above that amount.

Effective date.—The provision would be effective for earnings in 1968. It is estimated that about 760,000 people would receive additional benefits, amounting to $140 million in the first year.

4. DEPENDENCY OF A CHILD ON THE MOTHER

Under the bill a child would be considered dependent on the mother under the same conditions that he is now considered dependent on the father. As a result, a child would be entitled to benefits if the mother was either fully or currently insured at the time she died, retired, or became disabled. Under present law a mother must have currently insured status (six quarters of work out of the last 13 quarters ending with death, retirement, or disability) unless she was actually supporting the child.

Effective date: Benefits would be payable beginning with the second month after the month of enactment. It is estimated that 175,000 children would become entitled to benefits upon enactment and that $82 million in benefits would be payable in 1968.

5. COVERAGE OF MINISTERS

Under the bill the services of ministers would be covered automatically under social security unless a minister specifically states that he is conscientiously opposed to the acceptance of public insurance benefits based on his service as a minister. In this case he would have to file an application for exemption of coverage within two years after becoming a minister and having ministerial earnings or two years after the enactment of the bill. The services of members of religious orders who have taken vows of poverty would be covered or excluded on the same basis as services of ministers. Effective for taxable years ending after 1967.

Under present law ministers and members of religious orders who have not taken a vow of poverty can elect whether they want coverage under the social security system.

6. DEFINITION OF DISABILITY FOR WORKERS

H.R. 12080 would provide a more detailed definition of disability for workers than is now in the law. Guidelines would be provided under which a person could be determined to be disabled only if he is unable to engage in any kind of substantial gainful work which exists in the national economy, even though such work does not exist in the general area in which he lives.

7. INSURED STATUS FOR WORKERS DISABLED BEFORE AGE 31

Under the bill, a worker who became disabled before age 31 could qualify for disability benefits if he had worked in one-half of the quarters between the time he was age 21 and the time he became disabled, if he had a minimum of six quarters of coverage. This would be an alternative to the present requirement that the worker must have worked for a total of 5 years out of the last 10 years in covered employment.

Effective date.—Benefits would be payable for the second month after the month in which the bill is enacted.

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

8. WAGE CREDITS FOR SERVICEMEN

For social security benefit purposes, the earnings of a person in the uniformed services would be considered to be $100 a month more than his basic pay. The cost of paying the additional benefits under this provision would be paid from general revenues.

Effective date.—For service after 1967.

9. UNDERPAYMENTS

The bill would specify the following order of payment of cash benefits due a person who has died: (1) the surviving spouse if she was entitled to benefits on the same earnings record as the deceased beneficiary, (2) his child or children if they were entitled to benefits on the same earnings record as the deceased beneficiary, (3) his parent or parents if they were entitled to benefits on the same earnings record as the beneficiary, (4) the legal representative of the estate, (5) the surviving spouse who is not entitled to benefits on the same earnings record as the deceased beneficiary, and (6) the child or children who are not entitled to benefits on the same earnings record.

10. HUSBAND'S AND WIDOWER'S INSURANCE BENEFITS WITHOUT REQUIREMENT OF WIFE'S CURRENTLY INSURED STATUS

H.R. 12080 would repeal the requirement in present law that a dependent husband or widower may become entitled to social security benefits on his wife's earnings only if his wife is currently insured at the time she died, became disabled, or retired.

B. Health Insurance

1. CREATION OF ADVISORY COUNCIL TO STUDY COVERAGE OF THE DISABLED UNDER THE HEALTH INSURANCE PROGRAM

Provision is made for the creation of an Advisory Council to study the problems related to the coverage of the disabled under the health insurance program, including the costs of such coverage. The Council would be appointed by the Secretary of Health, Education, and Welfare, and required to make its report by January 1, 1969.

2. INCREASE IN NUMBER OF COVERED HOSPITAL DAYS

The bill provides for an increase from 90 to 120 in the number of hospital days which would be covered in one spell of illness under medicare. However, a patient would have to pay a coinsurance amount of $20 a day (initially) for each additional day above 90. This amount would be subject to adjustment after 1968 to reflect changes in hospital costs.

Effective date.—January 1, 1968.

3. METHOD OF PAYING PHYSICIANS UNDER THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM

Under present law there are two methods of paying for physicians' services: by receipted bill or by assignment. H.R. 12080 would provide a third alternative: A physician could submit his itemized bill to the insurance carrier for payment. If the bill was no more than the reasonable charge for the service as determined by the carrier, then payment would be made to the physician. If the charge was higher than the reasonable charge, the payment would be made to the patient. If the physician was unwilling to submit the bill to the carrier, the patient could submit the itemized bill and receive the payment. As under present law, payment would be 80 percent of the reasonable charge after the $50 deductible had been met.

Effective date.—For payments for services furnished in or after January 1968.

4. TRANSFER OF OUTPATIENT HOSPITAL SERVICES FROM THE HOSPITAL INSURANCE PROGRAM TO SUPPLEMENTARY MEDICAL INSURANCE

The bill provides for the transfer of hospital outpatient diagnostic services from coverage under the hospital insurance program to coverage under the supplementary medical insurance program. As a result, all hospital outpatient services would become subject to the deductible ($50 a year) and coinsurance (20 percent) features of the supplementary medical insurance program.

Effective date.—January 1, 1968.

5. HOSPITAL INSURANCE BENEFITS FOR PERSONS NOT MEETING THE INSURED STATUS REQUIREMENT

H.R. 12080 provides for hospital insurance benefits for a person not eligible for cash social security benefits who attains age 65 in 1968 if he has a minimum of three quarters of covered work under social security. The number of quarters of coverage which would be required would increase by three in each year thereafter, until the fully insured status requirement is met. Under present law no benefits are payable unless such a person has a minimum of six quarters of coverage.

6. COVERAGE OF SERVICES BY PODIATRISTS

The definition of physicians would be changed to include a doctor of podiatry with respect to the services he is authorized to perform under the laws of the State. No payment would be made for routine foot care.

Effective date.—For services performed on or after January 1, 1968.

7. STUDY OF INCLUSION UNDER THE SUPPLEMENTARY MEDICAL INSURANCE PROGRAM OF SERVICES BY ADDITIONAL TYPES OF LICENSED PRACTITIONERS

The bill directs the Secretary of Health, Education, and Welfare to study the inclusion under the supplementary medical insurance program of services performed by additional kinds of licensed practitioners who are performing health services in independent practice. The Secretary would have to report his findings and recommendations before January 1, 1969.

8. ELIMINATION OF REQUIREMENT OF PHYSICIAN CERTIFICATION

The bill would eliminate the existing requirement that a physician certify that an inpatient requires hospitalization at the time he enters a general hospital. It would also eliminate the requirement that a physician certify the necessity of hospital outpatient services.

Effective date.—January 1, 1968.

9. PAYMENT FOR CERTAIN RADIOLOGICAL OR PATHOLOGICAL SERVICES

The bill would authorize the payment of full reasonable charges for radiological or pathological services furnished by physicians to hospital inpatients. All physician services and related services are subject to a $50 deductible and 20-percent coinsurance.

Effective date.—January 1, 1968.

10. BILLING BY HOSPITALS FOR SERVICES FURNISHED TO OUTPATIENTS

Under the bill hospitals would be permitted to collect charges from outpatients for services which do not exceed $50 (subject to final settlement in accordance with existing reimbursable cost provisions).

11. EXPERIMENTS TO STUDY METHODS OF HOSPITAL REIMBURSEMENT

The bill would authorize the Secretary to develop and engage in experiments to study alternative methods of reimbursing hospitals under the medicare, medical assistance and child health programs which would provide incentives to keep costs down while maintaining quality of care.

C. Financing the Social Security Program

Under the bill, there would be an increase in the tax rate, amounting ultimately to 0.5 percent of payroll. In addition, the amount of earnings taxed would be increased from $6,600 to $7,600 a year, beginning January 1, 1968.

Also beginning in 1968 there would be an increase in the amount of social security taxes which are allocated to the disability insurance trust fund. The percentage of taxable earnings which would go to that trust fund would increase from the present .70 percent to .95 percent (as to the employer-employee combined rate).

As a safety measure in the first year and one-half of operation, the supplementary medical insurance trust fund was provided with a contingency fund (in the form of a repayable loan from the general fund). Under the bill this fund would be continued until 1969.

II. Public Welfare

A. Amendments Related to the Aid to Dependent Children Program and Child Welfare

1. REQUIREMENT FOR STATES TO DEVELOP PROGRAMS FOR AFDC RECIPIENTS

The bill would require the States to develop a program for each appropriate relative and dependent child who is receiving aid to dependent children which would assure, to the maximum extent possible, their entry or re-entry into the labor force with the goal of making them self-sufficient. The States would have to give each appropriate adult and each child over age 16 who is not in school such services as employment counseling, testing, and job training. Day care services would have to be provided for the children of mothers who are determined to be able to work or take training, as well as such other services which may be necessary to make the family self-sustaining. A dependent child's adult caretaker who refuses employment or training without good cause would be cut off the rolls, but payment to the child would be made to someone else on the child's behalf.

The bill would also require the State agencies to bring to the attention of appropriate court or law enforcement agencies all situations involving the neglect, abuse, or exploitation of children. Protective or vendor payments would have to be provided in cases where it is determined that the adult relative cannot manage funds in the child's behalf.

States would be required under the bill to develop programs aimed at preventing or reducing the incidence of illegitimate births and strengthening family life. States would have to undertake to establish the paternity of an illegitimate child receiving aid to dependent children and to secure support for him. Family planning services would have to be offered (on a voluntary basis with respect to individuals) to AFDC recipients in all appropriate cases.

These provisions would become effective October 1, 1967, and would be mandatory on all the States after July 1, 1969. Provision is made for 85-percent Federal matching until July 1, 1969, and 75 percent therafter.

2. COMMUNITY WORK AND TRAINING PROGRAMS

The States would be required, effective July 1, 1969, under H. R. 12080, to have community work and training programs designed to conserve work skills and develop new skills for appropriate relatives and children receiving aid to families with dependent children. Programs would have to be in effect in all political subdivisions of a State in which there is a significant number of AFDC recipients. Assistance would not be paid for any person from whom participation in a work and training program was deemed appropriate if he refused to participate without good cause. The programs would have to conform to standards prescribed by the Secretary. Provision is made for 85-percent Federal matching for training, supervision, and materials until July 1, 1969. Matching would be 75 percent thereafter. Under present law, community work and training programs are optional with the States, and only 12 States have undertaken them. There is no provision in present law for Federal matching for the costs of training, supervision, and materials.

3. EARNINGS EXEMPTIONS

H.R. 12080 would require that each State provide in its program of aid to families with dependent children for an exemption of certain earnings by recipients. In determining the amount of assistance payments, States would have to disregard the first $30 of earned family income, plus one-third of earnings above that amount for each month. Earnings of children under age

16 and of those age 16 to 21 who are attending school full time would be fully exempt.

In order to qualify initially for assistance and for the earnings exemption a family would have to have an income below the State standard of need. The work exemption would not apply if a person terminated his employment or reduced his earned income without good cause, or if he refused without good cause a bona fide offer of employment.

4. DEPENDENT CHILDREN OF UNEMPLOYED FATHERS

H.R. 12080 would provide that under State programs of aid to families with dependent children of unemployed parents, which are now in effect in 22 States, Federal matching would be available only for the children of unemployed fathers. Under present law States may include children on the basis of the unemployment of mothers, as well as fathers. The bill also provides that the Secretary will prescribe standards for the determination of what constitutes unemployment. The term is defined by the States under present law.

Under the bill, State plans would have to provide for the payment of assistance when a child's father has not been employed for at least 30 days prior to receiving aid, if he has not refused a bona fide offer of employment or training without good cause, and if he has had a recent and substantial connection with the labor force, as specified in the bill. Assistance would be denied if the father is not currently registered with the public employment office in the State, if he refuses without good cause to undertake work or training, or refuses without good cause to accept employment, or if he is receiving unemployment compensation.

The States would have to assign recipients to work and training programs within 30 days after first providing assistance.

States which are operating programs for the children of unemployed parents as provided for under present law would not have to add any additional children or families as a result of the new provisions prior to July 1, 1969, and are not required to have community work and training before that date. However, the amendment establishing criteria for persons covered would be effective October 1, 1967, and no Federal matching would be provided for persons who do not meet these criteria.

5. SERVICES FURNISHED BY PUBLIC EMPLOYMENT OFFICES OF THE STATE

The bill directs the Secretary of Health, Education, and Welfare to enter into cooperative agreements with the Secretary of Labor for the provision through the public employment offices in each State of the services specified as necessary to assure that assistance recipients are registered at such offices, are receiving testing and counseling services, and are given job referrals.

6. FEDERAL PARTICIPATION IN PAYMENTS FOR FOSTER CARE OF CERTAIN DEPENDENT CHILDREN

Effective July 1, 1969, States would have to provide AFDC payments for children who are placed in foster homes, if in the 6 months before court proceedings started the children would have been eligible for AFDC payments if they had lived in the home of a relative. Federal matching would be available for grants up to an average of $100 a month per child. The provision would be optional with the States before July 1, 1969.

Under present law, children in foster care are eligible for AFDC payments only if they actually received such payments in the month they were removed from their homes by a court.

7. EMERGENCY ASSISTANCE FOR CERTAIN NEEDY FAMILIES WITH DEPENDENT CHILDREN

The bill would provide for 50-percent Federal matching for cash payments, and 75-percent matching for services which are needed to provide emergency assistance to needy families with dependent children. The assistance would be

limited to 30 days, and no more than one 30-day period could be provided for in 1 year. Included among the items which could be covered are money payments, payments in kind, payments for medical care, and other services specified by the Secretary.

8. CHILD WELFARE SERVICES

The bill would provide for transferring the provisions for all child welfare services from title V to title IV of the Social Security Act, the title which now provides for programs of aid to families with dependent children. At present child welfare services which are for children other than AFDC recipients are provided in title V. States would be required to furnish services to all children through the organizational unit which administers the AFDC program. Federal matching would be 75 percent of the cost of child welfare services to AFDC children. The authorization for services for non-AFDC children would be increased to $100 million for fiscal year 1969 ($55 million under present law) and to $110 million for each year thereafter ($60 million under present law).

9. LIMITATION ON FEDERAL PARTICIPATION IN AFDC PROGRAMS

The bill would provide that the proportion of all children under age 21 who were receiving AFDC payments in each State in January 1967 on the basis of the absence from the home of a parent could not be exceeded after 1967. Payments for any number above this proportion would have to be made without Federal participation.

B. Medical Assistance (Title XIX) Amendments

1. LIMITATION ON FEDERAL PARTICIPATION IN MEDICAL ASSISTANCE

The bill would provide for a limitation on the income levels which States can establish in determining eligibility for medical assistance. Federal matching would be made only if the family income level determining eligibility was not higher than (1) 133⅓ percent of the highest amount ordinarily paid to a family without any income or resources of the same size under the AFDC program, or (2) 133⅓ percent of the State per capita income for a family with four members (and comparable amounts for families of different sizes). The percentages would be effective July 1, 1968, except that for States which already have medical assistance programs in operation the proportion would be 150 percent from July 1, 1968, to January 1, 1969, and 140 percent from January 1, 1969, to January 1, 1970.

2. REQUIRED SERVICES UNDER STATE MEDICAL ASSISTANCE PROGRAMS

The bill would allow the States to provide under their medical assistance programs either those five types of benefits which are now required, or any seven of the first 14 which are specified in the law. See page 42 for list.

3. ADVISORY COUNCIL ON MEDICAL ASSISTANCE

H.R. 12080 provides for the creation of an Advisory Council on Medical Assistance to advise the Secretary on questions of administration under the title XIX program. The Council would be composed of 21 persons chosen from outside the Government.

C. Other Public Assistance Amendments

1. FEDERAL PAYMENTS FOR REPAIRS TO HOMES OF ASSISTANCE RECIPIENTS

Federal matching of 50 percent could be made for repair of a home owned by an assistance recipient if it is found that the repairs will assure the recipient of continued occupancy of his home, that unless repairs are made rental quarters will be necessary, and that the cost of rental quarters would exceed the cost of repairs needed to make the home habitable. Matching would be available for

expenditures up to $500. The provision would apply to expenditures made after September 30, 1967.

2. SOCIAL WORK MANPOWER AND TRAINING

The bill authorizes $5 million for the fiscal year ending June 30, 1969, and $5 million for each of the three succeeding fiscal years for grants to public or nonprofit private colleges and universities and to accredited graduate schools of social work, or an association of such schools, to meet part of the costs of development, expansion, or improvement of undergraduate programs in social work and programs for the graduate training of professional social work personnel. Not less than one-half of the amount appropriated would have to be used for grants for undergraduate programs.

D. Child Health Amendments

1. CONSOLIDATION OF SEPARATE PROGRAMS UNDER TITLE V OF THE SOCIAL SECURITY ACT

The bill would consolidate the existing separate child health authorizations into one single authorization with three general categories. Beginning with 1969, 50 percent of the total authorization would be for formula grants, 40 percent for project grants, and 10 percent for research and training. By July 1972 the States would have to take over the responsibility for the project grants, and 90 percent of the total authorization would then go to the States in the form of formula grants. Total authorizations would increase from $250 million in 1969 to $350 million in 1973 and thereafter.

2. ADDITIONAL REQUIREMENTS FOR STATE CHILD HEALTH PROGRAMS

The bill would require that State plans provide for the early identification and treatment of crippled children. It would amend title XIX to reflect this requirement. States would also be required to emphasize family planning services and dental care for children in the development of demonstration projects.

3. PROJECT GRANTS

There is an authorization for project grants to (1) reduce the incidence of mental retardation and other handicapping conditions of children and reduce infant and maternal mortality, (2) promote the health of children and youth, and (3) provide dental services to children. The authorization for project grants for the dental health of children is new. After July 1972 the responsibility for these projects would be transferred to the States.

4. RESEARCH AND TRAINING

The bill would provide for training of personnel to give health care to children and mothers. Priority would be given to undergraduate training. The research authority would be amended to emphasize the study of the use of health personnel with varying levels of training in the performance of maternal and child health services.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

I. COVERAGE

Item	Existing law	H.R. 12080
A. Self-employed	*Covers* all self-employed if they have net earnings from self-employment of $400 a year except that certain types of income, including dividends, interest, sale of capital assets, and rentals from real estate are not covered unless received by dealers in real estate and securities in the course of business dealings. Permits exemption from the social security self-employment tax of individuals who have conscientious objections to insurance (including social security) by reason of their adherence to the established tenets or teachings of a religious sect (or division thereof) of which they are members.	No change.
1. Ministers	*Covers* duly ordained, commissioned, or licensed ministers, Christian Science practitioners, and members of religious orders (other than those who have taken a vow of poverty) serving in the United States, and those serving outside the country who are citizens and either working for U.S. employers or serving a congregation predominantly made up of U.S. citizens. Coverage is available under the self-employment coverage provisions on an individual voluntary basis regardless of whether they are employees or self-employed.	Services of a clergyman (including members of religious orders who have taken a vow of poverty) would be automatically covered unless he elects not to be covered on the grounds that he is conscientiously opposed to social security coverage. Effective for taxable years after 1967.
B. State and local government employees	*Covers* employees of State and local governments *provided* the individual States enter into an agreement with the Federal Government to provide such coverage, with the following special provisions: a. *States have the option* of covering or excluding employees in any class of elective position, part-time position, fee-basis position, or performing emergency services. b. *Excludes* the services of the following persons, specifying that they cannot be included in a State agreement and cannot, therefore, be covered: (1) Employees on work relief projects; (2) Patients and inmates of institutions who are employed by such institutions; (3) Services of the types which would be excluded by the general coverage provisions of the law if they were performed for a private employer, *except* that agricultural and student services in this category may be covered at the option of the State.	Emergency services are excluded on a mandatory basis. Also services of election officials who are paid less than $50 in a calendar quarter would not be covered at the option of the State. Effective Jan. 1, 1968.

I. Coverage—Continued

Item	Existing law	H.R. 12080
	c. Employees who are in positions covered under an existing State or local retirement system may be covered under State agreements only if a referendum is held by a secret written ballot, after not less than 90 days' notice, and if the majority of eligible employees under the retirement system vote in favor of coverage. However, employees in policemen and firemen positions under a State and local retirement system cannot be covered in the agreement. The Governor of a State or his delegate must certify that certain Social Security Act requirements under the referendum procedure have been properly carried out. In most States, all members of a retirement system (with minor exceptions) must be covered if any members are covered. Employees of any institution of higher learning (including a junior college or a teachers' college and employees of a municipal or county hospital) under a retirement system can, if the State so desires, be covered as a separate coverage group, and 1 or more political subdivisions may be considered as a separate coverage group even though its employees are under a statewide retirement system. In addition, employees whose positions are covered by a retirement system but who are not themselves eligible for membership in the system could be covered without a referendum. Employees who are members or who have an option to join more than 1 State or local retirement system cannot be covered unless all such retirement systems are covered. Individuals in positions under retirement systems on Sept. 1, 1954, are precluded from obtaining coverage under the nonretirement system coverage provisions.	No change.
	Exceptions to general law concerning coverage in named States: (1) *Split-system provisions.*—Authorizes Alaska, California, Connecticut Florida, Georgia, Hawaii, Massachusetts, Minnesota, Nevada, New Mexico, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Washington, and Wisconsin, and all interstate instrumentalities, at their option, to extend coverage to the members of a State retirement system by dividing such a system into 2 divisions, one to [be] composed of those persons who desire coverage and the other of those persons who do not wish coverage, provided that new	Adds Illinois to the list of States entitled to split their retirement systems. Effective upon enactment.

	members of the retirement system coverage group are covered compulsorily. Also authorize similar treatment of political subdivision retirement systems of these States. Those employees covered by a divided retirement system who did not elect coverage in the original agreement, may nevertheless elect coverage until 1966, or, if later, until 2 years after the date on which coverage was approved for the group that originally elected coverage. Also provides that the coverage of persons electing under this amendment would begin on the same date as coverage became effective for the group originally covered. People who are in positions under a retirement system who are not eligible to join the system due to personal disqualifications, such as those based on age or length of service, cannot be covered under the divided retirement system procedure.	Permits States if coverage is extended under the divided retirement system procedure to modify their agreement after 1967 to cover individuals who are not eligible to be members of the retirement system. Effective January 1, 1968.
C. Members of the Armed Forces	*Covers* members of the uniformed services, after December 1956, while on active duty (including active duty for training), with contributions and benefits computed on basic military pay. Noncontributory wage credits of $160 per month are granted, in general, for each month of active service in the Armed Forces of the United States during the World War II period (Sept. 16, 1940–July 24, 1947) and during the postwar emergency period (July 25, 1947–Dec. 31, 1956). Extends noncontributory wage credits to certain American citizens who, prior to Dec. 9, 1941, entered the active military or naval service of countries that, on Sept. 16, 1940, were at war with a country with which the United States was at war during World War II. Wage credits of $160 would be provided for each month of such service performed after Sept. 15, 1940, and before July 25, 1947. To qualify for such wage credits, an individual must either have been a U.S. citizen throughout the period of his active service or have lost his U.S. citizenship solely because of his entrance into such active service.	Provides additional wage credits of $100 for each $100, or fraction thereof, of active duty basic pay up to $300 a quarter. Effective for service in uniformed services after Dec 31, 1967.
D. Retirement payments to retired partners.	Retirement payments made to retired partners are taxed and credited for social security benefit purposes like any other self-employment income even though they are not earnings for retirement test purposes if no services are performed.	Retirement payments received by a retired partner would be excluded for all purposes if the retired partner had no interest in the partnership, and rendered no services to the partnership, and if his share of the capital of the partnership had been paid to him. The payments must be made under a written plan which meets requirements set up by the Secretary of the Treasury; the plan must provide that the payments must be on a periodic basis and continue until the partner's death. Effective for taxable years ending on or after Dec. 31, 1967.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

II. PROVISIONS RELATING TO DISABILITY

Item	Existing law	H.R. 12080
A. Nature of the provisions:		
1. Benefits	Provides monthly benefits for disabled workers meeting eligibility requirements. Benefits are computed in the same way as retirement benefits. No provision for monthly benefits for disabled widows and widowers.	Monthly social security benefits would be payable between ages 50 and 62 to disabled widows and widowers of covered deceased workers. If benefits are first payable at age 50, they would be 50 percent of the primary insurance amount. Higher percentages would be payable—depending on the age at which benefits begin—up to 82½ percent of the primary insurance amount at age 62. The reduction would continue to apply to benefits payable after that time.
2. Disability "freeze"	Provides that when an individual for whom a period of disability has been established dies, or retires, on account of age or disability, his period of disability will be disregarded in determining his eligibility for benefits and his average monthly wage for benefit computation purposes.	No change.
B. Eligibility requirements:		
1. Definition	For benefits or for the freeze, an individual must be precluded from engaging in any substantial gainful activity by reason of a physical or mental impairment. (For purposes of the freeze only, a specified degree of blindness is presumed disabling.) The impairment must be medically determinable and one which can be expected to exist for not less than 12 months.	New guidelines would be provided in the law under which a person (other than a disabled widow or widower) could be determined to be disabled only if due to a physical or mental impairment (as defined) he is unable to engage in any kind of substantial gainful work which exists in the national economy even though such work does not exist in the general area in which he lives. A widow or widower would be determined to be disabled only if she or he has a physical or mental impairment that makes it impossible for them to perform *any* gainful work rather than substantial gainful work. Effective on enactment.
2. Entitlement to other benefits	A person who becomes entitled before age 65 to a benefit payable on account of old age can later become entitled to disability insurance benefits. If prior benefit was a reduced benefit, disability insurance benefits would be reduced to take account of payment made for prior months.	No change.

C. Insured status (work requirement)	To be eligible an individual must— (1) have at least 20 quarters of coverage in the 40 quarters ending with the quarter in which the period of disability begins; (2) be fully insured; (3) Young workers who are blind and disabled: May meet an alternative insured status requirement under which workers disabled before age 31 are insured if not less than one-half (and not less than 6) of the quarters during the period elapsing after age 21 and up to the point of disability were quarters of coverage or, in the case of those disabled before age 24, at least one-half of the 12 quarters ending with the quarter in which disability began were quarters of coverage. To qualify for this alternative the worker would have to meet the statutory definition of blindness for the disability "freeze." (See above.) Workers will, however, have to meet the other regular requirements for entitlement to disability benefits, including inability to engage in any substantial gainful activity.	No change. Extends to all young workers the alternative insured status provisions which under present law apply to the blind only. Effective for 2d month after enactment.
D. Disability benefits offset	The social security disability benefit for any month for which a worker is receiving a periodic workmen's compensation benefit is reduced to the extent that the total benefits payable to him and his dependents under both programs exceed 80 percent of his average monthly earnings covered by social security prior to the onset of disability, but with the reduction periodically adjusted to take account of changes in earnings levels.	Provides that in determining 80 percent of average earnings, earnings in excess of the social security earnings base may be used. Effective for months after the month of enactment.
III. DEPENDENTS BENEFITS		
A. Adopted children	An adopted child includes, in addition to a child legally adopted by the worker, a child living in the worker's home at the time the worker dies who is legally adopted by the worker's spouse within 2 years after the worker's death, provided that the child was not receiving regular and substantial contributions toward his support from (*a*) someone other than the worker or his spouse, or (*b*) a public or private welfare agency which furnishes assistance or services to children.	Would include in the definition of adopted child a child who was adopted by the worker's spouse more than 2 years after the worker's death, provided that proceedings to adopt the child had been initiated before the worker died. Effective for 2d month after enactment.
B. Definitions of widow, widower and stepchildren.	The relationship of widow, widower, or stepchild must have existed for at least 1 year. This requirement does not apply to the surviving widow or widower if the couple has a child, has adopted a child or if the surviving spouse is actually or potentially entitled to benefits on the earnings record of a previous spouse.	The duration-of-relationship requirements would be reduced to 9 months. The requirement would be further reduced to 3 months in the case of a worker's death by accidental means or if death occurred while he was on active duty in one of the uniformed services unless the Secretary of HEW determines that at the time the marriage occurred the worker could not reasonably have been expected to live for 9 months. Effective for the 2d month after enactment.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

III. DEPENDENTS BENEFITS—Continued

Item	Existing law	H.R. 12080
C. Dependents benefits based on woman worker's earnings record.		
1. Children	A child is dependent on his father or adopting father if the child is living with the father or the father is making regular and substantial contributions to the child's support. A child is also dependent on his father or adopting father unless the child has been adopted by someone else or the child is neither the worker's legitimate nor adopted child. A child is dependent on his stepfather if he is living with the stepfather or the stepfather is providing at least ½ of the child's support. A child is dependent on his mother or adopting mother if she is currently insured. If she is not currently insured, the child is dependent on her only if: (A) she is contributing at least ½ of the child's support or (B) she is living with the child or is making regular contributions to the child's support and the child's father is neither living with the child nor making regular contributions to the child's support.	Would provide the same dependency requirements for benefits based on the earnings of a woman worker as present law requires for benefits based on the earnings of a male worker. Effective for 2d month after enactment.
2. Husbands and widowers	Husband's and widower's benefits can be paid to a husband or widower who was recciving ½ of his support from his wife at the time she became disabled, retired or died provided she was currently insured at such time.	Would eliminate the requirement that the wife be currently insured. Effective for 2d month after enactment.

IV. BENEFIT AMOUNTS

A. Creditable earnings	Maximum amount of earnings that may be credited for benefit purposes is $6,600 a year.	Would raise maximum amount to $7,600 a year. Effective Jan. 1, 1968.
B. Benefit formula	The law contains a benefit table which is used to determine benefit amounts for both present and future beneficiaries. Though not stated in the law the formula is approximately 62.97 percent of the 1st. $110 of average monthly earnings, plus 22.9 percent of the next $290, plus 21.4 percent of the next $150.	The table is amended to provide a 12½ percent benefit increase and to take account of the increase in creditable earnings to $7,600 a year. The new formula is approximately 70.84 percent of the first $110 of average monthly earnings, plus 25.76 percent of the next $523. Effective for 2d month after enactment.
C. Maximum primary insurance amount	$168 a month ($550 average monthly wage)	Increases to $189 ($550 average monthly wage) and eventually to $212 ($633 average monthly wage). Effective for 2d month after enactment.
D. Maximum limit on wife's benefit	No provision in present law; the wife's benefit is ½ of the primary insurance amount at all levels.	Limits wife's benefit to no more than $105. Without this limit, the wife's benefit would eventually rise to $106.
E. Minimum primary insurance amount	$44 a month.	$50 a month. Effective for 2d month after enactment.

F. Maximum family benefits	Family maximum benefits are set by a table in the law and range from $66 a month to $368.	Extends table to take account of rise in creditable earnings and minimum primary insurance amount. As a result the family maximum would range from $75 to $423.60 a month. Effective for 2d month after enactment.
G. Reduction of disabled widow's and widower's benefits.	No provision	Benefits to disabled widow's and widower's between ages 50 and 62 would be reduced by 43/198 of 1 percent for each month benefits are taken before age 60 and by 5/9 of 1 percent for each month between ages 60 and 62. Because widow's benefits, but not widower's benefits, are payable at the reduced rate between ages 60 and 62, the provision would have no effect on widow's benefits which begin at age 60 or later. Effective for 2d month after enactment.
H. Limitation on the amounts paid to certain illegitimate children.	Benefits are payable to the illegitimate child of a male worker if the worker acknowledges the child in writing, or has been found by a court to be the child's father, or has been ordered by a court to contribute to his child's support, or is shown by other satisfactory evidence to be the child's father. Benefits to such children are paid just as the benefits to any legitimate child.	Benefits to an illegitimate child could not exceed the difference between the total amounts payable to other persons on the worker's earnings record and the family maximum amount. Also extends provision to female worker. Effective for 2d month after enactment.
I. Computation involving 1937–50 wages	When it is necessary to use 1937–50 wages to compute a benefit the actual wages shown in the social security records are used. Unlike other wages, yearly wages for this period have not been placed on magnetic tape for electronic data processing. A manual examination of the wages is therefore necessary.	To permit electronic data processing a person would be deemed to have been paid all of the wages credited to him for the period 1937–50 in 9 years before 1951 if his total wages for the period do not exceed $27,000; if the total wages in the period exceed $27,000, the wages would be deemed to have been paid at the rate of $3,000 a year. People who require 7 or more quarters of coverage to be insured would be deemed to have 1 quarter of coverage for each $400 of wages earned in the period 1937–50. Effective on enactment for benefits due after 1966.
J. Benefits for certain individuals age 72 and over.	Monthly benefits of $35 a month are provided for a single person and $52.50 a month for a couple in cases where the person has no work, or not enough to be insured, under social security.	Benefits would be increased to $40 a month for a single person and to $60 a month for a couple. Effective for 2d month after enactment.

K. Illustrative benefits:

Illustrative monthly benefits payable under present law and under H.R. 12080 are shown in the following table

Average monthly earnings	Worker [1]		Man and wife [1 2]		Widow, widower, or parent, age 62		Widow and 2 children	
	Present law	Bill	Present law	Bill	Present law	Bill	Present law	Bill [3]
$67	$44.00	$50.00	$66.00	$75.00	$44.00	$50.00	$66.00	$75.00
150	78.20	88.00	117.30	132.00	64.60	72.60	120.00	132.00
250	101.70	114.50	152.60	171.80	84.00	94.50	202.40	202.40
300	112.40	126.50	168.60	189.80	92.80	104.40	240.00	240.00
350	124.20	139.80	186.30	209.70	102.50	115.40	279.60	280.80
400	135.90	152.90	203.90	229.40	112.20	126.20	306.00	322.40
550	168.00	189.00	252.00	283.50	138.60	156.00	368.00	391.20
633	[4]	212.00	[4]	317.00	[4]	174.90	[4]	423.60

[1] For a worker who is disabled or who is age 65 or older at the time of retirement and a wife age 65 or older at the time when she comes on the rolls.
[2] Survivor benefit amounts for a widow and 1 child or for 2 parents would be the same as the benefits for a man and wife, except that the total benefits would always equal 150 percent of the worker's primary insurance amount; it would not be limited to $317.
[3] For families already on the benefit rolls who are affected by the maximum benefit provisions, the amounts payable under the bill would in some cases be somewhat higher than those shown here.
[4] Not applicable, since the highest possible average earnings amount is $550.

V. RETIREMENT TEST

Item	Existing law	H.R. 12080
A. Test of earnings	Provides that benefits will be withheld from a beneficiary under age 72 (and from any dependent drawing on his record) at the rate of $1 in benefits for each $2 of annual earnings between $1,500 and $2,700 and $1 in benefits for each $1 of annual earnings above $2,700. Benefits not withheld for any month during which the individual neither rendered services for wages in excess of $125 nor rendered substantial services in a trade or business.	Increases the annual exempt amount from $1,500 to $1,680. Permits payment of full benefits to beneficiary, regardless of the amount of his annual earnings, for any month in which he does not earn wages of more than $140, instead of more than $125. Increases the uppermost limit of the $1-for-$2 "band" from $2,700 to $2,880, so that $1 in benefits would be withheld for each $2 of earnings between $1,680 and $2,880, with $1-for-$1 reductions above $2,880. Effective for taxable years ending after 1967.
B. Age exemption	Benefits are not suspended because of work or earnings if beneficiary is age 72 or over.	No change.

VI. FINANCING

A. Allocation between OASI and DI trust funds.	The Federal Old-Age and Survivors Insurance Trust Fund receives all tax contributions other than those allocated for the disability benefit program, from which benefits and administrative expenses are paid for the old-age and survivors insurance program. A separate tax and fund is established for the hospital insurance trust fund. The Federal Disability Insurance Trust Fund receives an amount equal to 0.70 of 1 percent of taxable wages plus 0.525 of 1 percent of self-employment income, from which benefit and administrative expenses are paid for the disability insurance program. These funds are administered by a Board of Trustees consisting of the Secretary of the Treasury, as managing trustee, the Secretary of Labor and the Secretary of Health, Education, and Welfare, all ex officio (with the Commissioner of Social Security as Secretary).	No change. The allocation to the Disability Insurance Trust Fund, for years beginning after 1967, is increased to 0.95 of 1-percent of taxable wages and 0.7125 of 1-percent of taxable self-employment income.
B. Maximum taxable amount	$6,600 a year.	$7,600 a year starting with 1968.

TABLE 1.—*Maximum tax contributions under present law and under H.R. 12080*

Period	OASDI		HI		Total	
	Present law	Proposal	Present law	Proposal	Present law	Proposal
By employee:						
1967	$257.40	$257.40	$33.00	$33.00	$290.40	$290.40
1968	257.40	296.40	33.00	38.00	290.40	334.40
1969–70	290.40	319.20	33.00	45.60	323.40	364.80
1971–72	290.40	349.60	33.00	45.60	323.40	395.20
1973–75	320.10	380.00	36.30	49.40	356.40	429.40
1987 and after	320.10	380.00	52.80	68.40	372.90	448.40
By self-employed:						
1967	389.40	389.40	33.00	33.00	422.40	422.40
1968	389.40	448.40	33.00	38.00	422.40	486.40
1969–70	435.60	478.80	33.00	45.60	468.60	524.40
1971–72	435.60	524.40	33.00	45.60	468.60	570.00
1973–75	462.00	532.00	36.30	49.40	498.30	581.40
1987 and after	462.00	532.00	52.80	68.40	514.80	600.40

TABLE 2.—*Tax rates under present law and H.R. 12080*

Period	OASDI		HI[1]		Total	
	Present law	H.R. 12080	Present law	H.R. 12080	Present law	H.R. 12080
	Employer-employee, each					
1967	3.9%	3.9%	0.5%	0.5%	4.4%	4.4%
1968	3.9	3.9	.5	.5	4.4	4.4
1969–70	4.4	4.2	.5	.6	4.9	4.8
1971–72	4.4	4.6	.5	.6	4.9	5.2
1973–75	4.85	5.0	.55	.65	5.4	5.65
1976–79	4.85	5.0	.6	.7	5.45	5.7
1980–86	4.85	5.0	.7	.8	5.55	5.8
1987 and after	4.85	5.0	.8	.9	5.65	5.9
	Self-employed					
1967	5.9%	5.9%	0.5%	0.5%	6.4%	6.4%
1968	5.9	5.9	.5	.5	6.4	6.4
1969–70	6.6	6.3	.5	.6	7.1	6.9
1971–72	6.6	6.9	.5	.6	7.1	7.5
1973–75	7.0	7.0	.55	.65	7.55	7.65
1976–79	7.0	7.0	.6	.7	7.6	7.7
1980–86	7.0	7.0	.7	.8	7.7	7.8
1987 and after	7.0	7.0	.8	.9	7.8	7.9

[1] Hospital Insurance.

TABLE 3.—*OASDHI income and outgo, present law and H.R. 12080*

[In billions]

Year	Contribution Income		Benefit outgo	
	Present law	H.R. 12080	Present law	H.R. 12080
1968	$29.6	$30.8	$25.2	$28.4
1969	33.7	34.9	26.6	30.0
1970	35.2	36.5	27.8	31.4
1971	36.2	40.3	29.1	32.8
1972	37.2	42.0	30.4	34.2

VII. MISCELLANEOUS

Item	Existing law	H.R. 12080
A. Underpayments:		
1. Cash benefits	In the case of cash benefit underpayments where an individual dies before the completion of the payment of amounts due him and such amount at the time of his death does not exceed an amount equal to 1 month's benefit, payment is to be made to his surviving spouse who was living in the same household, or, if they is no such spouse, to the legal representative of his estate.	The amounts due a beneficiary at the time of death would be paid in the following order: (1) to his surviving spouse if she was entitled to monthly benefits on the same earnings record, (2) to his surviving children if they were entitled to benefits on the same earnings record, (3) to his parents if they were entitled to benefits on the same earnings record, (4) to the legal representative of his estate, (5) to the surviving spouse not entitled to benefits on the same earnings record, or (6) to his surviving children not entitled to benefits on the same earnings record. Effective on enactment.
2. Medical insurance	No provision for unpaid medical insurance benefits.	Claims for unpaid medical insurance benefits would be in the following order: (1) to the person who paid the bill, (2) to the legal representative of his estate, (3) to the surviving spouse who was living with him at the time he died, (4) to the surviving spouse if she was entitled to monthly benefits on the same earnings record, or (5) to the surviving children. Effective on enactment.
B. Payments to aliens	Benefits to an alien are suspended if he is outside the United States continuously for 6 consecutive calendar months. The provision does not apply to aliens who have lived in the United States for at least 10 years, or who have at least 40 quarters of coverage, or if suspension would be contrary to certain treaty obligations, or if their country has a pension system of general application that pays benefits to qualified citizens of the United States while they are outside that country. Also, the Treasury is authorized to withhold payment to beneficiaries in certain Communist-controlled countries; when the Treasury authorizes payments renewed, back payments are made to the beneficiary or his estate.	Once an alien has been outside the United States for 30 consecutive days he will be deemed to be outside the United States until he returns to the United States for 30 consecutive days. An alien who is a citizen of a country that has a pension system of general application which would not pay benefits to qualified citizens of the United States while they are outside of that country would not be paid benefits after he has been outside the United States for 6 months. A citizen of a country without such a system and to which the Treasury prohibition on payment applies, or has applied in the past 5 years, would not be paid benefits after he has been outside the United States for 6 months. Amounts that have been accumulated as due an alien who is living in a Communist-controlled country would be limited to 12-months benefits as of the date of enactment and would be paid only to the beneficiary or to a survivor who is entitled to benefits on the same earnings record. Amounts accumulated for months after enactment would not be paid.
C. Beneficiary reports:		
1. Time for filing reports of earnings.	Under the retirement test a person whose earnings in a year were large enough to cause him to lose some or all of his benefits in a year must file a report of his earnings not later than the 15th day of the 4th month following the close of the taxable year in which he had the earnings.	Where a valid reason exists the Secretary may extend the period for filing the report. The extension may not be for more than 3 months.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE—Continued

VII. MISCELLANEOUS—Continued

Item	Existing law	H.R. 12080
2. Penalty for late filing	For the first failure to report earnings which are large enough to cause a loss of benefits a penalty of 1 month's benefits is authorized. For failure to report work on 7 or more days in a month outside the United States or that a woman receiving mother's benefits does not have a child in her care a penalty of 1 month's benefits for the first offense is made and for the second and subsequent offenses a penalty of 1 month's benefits for each month for which benefits are to be withheld is authorized.	Penalty would be reduced to actual amount payable for the month but to not less than $10. The penalty for second and subsequent offenses would be reduced to 2 months' benefits for the second offense and to 3 months' benefits for the third and subsequent offense. In no event, however, would the penalty exceed the actual number of months for which benefits are withheld.
D. Advisory Council on Social Security:	The Commissioner of Social Security is chairman and 12 other persons appointed by the Secretary are members of the Council. The Councils are to be appointed in 1968 and every 5th year thereafter.	The Secretary would appoint the Chairman as well as the other 12 members of the Council. The Councils would be appointed in February 1969 and in February of every 4th year thereafter.
E. Trustees reports:	The reports of the trustees of the social security trust funds are to be sent to the Congress by Mar. 1 of each year.	The reports of the trustees would be sent to the Congress by Apr. 1 of each year. Also, the report of the Trustees on the OASI fund would contain a separate actuarial analysis of all disability expenditures.
F. Disclosure of information—deserting parents:	Disclosure must be authorized by regulation. Under regulation disclosure of parent's or his employer's address is authorized to the agency administering the AFDC program if the child is getting AFDC. The law requires disclosure, at the request of a State or local agency participating in any State or local public assistance program, of the most recent address in the social security records for a parent (or his most recent employer or both) who has failed to provide support for his or her destitute child or children under age 16 who are recipients of or applicants for assistance under such public assistance program where there is a court order for the support of the children and the information requested is to be used by the welfare agency or the court on behalf of the children.	Adds provision for disclosure of address of deserting parent or his employer, on request of an appropriate court, if the information is for the use of the court in issuing a support order against the parent. (The child need not have applied for AFDC.)

TABLE 4.—*Changes in actuarial balance of old-age, survivors, and disability insurance system, expressed in terms of estimated level-cost as percentage of taxable payroll, by type of change, intermediate-cost estimate, present law and H.R. 12080, based on 3.75 percent interest*

[Percent]

Item	Old-age and survivors insurance	Disability insurance	Total system
Actuarial balance of present system	+0.89	−0.15	+0.74
Increase in earnings base	+.21	+.02	+.23
Earnings test liberalization	−.06	(1)	−.06
Disabled widow's benefits at age 50	−.03	(2)	−.03
Special disability insured status under age 31	(2)	−.02	−.02
Liberalized benefits with respect to women workers	−.07	(1)	−.07
Benefit increase of 12½ percent	−.89	−.10	−.99
Revised contribution schedule	−.01	+.25	+.24
Total effect of changes in bill	−.85	+.15	−.70
Actuarial balance under bill	+.04	.00	+.04

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

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

TABLE 5.—*Progress of old-age and survivors insurance trust fund, short-range estimate*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [1]	Interest on fund [2]	Balance in fund at end of year [3]
	Actual data					
1951	$3,367	$1,885	$81	----------	$417	$15,540
1952	3,819	2,194	88	----------	365	17,442
1953	3,945	3,006	88	----------	414	18,707
1954	5,163	3,670	92	−$21	447	20,576
1955	5,713	4,968	119	−7	454	21,663
1956	6,172	5,715	132	−5	526	22,519
1957	6,825	7,347	[4] 162	−2	556	22,393
1958	7,566	8,327	[4] 194	124	552	21,864
1959	8,052	9,842	184	282	532	20,141
1960	10,866	10,677	203	318	516	20,324
1961	11,285	11,862	239	332	548	19,725
1962	12,059	13,356	256	361	526	18,337
1963	14,541	14,217	281	423	521	18,480
1964	15,689	14,914	296	403	569	19,125
1965	16,017	16,737	328	436	593	18,235
1966	20,658	18,267	256	444	644	20,570
	Estimated data (short-range estimate), H.R. 12080					
1967	$23,210	$19,635	$401	$508	$794	$24,030
1968	24,256	23,156	409	477	898	25,142
1969	27,308	24,154	405	552	978	28,317
1970	28,497	25,119	415	616	1,118	31,782
1971	32,089	26,122	427	605	1,353	38,072
1972	33,469	27,155	440	587	1,685	45,040
	Estimated data (short-range estimate), present law					
1967	$23,210	$19,635	$393	$508	$794	$24,038
1968	24,085	20,247	378	477	960	27,981
1969	28,004	21,053	393	492	1,192	35,239
1970	29,270	21,901	404	483	1,522	43,243
1971	30,070	22,778	416	460	1,902	51,561
1972	30,884	23,676	429	459	2,315	60,196

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

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

[3] Not including amounts in the railroad retirement account to the credit of the old-age and survivors insurance trust fund. In millions of dollars, these amounted to $377 for 1953, $284 for 1954, $163 for 1955, $60 for 1956, and nothing for 1957 and thereafter.

[4] These figures are artificially high because of the method of reimbursements between this trust fund and the disability insurance trust fund (and likewise, the figure for 1959 is too low).

NOTE.—Contributions include reimbursement for additional cost of noncontributory credit for military service and for the special benefits payable to certain noninsured persons aged 72 or over. For the purposes of this table, it is assumed that the enactment date is in October 1967.

TABLE 6.—*Progress of disability insurance trust fund, short-range cost estimate*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Railroad retirement financial interchange [1]	Interest on fund [2]	Balance in fund at end of year
	Actual data					
1957	$702	$57	[3] $3		$7	$649
1958	966	249	[3] 12		25	1, 379
1959	891	457	50	−$22	40	1, 825
1960	1, 010	568	36	−5	53	2, 289
1961	1, 038	887	64	5	66	2, 437
1962	1, 046	1, 105	66	11	68	2, 368
1963	1, 099	1, 210	68	20	66	2, 235
1964	1, 154	1, 309	79	19	64	2, 047
1965	1, 188	1, 573	90	24	59	1, 606
1966	2, 022	1, 784	137	25	58	1, 739
	Estimated data (short-range estimate), H.R. 12080					
1967	$2, 813	$1, 920	$111	$31	$73	$2, 063
1968	3, 215	2, 357	128	21	98	2, 870
1969	3, 488	2, 404	120	24	136	3, 856
1970	3, 607	2, 609	122	23	181	4, 890
1971	3, 732	2, 716	126	26	227	5, 981
1972	3, 849	2, 820	132	30	275	7, 123
	Estimated data (short-range estimate), present law					
1967	$2, 813	$1, 920	$107	$31	$73	$2, 067
1968	2, 359	2, 039	114	21	86	2, 338
1969	2, 436	2, 155	116	24	96	2, 575
1970	2, 512	2, 260	119	26	106	2, 788
1971	2, 591	2, 357	123	29	115	2, 985
1972	2, 665	2, 449	129	32	122	3, 162

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

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

[3] These figures are artificially low because of the method of reimbursements between the trust fund and the old-age and survivors insurance trust fund (and, likewise, the figure for 1959 is too high).

Note: Contributions include reimbursement for additional cost of noncontributory credit for military service. For the purposes of this table, it is assumed that the enactment date is in October 1967.

TABLE 7.—*Estimated additional OASDI benefit payments in Calendar Years 1968 and 1972 under H.R. 12080*

[in millions]

Item	1968	1972
12½-percent benefit increase	$2, 812	$3, 324
Benefit increase for transitional insured	7	5
Benefit increase for transitional noninsured	52	25
Liberalized benefits with respect to women workers	85	100
Special disability insured status under age 31	70	77
Disabled widow's benefits at age 50	60	72
Earnings test liberalization	140	244
Total	3, 226	3, 847

HEALTH INSURANCE

(Title XVIII of the Social Security Act)

Item	Existing law	H.R. 12080
I. Health insurance for the disabled	No provision	Would establish an Advisory Council to study the problems relative to including the disabled under medicare.
II. Covered hospital days	Up to 90 days in a spell of illness, with the patient paying $10 a day after the 60th day.	Would cover up to 120 days in a spell of illness, with the patient paying $20 a day after the 90th day. Effective January 1968.
III. Physician payment method	2 methods: to physician on basis of assignment (charge has to be "reasonable charge"), or to patient on basis of receipted bill.	Adds 3d alternative method: Physician could submit his itemized bill to the carrier. Payment would be made to him if the bill was not higher than "reasonable charge"; if higher, or if the physician directs it, the payment would go to the patient; if the physician will not submit the bill to the medicare carrier the patient would receive the payment after submitting an itemized, unpaid bill. Effective January 1968.
IV. Physician certification	Physician must certify to need for hospitalization and need for outpatient hospital care.	Would eliminate requirements for certification of need for care in a general hospital. Provisions for certifications with respect to other hospitals and for all long stay cases would be retained. Effective upon enactment.
V. Services of podiatrists	Not covered	Would amend the definition of physician to include podiatrists for functions he is licensed to practice; no payment for routine foot care would be made no matter by whom performed. Effective January 1968.

VI. Blood deductibles	Provides for a deductible of three pints of whole blood for each spell of illness applied to HI (hospital insurance) only.	A unit of packed red cells would be treated as a pint of blood; the patient would have to replace the first pint of blood with 2 pints rather than 1 (4 pints for 3 pints where patient receives 3 pints). A similar deductible would apply also to SMI (supplementary medical insurance). Effective January 1968.
VII. Hospital insurance for the uninsured	People ineligible for cash social security benefits attaining age 65 in 1968 need 6 quarters of coverage to be eligible for hospital insurance.	Would give eligibility with 3 quarters of coverage in 1968 with corresponding changes for later years as follows:

COVERAGE REQUIREMENTS UNDER THE INSURED STATUS PROVISION OF PRESENT LAW AND UNDER H.R. 12080

Year attains age 65	Men			Women		
	Present law		H.R. 12080	Present law		H.R. 12080
	OASI	HI	HI	OASI	HI	HI
1967 or earlier	16	0	0	13	0	0
1968	17	6	3	14	6	3
1969	18	9	6	15	9	6
1970	19	12	9	16	12	9
1971	20	15	12	17	15	12
1972	21	18	15	18	18	15
1973	22	21	18	19	19	18
1974	23	23	21	20	20	20
1975	24	24	24			

VIII. Durable medical equipment	Expenses for the rental of durable medical equipment are covered under SMI.	Payment could be made on a purchase or rental basis, whichever is more economical. Effective January 1968.
IX. Experimentation with reimbursement methods.	No provision	DHEW would have authority to experiment with alternative methods of reimbursement under medicare, medicaid, and child health programs which would provide incentives for keeping costs down while maintaining quality.
X. Physical therapy	Covered only when provided as inpatient services or through home health plan.	Would cover physical therapy under SMI when provided in a patient's home under the supervision of a hospital. Effective January 1968.

HEALTH INSURANCE—Continued

(Title XVIII of the Social Security Act)—Continued

Item	Existing law	H.R. 12080
XI. Portable X-ray services	No provision	Diagnostic X-ray services provided in the patient's home or nursing home would be covered if provided under supervision of a physician and subjet to health and safety regulations. Effective January 1968.
XII. Enrollment under SMI	Must enroll in 7-month period beginning 3 months before age 65 or wait until next open enrollment period.	Would allow an individual who is over 65, but who believes himself to be just 65 on the basis of documentary evidence, to enroll using the date of attainment of age 65 as shown on the documentary evidence. Effective for enrollments after month of enactment.
XIII. Counting days in TB or mental institutions against days of coverage.	The days spent in a TB or mental institution in the period just before entitlement to hospital insurance is counted against the days of coverage an individual would otherwise have.	Would make present provision inapplicable if the patient goes into a general hospital for a condition other than TB or mental illness. Effective January 1968.
XIV. Study of coverage under SMI of additional types of health practitioners.	No provision	Secretary of HEW would be required to conduct a study of the need for, and make recommendations on, the coverage of additional types of health practitioners under SMI. Report due by Jan. 1, 1969.
XV. Health Insurance Benefits Advisory Council (HIBAC).	Provides for a National Medical Review Committee (NMRC) as well as HIBAC; duties of NMRC are to study utilization of covered services, and make recommendations on administration and charges in law. (HIBAC has 16 members.)	Eliminates NMRC and gives HIBAC 19 members and the duties of NMRC.
XVI. Reimbursement for civil service annuitants for premium payments under SMI.	No provision	Federal employee health benefit plans would be permitted to reimburse civil service retirement annuitants who are members of group health plans for the premium payments they make to the supplementary medical insurance program. Effective upon enactment.
XVII. Appropriations to SMI trust fund	Beneficiary premium payments are matched by general revenue funds; no specific provision as to when the funds are to be deposited in the trust fund, but legislative intent was for current deposits.	Whenever the transfer of general revenue funds to the SMI trust fund is not made at the time the enrollee payment is made, the general revenues would also pay the fund interest to put the fund in the same position that it would have been had the funds been deposited timely.

XVIII. Contingency fund for SMI trust fund.	Contingency funds available during 1966 and 1967---	Contingency fund would be made available through 1969.
XIX. Exclusion of refractive services-----	Excludes routine physical checkups, eyeglasses, or eye examinations for the purpose of prescribing, fitting or changing eyeglasses.	Excludes also refractive services performed during the course of any eye examination.
XX. SMI simplification of administration:		
A. Simplified billing for outpatient hospital services.	Hospitals must not bill medicare patients for covered outpatient services.	Hospitals would be permitted, as an alternative to the present procedure, to collect from the patient charges for outpatient hospital services of less than $50. The payments due the hospitals from the program and patients would be adjusted at intervals to assure that the hospital received its final reimbursement on a cost basis. Effective January 1968.
B. Payment of full charges of inpatient physician services for radiology and pathology.	All physician charges, and all other services covered under SMI, are subject to the $50 deductible and 20-percent coinsurance feature applied to the reasonable charge as determined by the carrier.	Physician services for radiological and pathological services to hospital inpatients would be reimbursed on the basis of 100 percent of the reasonable charge as determined by the carrier. Effective January 1968.
C. Transfer of outpatient hospital services from hospital insurance to SMI.	Outpatient hospital therapeutic services are covered under SMI subject to the usual $50 deductible and 20-percent coinsurance. Outpatient hospital diagnostic services are covered under pt. A subject to the following limitations; a $20 deductible is applied during each 20-day period; 80 percent of the remainder can be reimbursed. The payments made toward the $20 deductible are creditable as covered expenses under SMI.	All hospital outpatient services would be covered under SMI of medicare, subject to the $50 deductible and 20-percent coinsurance just as other covered expenses. Effective January 1968.
XXI. Incentives for reduction of hospital costs.	No provision----------	The Department of Health, Education, and Welfare would be given authority to experiment with alternative methods of reimbursing hospitals under medicare, medicaid, and the child health programs which would provide incentives to keep costs down while maintaining quality of care.
XXII. Time limit on filing SMI claims----	No provision----------	Claims must be filed no later than the close of the calendar year following the year (and the last 3 months of the previous year) in which the services are furnished.

TABLE 8.—*Estimated progress of hospital insurance trust fund, intermediate-cost estimate*

[In millions]

Calendar year	Contributions	Benefit payments	Administrative expenses	Interest on fund	Balance in fund at end of year
	Actual data				
1966	$1,911	$783	[1] $57	$34	$1,105
	Estimated data, H.R. 12080				
1967	$2,943	$2,437	$90	$52	$1,573
1968	3,332	2,912	102	69	1,960
1969	4,120	3,329	117	92	2,726
1970	4,348	3,657	128	121	3,410
1971	4,518	3,951	138	145	3,984
1972	4,680	4,244	149	162	4,433
1973	5,216	4,539	159	182	5,133
1974	5,442	4,830	169	204	5,780
1975	5,627	5,124	179	222	6,326
1980	7,982	6,632	232	368	10,818
1985	9,103	8,512	298	603	16,698
1990	11,441	10,843	380	818	22,491
	Estimated data, present law				
1967	$2,943	$2,437	$90	$52	$1,573
1968	3,150	2,929	103	64	1,755
1969	3,274	3,349	117	62	1,625
1970	3,394	3,678	129	48	1,260
1971	3,516	3,973	139	25	689
1972	3,637	4,269	149	[2]	[2]
1973	4,100	4,564	160	[2]	[2]
1974	4,270	4,858	170	[2]	[2]
1975	4,405	5,153	180	[2]	[2]
1980	6,379	6,670	233	[2]	[2]
1985	7,231	8,560	300	[2]	[2]
1990	9,172	10,905	382	[2]	[2]

[1] Including administrative expenses incurred in 1965.
[2] Fund exhausted in 1972.

Note: The transactions relating to the noninsured persons, the costs for whom is borne out of the general funds of the Treasury, are not included in the above figures. The actual disbursements in 1966, and the balance in the trust fund at the end of the year, have been adjusted by an estimated $158,000,000 on this account.

Cost estimate for hospital benefits for noninsured persons paid from general funds

Hospital and related benefits are provided not only for beneficiaries of the old-age, survivors, and disability insurance system and the railroad retirement system, but also for most persons aged 65 and over in 1966 (and for many of those attaining this age in the next few years) who are not insured under either of these two social insurance systems.

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

	Present law	H.R. 12080
Calendar year:		
1966 (last 6 months, estimate based on actual experience)	$170	$170
1967	375	375
1968	401	402
1969	407	409
1970	396	398

Actuarial cost estimates for supplementary medical insurance

H.R. 12080 has expanded somewhat the protection provided by the supplementary medical insurance program. The only changes that are significant from a cost standpoint are the transfer of the outpatient diagnostic benefits from the hospital insurance program to this program (except for the professional component thereof, which has always been included in the supplementary medical insurance program) and making the deductible and coinsurance provisions inapplicable to the professional component of pathology and radiology services furnished to inpatients in hospitals.

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

PUBLIC ASSISTANCE AMENDMENTS

I. AID TO FAMILIES WITH DEPENDENT CHILDREN

Item	Existing law	H.R. 12080
A. Family and employment services:		
1. Plan requirement	States are required to: (a) provide a description of services which the State agency makes available to maintain and strengthen family life for children, including a description of the steps take to assure maximum utilization of other agencies providing similar or related services, and (b) provide for a program of services for each child as may be necessary in the light of home conditions and other needs of such child, and provide for coordination with child-welfare services under pt. 3 of title V.	Adds the following additional State plan requirements: (a) The development of a program by the State agency for each appropriate relative and child recipient and each appropriate "essential person" (individual living in the house whose needs are taken into account for determining eligibility and amount of assistance) with the objective of (1) assuring, to the maximum extent possible, that these persons will enter the labor force and become self-sufficient, and (2) reducing the incidence of illegitimacy and otherwise strengthening family life. The plan must provide that the employment potential of each such person is evaluated and that they are furnished such services as testing, counseling, basic education, vocational training, and special job development; that day-care service be provided and family planning services in all appropriate cases; and that vendor or protective payment be provided in appropriate cases in order to assure a means for caring for such children. Each such program must be reviewed at least once a year, and the Secretary of Health, Education, and Welfare must be given reports showing the results of such programs. The bill also requires that to the extent such services are provided by State or local agency staff that a single organizational unit be established in such State or local agency for furnishing such services.
	No provision	(b) Provision that where the State agency has reason to believe that the home is unsuitable for a recipient child because of neglect, abuse or exploitation that this be brought to the attention of the appropriate court or law enforcement agency.
	No provision	(c) Development of a program for establishing the paternity of illegitimate children receiving assistance and for securing support for these children as well as those who have been deserted or abandoned by their parents, utilizing any reciprocal arrangements adopted with other States to obtain or enforce court orders for support. A single organizational unit in the State or local agency administering the plan must carry out this provision.
	No provision	(d) Provision for entering into cooperative arrangements with appropriate courts and law enforcement agencies to assist in securing support for children, including entering into financial arrangements with such courts and agencies in order to obtain optimum results for the program.

2. Federal matching	The Federal Government shares with the States on a dollar-for-dollar basis (50 percent) in the administrative costs of carrying out the program. However, the Federal Government will pay 75 percent of the cost of— (a) certain services, prescribed by the Secretary of Health, Education, and Welfare "to maintain and strengthen family life for children, and to help relatives specified in the act with whom children * * * are living to attain to retain capability for self-support or self-care." (b) other services provided to applicants or recipients specified by the Secretary as likely to prevent or reduce dependency; (c) services described in (a) and (b) specified by the Secretary as appropriate for individuals who, within the periods prescribed by the Secretary, have been or are likely to become applicants for or recipients of public assistance and who request such services; (d) training of personnel employed or preparing for employment with a State or local public assistance agency.	The Federal Government will pay 75 percent of the cost of— (a) Services under the new plan requirements set forth above which are provided to a child or relative receiving assistance or to an "essential person." The Federal matching under this provision shall be 85 percent rather than 75 percent for services provided under these programs during the period October 1, 1967 to July 1, 1969. It reverts thereafter to 75 percent. (b) Services to a child or relative receiving assistance or applying for assistance or an "essential person"—such services may include child-welfare services, family services, and other services specified by the Secretary, to maintain and strengthen family life for children, and to help relatives and "essential persons" to attain or retain capability for self-support or self-care. Child welfare services are defined on page 43. Family services means "services to a family or any member thereof for the purpose of preserving, rehabilitating, reuniting, or strengthening the family, and such other service as will assist members of a family to attain or retain capability for the maximum self-support and personal independence." (c) Any of the services in (a) or (b) above to children, relatives, or "essential persons" who are applicants for assistance or who, within such period as the Secretary may prescribe, has been or is likely to become an applicant for or recipient of assistance. (d) No change. The Federal 75-percent matching for services within (a), (b), and (c) is contingent on the establishment of the separate organization unit in the State or local agency administering the plan which was mentioned earlier under I above.
3. Providers of welfare services	Services are to be provided by the staff of the State welfare agency but, in the provision of these services, there must be maximum utilization of other agencies providing similar or related services. Services may also be furnished, pursuant to agreement with the State welfare agency, by a State health or vocational rehabilitation agency or by other State agencies which the Secretary deems appropriate (whether provided by its staff or by contract with nonprofit private or local public agencies). The provision of services by other agencies are subject to limitations by the Secretary and must be services which in the judgment of the State welfare agency, cannot be as economically or effectively provided by its staff and are not otherwise reasonably available to individuals in need of such services.	Provides an exception to the requirement of obtaining services from public agencies for child-welfare services, family planning services, and family services, to the extent specified by the Secretary, so that they may be provided from other sources.

I. AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Item	Existing law	H.R. 12080
4. Report to Congress	No provision	The Secretary of Health, Education, and Welfare, on the basis of a review of the reports from the States, shall report his findings on the effectiveness of programs of services developed by the States. The Secretary shall annually report to the Congress (beginning July 1, 1970) on the programs developed by each State.
5. Effective date		The State plan requirements shall be effective October 1, 1967, but a State plan will not be out of compliance because of not meeting these requirements until July 1, 1969. The Federal matching for services implementing the new State plan requirement will be available on or after the modification of the State plan.
B. Income exemption	The State agency in determining need, upon which eligibility for and the amount of assistance is based, must take into account any other income (including expenses reasonably attributable to the earning of income) and resources of any child or relative claiming assistance. The States, at their option, may disregard not more than $50 per month of earned income of each dependent child under age 18 but not more than $150 per month in the same home. The States also have the option of disregarding up to $5 of any income before disregarding child's earned income as noted above. Finally, States have the option of permitting all or part of earned or other income to be set aside for future identifiable needs of a child.	To provide incentives to work, the bill sets out the following exemption of earnings: All earned income of each child recipient under age 16 and age 16 to 21 if he is a full-time student attending a school, college, or university, or a course of vocational or technical training to fit him for gainful employment, is exempt. In the case of a child over 16 not in school, a relative, or an "essential person," the first $30 of earned income of the group in a month plus ⅓ of the remainder of such income for the month would be exempt. The optional provision for setting aside a portion of income for future identifiable needs is continued, as well as the option of the States to disregard $5 a month of any type of income. The provision exempting $50 a month of a child's income is superseded by these provisions. The earnings exemption will not be available in any month for a person who voluntarily terminated his employment or reduced his earned income within such period preceding the month assistance is applied for as may be prescribed by the Secretary (but such period must not be less than 30 days), or to persons who refused without good cause to accept employment in which they were able to engage, offered by or through the public employment office or by a private employer, which is determined to be bona fide by the State or local agency. The earnings exemption will also not be available to persons whose income in the month of application was in excess of their need as determined by the State agency, unless in any of the 4 preceding months they were receiving assistance. Makes specific reference to "essential person" so his income and resources can be taken into account in determining the need of the child or relative claiming aid.

		Effective date: The earnings exemption must be in effect in the States by July 1, 1969, but will be optional with the States from October 1967 on.
	There are a number of income exemptions applicable to the AFDC program in other legislation. For instance, title VII of the Economic Opportunity Act provides that the first $85 a month of such income and ½ of the remainder must be disregarded. Sec. 109 of the Elementary and Secondary School Act of 1965 provides that, for a period of 1 year, the first $85 a month earned in any month for services under that act shall be disregarded for purposes of determining need under the AFDC program.	The new provisions override any other provisions of any other law disregarding earned income.
C. Families with unemployed fathers	For period ending June 30, 1968, Federal participation is authorized in payments to children who are deprived of parental support or care "by reason of the unemployment of a parent" as defined by a State. Program optional with the States, and 22 have such programs. Permanent provisions of law limit Federal matching to needy dependent children under 18 (and specified relative with whom they are living) who have been deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent. (Specified relatives include grandmother, grandfather, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, aunt, 1st cousin, nephew, or niece.)	Limits the program to children who need support on the basis of the unemployment of the father. Unemployment will be defined by Secretary of Health, Education, and Welfare. Program made permanent but still optional with the States. Federal matching specifically authorized to meet needs of "essential persons." Adds new plan requirement relating to when aid to dependent children assistance will be paid on the basis of an unemployed father: Requires the payment of aid with respect to a child within such definition when his father has been unemployed for a minimum period of 30 days before receipt of aid, has not without good cause within such period refused a bona fide offer of employment or training, and has at least 6 quarters of work in a 13-calendar quarter period ending within 1 year before the application for aid or, within such 1-year period, received unemployment compensation under any State or Federal program or was "qualified for unemployment compensation." The bill defines a "quarter of work" as a calendar quarter in which the father received at least $50 of earned income (or which is a "quarter of coverage" for purposes of the old-age, survivors, and disability insurance program under title II of the act), or in which he participated in a community work and training program. The father shall be deemed "qualified for unemployment compensation" under the State's unemployment compensation law if he would have been eligible therefor upon application, or if he had been in uncovered work which, had it been covered, would (with his covered work) have made him eligible for such compensation upon application. The bill provides that persons who have fulfilled the requirements at any time after April 1961 (related to the date of enactment of the original unemployed parent legislation) will be considered to be eligible with respect to the quarters of work provision for up to 6 months after a State plan under these provisions becomes operative.

PUBLIC ASSISTANCE AMENDMENTS—Continued

I. AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Item	Existing law	H.R. 12080
C. Families with unemployed fathers—Con.		Fathers who are now on the rolls, and who met the work requirements at any time after April 1961, would continue to be eligible if other requirements are met.
	The State plan must— (1) no provision;	The State plan must— (1) provide for the establishment of a work and training program and for assurances that fathers of children within the above definition are assigned to projects under such program within 30 days after receiving aid;
	(2) give assurance that assistance will not be granted if, and for as long as, the unemployed parent refuses, without good cause, to accept employment in which he is able to engage and which is offered through either a public employment office or by an employer if the offer is determined by the State agency to be a bona fide offer of such employment;	(2) provide for denial of aid if and for as long as such a father fails to register at the public employment office, refuses without good cause to participate in a work and training program, refuses without good cause to accept employment in which he is able to engage (which is offered to him from certain sources), refuses without good cause to undergo retraining under the vocational education program.
	(3) provide for entering into cooperative arrangements with the system of public employment offices in the State looking toward the employment of unemployed parents, including appropriate provision for periodic registration of the unemployed parent and for the maximum utilization of the job placement and other services and facilities of such offices; and	(3) provide that the services of public employment offices in the States shall be utilized to assist fathers to secure employment and occupational training, including registration and maximum use of job placement services.
	(4) provide for entering into cooperative arrangements with the State vocational education agency looking toward maximum utilization of its services and facilities to encourage retraining of such unemployed parent.	(4) No change.
	(5) Any State, *at its option*, to provide for the denial of all (or any part) of aid under the plan to which any child or relative might be entitled for any month, if the unemployed parent receives compensation under an unemployment compensation law of a State or of the United States for any week, anypart of which is included in such month.	(5) Receipt of unemployment compensation bars assistance.
		Effective date: Oct. 1, 1967, but no State with an unemployed parent program on July 1, 1967, shall be required to include any additional recipients by reason of this amendment before July 1, 1969, and no State shall be required to deny aid because of not having a community work and training program before July 1, 1969.

D. Community work and training	Federal matching is authorized, for the period July 1, 1961, to June 30, 1968, for payments for work performed by a relative (18 years of age or older) with whom the child is living. Twelve States make such payments. Federal participation in these payments may be made only under limited conditions designed to assure protection of the health and welfare of the children and their relatives: (1) The work must be performed for the State public assistance agency or another public agency under a program (which need not be in effect throughout the State) administered by or under the supervision of the State public assistance agency. (2) There must be State financial participation in these expenditures. (3) The State plan must include provisions which give reasonable assurance that— (a) appropriate health, safety, and other conditions of work will be maintained; (b) the rates of pay will be not less than the applicable minimum rate under State law for the same type of work, if there is any such rate, and not less than the prevailing wage rates on similar work in the community; (c) the work projects will serve a useful public purpose; will not displace regular workers or be a substitute for work that would otherwise be performed by employees of public or private agencies, institutions, or organizations; and (except in the case of emergency or nonrecurring projects) will be of a type not normally undertaken by the State or community in the past; (d) the additional expenses of going to work will be considered in determining the worker's needs; (e) the worker will have reasonable opportunities to seek regular employment and secure appropriate training or retraining and will be provided with protection under the State workmen's compensation law or similar protection; and (f) aid will not be denied because of a relative's refusal with good cause to perform work under the program.	Makes such community work and training programs mandatory on the States effective with July 1, 1969. Age 18 is changed to age16. Also includes "essential person." (1) Community work and training programs must be established in every political jurisdiction where a significant number If AFDC families reside. (2) No change. (3) (a) No change. (b) Federal minimum wage legislation would also apply, except that payments for work by individuals who are learners or handicapped workers may be at special lesser rates that are in accord with such State and Federal laws. (c) Removes requirement that project will not be of a type normally undertaken. (d) No change. (e) No change. (f) Bill also provides that (1) all appropriate recipients of AFDC to register and periodically reregister at the State employment office, and (2) requires that if any child or relative refuses (a) to register or reregister (b) to accept bona fide offers of employment, or (c) to accept training, the adult relative, essential person or child who so refuses shall not have his needs taken into account, and in the case where the caretaker relative so refuses, his needs cannot be taken into account and the payments can be made to the children only if by a protective payment, vendor payment, or to a foster parent. (However, the usual determination that the caretaker cannot handle the funds would not have to be made.)

PUBLIC ASSISTANCE AMENDMENTS—Continued

I. AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Item	Existing law	H.R. 12080
D. Community work and training—Con.	(4) The State plan must also include provision for—	(4) Services and facilities under the MDTA and other work programs shall be utilized.
	(a) cooperative arrangements with the public employment offices and with the State vocational education and adult education agency or agencies looking toward employment and occupational training of the relatives and maximum use of public vocational or adult education services and facilities in their training or retraining;	(a) Provides also that the Secretary of Health, Education, and Welfare enter into cooperative arrangements with the Secretary of Labor for the provision of the services offered by State employment offices to recipients and applicants for AFDC. The expenses furnished to recipients or applicants for testing, counseling and other individual employment services would be reimbursed at the 75 percent rate (85% until July 1, 1969).
	(b) assuring appropriate arrangements for the care and protection of the child during the relative's absence from the home in order to perform the work under the program;	(b) No change.
	(c) such other provisions as the Secretary finds necessary to assure that the operation of the program will not interfere with the objectives of the aid to dependent children program.	(c) Essentially the same.
	(5) A State participating in such a program must also provide (in its State plan) that there will be no adjustment or recovery by the State or any locality on account of any payments which are correctly made for the work.	(5) No change.
	The cost of administration of a State plan for which Federal funds are paid may not include the cost of making or acquiring materials or equipment in connection with work under a community work and training program or the cost of supervision of that work, and may only include those other costs attributable to the programs which are permitted by the Secretary.	Provides for Federal matching of the costs of materials, training, and supervision at the rate of 75 percent on July 1, 1969, and 85 percent from Oct. 1, 1967 to July 1, 1969 if the program meets the new conditions.
E. Program of Federal payments for foster care of dependent children.		
1. Eligibility	Allows Federal payments with respect to any child otherwise not eligible who—	
	(1) is removed, after Apr. 30, 1961, from home of specified relative as a result of a judicial determination that continuation therein would be contrary to his welfare;	

	(2) is placed in a foster family home (approved by the State), with payment to the child care agency permitted for the period through June 30, 1968 as a result of such determination; or (for the period through June 30, 1968) in a nonprofit private child-care institution, subject to limitations prescribed by the Secretary to include within Federal participation only cost items which are included in foster family home care. Provision is made for payments by the State or local agency for foster care in a foster family home or a child-care institution either directly or through a public or nonprofit private child-placement or child-care agency.	(2) Makes permanent the inclusion of child care institutions and permission for payment for care to an agency in foster family situations.
	(3) was receiving aid to dependent children in the month when court proceedings were started, and for whose placement and care the State agency administering the program is responsible.	(3) Modifies provisions to cover children: (1) who were not receiving payments in the month court proceeding started but would have received such aid if they had applied for it, or (2) who had been living with one of the relatives specified in the law within 6 months of the start of the court proceedings and if in the month they were removed from home of the relative they would have been eligible for assistance if they had applied for it.
	For the period through June 30, 1968, responsibility for the placement and care of dependent children place in foster care homes may rest either with the State or local agency administering the program under title IV or with any other public agency with whom the administering agency has an agreement. Such agreement must include provision for assuring development of a plan for each child which is satisfactory to the State public assistance agency and such other provisions as may be necessary to assure that the objectives of the State plan approved under title IV are met.	Makes provision permanent.
2. Federal matching for foster care	The Federal share is ⅝ of the 1st $18 per recipient per month with variable grant matching on the amount up to $32 per recipient per month. Variable grant matching above first $18 has a Federal share which varies from 50 to 65 percent depending on per capita income of State.	Provides an alternative Federal matching maximum of $100 a month for children in foster care. Effective after September 1967.
F. Emergency assistance for certain needs	No provision	Emergency assistance to needy families with children is defined to mean, (1) money payments, payments in kind, or such other payments as the State agency may specify, or medical or remedial care recognized under State law on behalf of an eligible child or any other member of household in which such child is living, and (2) such services as the Secretary may specify. It may be provided where such child and his family are without available resources and the payments, care, or services involved are necessary to avoid destitution of the child or to provide suitable living arrangements in a home for such a child.
1. Definition of assistance	do	

PUBLIC ASSISTANCE AMENDMENTS—Continued

I. AID TO FAMILIES WITH DEPENDENT CHILDREN—Continued

Item	Existing law	H.R. 12080
F. Emergency assistance for certain needs—Continued		
2. Duration of assistance	No provision	Emergency assistance may be given for a period not excess in of 30 days in any 12-month period in the case of a needy child under age 21 who is (or, within a period specified by the Secretary, has been) living with any of the relatives specified in the act in a place of residence maintained by such a relative as his home.
3. Federal matching	do	The Federal share will be 50 percent of the total expenditures under such plan for such assistance in the form of payments for items, services, and medical care and 75 percent of the total expenditures for such assistance in the form of welfare services. Effective upon enactment.
G. Protective and vendor payments and other State action to protect interests of AFDC children.	Authorizes protective payments to be made, in a limited number of cases (limited in number to 5 percent of recipients), to a person who is interested in or concerned with the welfare of the dependent child and relative, under a State plan which provides for—	Deletes 5-percent limitation on number of recipients who can be under this method of payment. Adds authority for vendor payments under same conditions for protective payments as outlined below. (Vendor payments are made on behalf of family or child directly to a person furnishing food, living accommodations, or other goods, services, or items to or for such family.)
	(1) determination by the State agency that payments in this form are necessary because the relative is so unable to manage funds that it would be contrary to the child's welfare to make payments to such relative;	(1) In the case of an individual who refuses to take the steps leading to employment, noted earlier under the community work and training, vendor or protective payments can be provided without meeting the requirements.
	(2) meeting all the need of individuals (in conjunction with other income and resources), with respect to whom they are made, under rules otherwise applicable under the State plan for determining need and the amount of assistance to be paid;	(2) Deletes requirement of meeting full need.
	(3) special efforts to improve the ability of the relative to manage funds, and periodical review of the situation to determine whether such payments to another interested person are still necessary—and with provision for judicial appointment of a guardian or legal representative if the need for payments to another interested person continues beyond a period specified by the Secretary;	(3) No change.
	(4) opportunity for a fair hearing before the State agency on the determination that payments to another interested person on behalf of the child and relative are necessary; and	(4) No change.
	(5) aid in the form of foster family care, as provided for in the Social Security Act.	(5) No change.
	Effective until ending June 30, 1968	Provision made permanent.

	Authorizes the State agency to take the following steps, without losing Federal matching funds, whenever it has reason to believe that payments to a relative for the benefit of a child are not being or may not be used in the best interests of the child. (1) To provide the relative with counseling and guidance concerning the use of payments and management of other funds to assure their use in the best interests of the child; (2) To advise the relative that continued misuse of payments will result in substitution of protective payments (described above), or in seeking appointment of a guardian or legal representative; or Moreover, the imposition of criminal or civil penalties, under State law, upon determination by a court of competent jurisdiction that the relative is not using, or has not used, payments for the benefit of the child shall not be the basis for withholding of Federal matching funds.	No change.
H Limitation on number of children with respect to which the Federal Government will make matching payments.	There is no limit as to Federal participation in expenditures other than the $32 a month average maximum for all recipients of AFDC.	Provides that, for the purposes of Federal matching, the number of dependent children, deprived of parental support or care by reason of a parent's continued absence from the home, for any calendar quarter after 1967 shall not exceed the number bearing the same ratio to the total population of such State under age 21 on Jan. 1 of the year in which such quarter falls as the number of such dependent children with respect to whom such payments were made to such State for the calendar quarter beginning Jan. 1, 1967, bore to the total population of such State under age 21 on that date. No limit is imposed on Federal matching for children qualifying for AFDC based upon the death, incapacity, or unemployment of the parent.
II. OTHER PUBLIC ASSISTANCE AMENDMENTS		
A. Partial payments to States	Provides that if a State fails to comply with its State plan under any of the titles of the Social Security Act, the penalty, after hearing, is suspension of Federal funds for entire title.	Provides that Federal funds may be withheld for only that part of the plan which is not being complied with.
B. Private grantees under demonstration projects.	Provides that grants and constracts for demonstration projects under sec. 1110 of the Social Security Act can be made only with respect to public and nonprofit agencies.	Would allow contracts to be with private profit agencies.
C. Social work manpower	No provision specifically to train social workers	Authorizes $5,000,000 for fiscal year 1969 and the 3 following years to meet the cost of expanding educational programs in social work. At least ½ of the funds appropriated each year must be used to support undergraduate training.

PUBLIC ASSISTANCE AMENDMENTS—Continued

OTHER PUBLIC ASSISTANCE AMENDMENTS—Continued

<table>
<tr><th>Item</th><th>Existing law</th><th>H.R. 12080</th></tr>
<tr><td>D. Home repairs</td><td>No provision</td><td>Provides that States may, under all federally financed assistance except AFDC, make payments for home repair or capital improvements for an owned home up to a total of $500 with 50 percent Federal matching. To do so would be more economical than paying rent in other quarters.</td></tr>
<tr><td>E. Demonstration projects</td><td>Authorizes $2,000,000 for fiscal year before 1969 for demonstration projects to support the objectives of the public assistance titles.</td><td>Sets authorization at $4,000,000 effective with fiscal year 1968 and for years thereafter. Also provides that the Secretary or Under Secretary of Health, Education, and Welfare must personally approve projects which are wholly funded through the Social Security Act and promptly notify the Congress about each of them.</td></tr>
<tr><td>F. Partial payments to States</td><td>Provides that if a State fails to comply with its State plan under any of the titles of the Social Security Act, the penalty, after hearing, is suspension of Federal funds for entire title.</td><td>Provides that Federal funds may be withheld for only that part of the plan which is not being complied with.</td></tr>
<tr><td>G. Puerto Rico, Guam, and the Virgin Islands.</td><td>Imposes dollar limitation of $9,800,000 each year in Federal funds for matching cash public assistance payments. Figure for Virgin Islands is $330,000 and for Guam is $450,000.</td><td>Establishes new dollar limits as follows:
<table><tr><th>Fiscal year</th><th>Puerto Rico</th><th>Virgin Islands</th><th>Guam</th></tr><tr><td>1968</td><td>$12, 500, 000</td><td>$425, 000</td><td>$575, 000</td></tr><tr><td>1969</td><td>15, 000, 000</td><td>500, 000</td><td>690, 000</td></tr><tr><td>1970</td><td>18, 000, 000</td><td>600, 000</td><td>825, 000</td></tr><tr><td>1971</td><td>21, 000, 000</td><td>700, 000</td><td>960, 000</td></tr><tr><td>1972 and thereafter</td><td>24, 000, 000</td><td>800, 000</td><td>1, 100, 000</td></tr></table>In addition to these amounts, the Secretary is authorized to certify additional payments to be used for services related to community work and training and for family planning services in the following amounts:
Puerto Rico $2, 000, 000
Virgin Islands 65, 000
Guam 90, 000
Federal matching percentage would be 60 percent rather than 75 percent as for the States.</td></tr>
<tr><td>H. Incentives for reduction of hospital costs.</td><td>No provision</td><td>The Department of Health, Education, and Welfare would be given authority to experiment with alternative methods of reimbursing hospitals under medicare, medicaid, and the child health programs which would provide incentives to keep costs down while maintaining quality of care.</td></tr>
</table>

MEDICAL CARE FOR THE NEEDY (MEDICAID)

I. Limitation on Federal participation in medical assistance. A. The States	No limitation on the levels of income which a State can set for determining eligibility. Federal matching ranges from 50 percent to 83 percent depending upon per capita income of State.	States would be limited in setting income levels for eligibility for which Federal matching funds would be available. The family income level could not be higher than either (1) 133⅓ percent of the highest amount ordinarily paid to a family of the same size without income or resources under the program of aid to families with dependent children, or (2) 133⅓ percent of the State per capita income for a family of 4 (with comparable amounts for families of different sizes). The 133⅓ proportions would go into effect on July 1, 1968, except that for States which had a title XIX program approved before July 26, 1967, for the period from July 1, 1968, to Jan. 1, 1969, the proportions would be 150 rather than 133⅓ percent and for that period from Jan. 1, 1969, to Jan. 1, 1970, the proportions would be 140 percent. See tables 13, 14, and 15 on pages 47, 48, and 50, as to effect on individual States. Puerto Rico, the Virgin Islands, and Guam would be exempt from these provisions and would instead be limited by dollar ceilings as follows: Puerto Rico ..... $20,000,000 Virgin Islands ..... 650,000 Guam 900,000
B. Puerto Rico, Guam, and the Virgin Islands.	Federal matching set at 55 percent	Federal matching would be reduced to 50 percent.
II. Maintenance of State effort	Federal matching for any State for any quarter prior to July 1, 1969, shall be reduced to the extent the excess of Federal matching for such quarter for the new medical program, old-age assistance, aid to needy families with children, aid to the blind, aid to the permanently and totally disabled, and aid under the consoldiated program over the corresponding quarter in fiscal year 1964 or 1965 or average quarterly Federal matching for these programs in fiscal year 1964 or 1965 is greater than the excess of total expenditures (Federal, State, and local) on these programs in such quarter over the corresponding quarter or of the average total quarterly expenditures on these programs in fiscal year 1964 or 1965.	Maintenance of effort could be determined on the basis of money payments alone. Also, current expenditures could be measured on the basis of a full fiscal year (rather than a quarter). In addition, child welfare expenditures could be included in the determination either with money payments alone or with money payments and medical assistance.
III. Coordination of medical assistance and part B of medicare.	States have until Jan. 1, 1968, to buy in title XVIII medical insurance for persons eligible for medicaid. States can buy in only for those who are receiving cash assistance.	States would have until Jan. 1, 1970, to buy in and could buy in for those eligibles who do not receive cash assistance—the medically needy. Such persons could be bought into the program in the future. Federal matching amounts would not be made to States for services which could have been covered under the medical insurance program but were not. No Federal funds could be used to pay premiums on behalf of medically needy.
IV. Comparability provisions	States must make the same benefits available to all those eligible under the plan.	States would not have to include in medicaid coverage for recipients less than 65 years old the same items which the aged receive under the medical insurance program under the buy-in provisions.

MEDICAL CARE FOR THE NEEDY (MEDICAID)—Continued

Item	Existing law	H.R. 12080
V. Required services	States must, by July 1, 1967, include coverage of inpatient hospital services, outpatient hospital services, other laboratory and X-ray services, skilled nursing home services and physician's services.	States could, as an alternative to the present provision, provide any 7 of 14 services. The 14 sevices include the 5 under present law and the following 9 types of services: medical care, or any other type of remedial care recognized under State law, furnished by a licensed practitioner within the scope of his practice as defined by State law: home health care services; private duty nursing services; clinic services; dental services; physical therapy and related services; prescribed drugs, dentures and prosthetic devices, and eyeglasses; other diagnostic, screening, preventive, and rehabilitative services; and inpatient hospital services, and skilled nursing home services, for individuals over age 65 in an institution for mental diseases.
VI. Federal participation in administrative expenses.	Federal financial participation at the 75-percent rate is available to meet the costs attributable to the compensation and training of professional medical personnel employed by the single State agency administering the plan.	Federal matching at the 75-percent rate would also be made available for the costs attributable to such personnel working on the program but located in another agency, the health agency, for example.
VII. Advisory Council on Medical Assistance.	No provision	Requires Secretary of HEW to appoint an Advisory Council on Medical Assistance to advise the Secretary on administration of the medicaid program. The Council would consist of 21 members with one of the members acting, upon appointment of the Secretary, as Chairman. The members are to include representatives of State and local agencies and nongovernmental groups concerned with health, and consumers of health services, with a majority to consist of consumer representatives. Members are to hold office for 4 years with the 1st offices staggered.
VIII. Free choice of medical services	No provision	Individual eligible for medical assistance is to have free choice of qualified providers of services. The provision would be effective July 1, 1969, except it would be July 1, 1972, for Puerto Rico, Guam, and the Virgin Islands.
IX. Consultative services for providers of services.	Title XVIII provides that payments can be made to State health agencies for furnishing consultative services to providers of services in order for the providers to meet the participation requirements. Independent laboratories are not included in this provision.	Would repeal the present provisions effective July 1, 1969, and effective that date provide in the medicaid program that the States must provide such consultative services to all types of medical agencies for purposes of qualifying for participation under title XVIII, XIX, and the child health programs under title V.

X. Payment for services by a third party.	No provision.	State or local agency would have to take all reasonable measures to ascertain the legal liabilities of third parties to pay for covered services. Where the legal liability is known it would be treated as a resource of the patient. In addition, if medical assistance is granted and legal liability of a third party is established later, the State or local agency must seek reimbursement from such third party. The Federal Government would be credited with its share of the payment.
XI. Payment of physician bills.	All services must be paid directly to the person or organization furnishing the services.	Allows States to make payment directly to the recipient for physician services, but only if the recipient is not receiving cash assistance—that is, is a medically needy person.
XII. Date on which the States must meet certain requirements as to source of funds.	States have until July 1, 1970, either to finance the State share wholly from State funds or to establish a tax equalization plan which accomplishes the same purposes.	Would change the effective date of this provision to July 1, 1969.

CHILD WELFARE SERVICES

I. Inclusion of child welfare services in title IV.	Authorizes under pt. 3 of title V of the Social Security Act, $55,000,000 for fiscal year 1968, $55,000,000 for fiscal year 1969, and $60,000,000 for fiscal year 1970 and later years for formula grants to the States to support the provision of child welfare services. Also authorizes such sums as Congress may appropriate to support research, training, and demonstration projects in the child welfare field. "Child welfare services" are defined as public social services which supplement, or substitute for, parental care and supervision for the purpose of (1) preventing or remedying, or assisting in the solution of problems which may result in, the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent, or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, including the strengthening of their own homes where possible or, where needed, the provision of adequate care of children away from their homes in foster family homes or day-care or other child-care facilities.	Moves provisions to new pt. B of title IV of the Social Security Act and authorizes $100,000,000 for fiscal year 1969, and $110,000,000 for fiscal year 1970 and later years for formula grants to the States. Modifies research, training, and demonstration projects provisions to make possible dissemination of research and demonstration findings into program activity through multiple demonstrations on a regional basis and to encourage State and local agencies administering public child welfare services programs to develop and staff new and innovative services and to provide contract authority to make it possible to direct research into neglected and vital areas

CHILD HEALTH

Item	Existing law	H.R. 12080
I. Consolidation of separate programs----	Provides 2 formula grant programs, 1 for maternal and child health services and another for crippled children's services. Funds authorized at $55,000,000 for fiscal year 1968 and 1969 and $60,000,000 for fiscal year 1970 and later years for each program are allocated to the States based, in part, on the proportionate share of live births of each State in the case of maternal and child health services, and the proportionate share of numbers of crippled children in the case of the crippled children's program. Also authorizes $10,000,000 for fiscal year 1968 and $17,500,000 for each later year for grants by the Secretary for training of professional personnel for health and care of crippled children (particularly mentally retarded children and children with multiple handicaps). Authorizes $30,000,000 for 1968 for special project grants for maternity and infant care. Authorizes $40,000,000 for fiscal year 1968, $45,000,000 for fiscal year 1969, and $50,000,000 for fiscal year 1970, for grants to State and local health agencies to promote health of school and preschool children. Authorizes not more than $8,000,000 each year for research projects in the field of maternal and child health and crippled children's services.	Present provisions are repealed. Provides new title V of the act (without child welfare provisions, which are moved to title IV under another provision, discussed above). New title provides for the following: Authorizes $250,000,000 for fiscal year 1969, $275,000,000 for fiscal year 1970, $300,000,000 for fiscal year 1971, $325,000,000 for fiscal year 1972 and $350,000,000 for fiscal year 1973 and later years. 50 percent of the appropriation for fiscal years 1969 through 1972 shall be for allotments to the States for maternal and child health and crippled children's services. 40 percent shall be grants for special project grants for maternity and infant care, special project grants for health of school and preschool children, and special project grants for dental health of children. 10 percent for each such year shall be for grants for training of professional health personnel and for research projects related to maternal and child health services and crippled children's services. ½ of 1 percent percent of the total appropriation can be used by the Secretary for evaluation (directly or through contracts or grants) of the programs. Effective with fiscal year 1973 and for later years 90 percent of the appropriation shall be for maternal and child health services and crippled children's services, and 10 percent shall be for grants and contracts for training of professional health personnel and research in the fields of maternal and child health services and crippled children's services. Secretary is authorized to transfer up to 5 percent of the appropriation for any year from one purpose to another purpose or purposes.

TABLE 9.—*Summary of general fund costs in H.R. 12080*

[Dollars in millions]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972
Social security	$33	$72.0	$106.0	$152.0	$146.0
Public welfare	−78	−262.2	−414.0	−608.8	−704.5
Child health	5	39.5	49.5	74.5	99.5
Net savings in bill	−40	−154.7	−258.5	−382.3	−459.0

TABLE 10.—*Social security general fund costs in H.R. 12080*

[Dollars in millions]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972
Special payments to certain persons 72 and over			$29	$52	$41
Military service wage credits before 1957				20	20
Additional wage credits for military service after 1967		$1	2	2	3
Modification of supplementary medical insurance benefits	$33	70	73	76	80
Modification of transitionally insured status for hospital insurance		1	2	2	2
Total, social security	33	72	106	152	146

TABLE 11.—*Summary of public welfare costs in H.R. 12080*

[Dollars in millions]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972
Public welfare costs if there is no change in present law	$4,555	$5,223.0	$5,721	$6,241.0	$6,791.0
Increases in bill	25	259.8	488	709.2	1,069.5
Decreases in bill	−103	−526.0	−902	−1,318.0	−1,774.0
Net savings in bill	−78	−266.2	−414	−608.8	−704.5
Public welfare costs as amended by bill	4,477	4,956.8	5,307	5,632.2	6,086.5

TABLE 12.—*Child health costs in H.R. 12080*

[Dollars in millions]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972
Formula grants	$110	$125.0	$137.5	$150.0	$162.5
Project grants	75	100.0	110.0	120.0	130.0
Research and training	18	25.0	27.5	30.0	32.5
Subtotal, authorizations in bill	203	250.0	275.0	300.0	325.0
Authorizations in present law	[1] 198	210.5	225.5	225.5	225.5
Increase in bill	5	39.5	49.5	74.5	99.5

[1] $183,100,000 in 1968 budget.

TABLE 13.—*Detail of public welfare costs in H.R. 12080*

[Dollars in millions]

	Fiscal year 1968	Fiscal year 1969	Fiscal year 1970	Fiscal year 1971	Fiscal year 1972
Public assistance:					
AFDC costs if there is no change in present law [1]	$1,462	$1,555.0	$1,647	$1,741.0	$1,837.0
Title XIX costs if there is no change in present law [2]	1,391	1,913.0	2,289	2,690.0	3,118.0
All other public assistance costs if there is no change in present law [3]	1,647	1,700.0	1,725	1,750.0	1,776.0
Subtotal, present law	4,500	5,168.0	5,661	6,181.0	6,731.0
Increases in the bill:					
Day care	(4)	75.0	155	250.0	470.0
Other social services	(4)	35.0	70	100.0	125.0
Earnings exemptions	(4)	20.0	25	30.0	35.0
Work-training	(4)	45.0	90	135.0	225.0
Foster care under AFDC	(4)	10.0	20	33.0	40.0
Emergency assistance	(4)	10.0	20	35.0	35.0
Puerto Rico, et al	(4)	7.8	11	14.2	17.5
Demonstration projects	(4)	2.0	2	2.0	2.0
Additional child health requirements in title XIX			30	40.0	50.0
Subtotal, increases	[4] 25	204.8	423	639.2	999.5
Decreases in the bill:					
AFDC limitation	−18				
AFDC reductions for persons trained			−10	−55.0	−130.0
Restrictions on title XIX		−336.0	−692	−1,058.0	−1,434.0
Decrease in public assistance due to social security benefit increase [5]	−85	−190.0	−200	−205.0	−210.0
Subtotal, decreases	−103	−526.0	−902	−1,318.0	−1,774.0
Net savings due to public assistance amendments	−78	−321.2	−479	−678.8	−774.5
Total, public assistance as amended by bill	4,422	4,846.8	5,182	5,502.2	5,956.5
Child Welfare:					
Present law	[6] 55	55.0	60	60.0	60.0
Increase for child welfare services		45.0	50	50.0	50.0
Increases for child welfare research		5.0	10	15.0	15.0
Subtotal, increases		50.0	60	65.0	65.0
Social work manpower		5.0	5	5.0	5.0
Net public welfare savings in bill	−78	−266.2	−414	−608.8	−704.5

[1] Assumes annual increase in the rolls of about 200,000, based on the experience of the past several years; allows increase of $1 each year in the average monthly payment per recipient, in line with recent experience.

[2] Includes all medical vendor payments; assumes 5 percent annual increase in unit costs after 1968, assumes implementation in all jurisdictions by fiscal 1969.

[3] Assumes continued decline in number of old-age assistance and aid to the blind recipients, and continued increase in aid to the permanently and totally disabled, based on experience; allows increases for average payments.

[4] 1968 cost undistributed.

[5] Assumes that social security benefit increases will fully reduce public assistance payments.

[6] $46,000,000 in 1968 budget.

NOTE.—Costs are based on 1968 prices except as notedi n the assumptions.

TABLE 14.—*Title XIX: Comparison of amount of protected income at proposed level (based on 133.3 percent of AFDC assistance standard)* [1] *with amount specified in currently approved State plans*

STATES CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX THAT INCLUDES THE "MEDICALLY NEEDY"

State	Proposed amount of protected income and difference from amount in currently approved plan for—							
	1 person		2 persons		3 persons		4 persons	
	Proposed amount	Difference from present	Proposed amount	Difference from present	Proposed amount	Difference from present	Proposed amount	Difference from present
California	$1,600	−$514	$2,200	−$1,124	$2,600	−$964	$3,100	−$704
Connecticut	1,900	−200	2,600	−600	3,200	−300	3,800	0
Delaware	1,500	0	2,100	0	2,600	−100	3,000	−300
Hawaii	1,800	+360	2,500	+340	3,000	+480	3,600	+600
Illinois	1,400	−400	1,900	−500	2,400	−600	2,800	−800
Iowa [2]	1,200	−400	1,700	−700	2,000	−1,000	2,400	−1,200
Kansas [3]	1,900	+300	2,700	+500	3,200	+600	3,800	+800
Kentucky	1,400	−220	1,900	−320	2,300	−520	2,700	−720
Maryland	1,400	−400	1,900	−380	2,300	−400	2,700	−420
Massachusetts	2,200	+40	3,000	+168	3,700	+196	4,300	+124
Michigan	1,500	−400	2,100	−600	2,600	−520	3,000	−540
Minnesota	1,800	+180	2,500	+280	3,000	+372	3,500	+464
Nebraska	1,000	−600	1,300	−900	1,600	−1,000	1,900	−1,100
New York	2,000	−900	2,700	−1,300	3,300	−1,900	3,900	−2,100
North Dakota [4]	1,600	0	2,300	+100	2,800	+200	3,200	+200
Oklahoma	1,400	−328	1,900	−68	2,300	+92	2,700	+252
Pennsylvania	1,600	−400	2,300	−200	2,700	−550	3,200	−800
Rhode Island	1,500	−1,000	2,100	−1,400	2,500	−1,400	2,900	−1,400
Utah	1,500	+300	2,100	+420	2,600	+440	3,000	+360
Washington	1,700	+20	2,400	+120	2,900	+260	3,400	+400
Wisconsin	1,800	0	2,600	−100	3,100	−100	3,600	−100

STATES CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX THAT DO NOT INCLUDE THE "MEDICALLY NEEDY"

Idaho[4]	$1,700	$2,300	$2,800	$3,300
Louisiana	1,000	1,300	1,600	1,900
Maine	1,100	1,600	1,900	2,200
New Mexico	1,500	2,100	2,500	2,900
Ohio	1,500	2,000	2,500	2,900
Vermont	1,200	1,600	2,000	2,300
West Virginia	1,400	1,900	2,300	2,700

STATES NOT CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX

Alabama	$500	$700	$800	$1,000
Alaska	900	1,300	1,500	1,800
Arizona	900	1,200	1,500	1,800
Arkansas	700	900	1,100	1,300
Colorado	1,100	1,500	1,800	2,100
District of Columbia	1,300	1,900	2,200	2,600
Florida	500	700	800	900
Georgia	1,000	1,400	1,600	1,900
Indiana	900	1,200	1,500	1,700
Mississippi	400	500	600	700
Missouri	800	1,100	1,300	1,500
Montana [4]	1,800	2,500	3,000	3,500
Nevada	1,100	1,500	1,800	2,100
New Hampshire	1,700	2,400	2,800	3,300
New Jersey	2,000	2,800	3,400	4,000
North Carolina	1,200	1,700	2,100	2,400
Oregon	1,600	2,300	2,700	3,200
South Carolina	500	700	800	900
South Dakota [4]	1,600	2,200	2,700	3,200
Tennessee	900	1,200	1,500	1,700
Texas	800	1,100	1,300	1,500
Virginia	1,300	1,800	2,200	2,500
Wyoming	1,600	2,300	2,800	3,200

[1] When 133.3 percent of per capita income was lower than the 133.3 percent of the amount for a 4-person family, this lower amount was used for the 4-person family and comparable adjustments were made for other family sizes.

[2] Program began July 1, 1967; plan not yet approved.

[3] Program began June 1, 1967; plan not yet approved.

[4] Proposed standard based on per capita income rather than AFDC standard.

TABLE 15.—*Title XIX: Comparison of amount of protected income at proposed level (based on 140 percent of AFDC assistance standard)* [1] *with amount specified in currently approved State plans*

STATES CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX THAT INCLUDES THE "MEDICALLY NEEDY"

State	Proposed amount of protected income and difference from amount in currently approved plan for—							
	1 person		2 persons		3 persons		4 persons	
	Proposed amount	Difference from present	Proposed amount	Difference from present	Proposed amount	Difference from present	Proposed amount	Difference from present
California	$1,700	−$414	$2,300	−$1,024	$2,800	−$764	$3,300	−$504
Connecticut	2,000	−100	2,800	−400	3,400	−100	3,900	+100
Delaware	1,600	+100	2,200	+100	2,700	0	3,200	−100
Hawaii	1,900	+460	2,600	+440	3,200	+680	3,700	+700
Illinois	1,500	−300	2,000	−400	2,500	−500	2,900	−700
Iowa [2]	1,300	−300	1,700	−700	2,100	−900	2,500	−1,100
Kansas [3]	2,000	+400	2,800	+600	3,400	+800	4,000	+1,000
Kentucky	1,400	−220	2,000	−220	2,400	−420	2,800	−620
Maryland	1,400	−400	2,000	−280	2,400	−300	2,800	−320
Massachusetts	2,300	+140	3,200	+368	3,900	+396	4,500	+324
Michigan	1,600	−300	2,200	−500	2,700	−420	3,100	−440
Minnesota	1,900	+280	2,600	+380	3,100	+472	3,700	+664
Nebraska	1,000	−600	1,400	−800	1,700	−900	2,000	−1,000
New York	2,100	−800	2,900	−1,100	3,500	−1,700	4,100	−1,900
North Dakota [4]	1,700	+100	2,400	+200	2,900	+300	3,400	+400
Oklahoma	1,400	−328	2,000	+32	2,400	+192	2,800	+352
Pennsylvania	1,700	−300	2,400	−100	2,900	−350	3,400	−600
Rhode Island	1,600	−900	2,200	−1,300	2,600	−1,300	3,100	−1,200
Utah	1,600	+400	2,200	+520	2,700	+540	3,200	+560
Washington	1,800	+120	2,500	+220	3,000	+360	3,600	+600
Wisconsin	1,900	+100	2,700	0	3,300	+100	3,800	+100

STATES CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX THAT DO NOT INCLUDE THE "MEDICALLY NEEDY"

Idaho [4]	$1,800	$2,400	$3,000	$3,500
Louisiana	1,000	1,400	1,700	2,000
Maine	1,200	1,700	2,000	2,400
New Mexico	1,600	2,200	2,600	3,100
Ohio	1,500	2,100	2,600	3,000
Vermont	1,200	1,700	2,000	2,400
West Virginia	1,400	2,000	2,400	2,800

STATES NOT CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX

Alabama	$500	$700	$900	$1,000
Alaska	1,000	1,300	1,600	1,900
Arizona	900	1,300	1,600	1,800
Arkansas	700	1,000	1,200	1,400
Colorado	1,010	1,600	1,900	2,200
District of Columbia	1,400	1,900	2,300	2,800
Florida	500	700	800	1,000
Georgia	1,000	1,400	1,700	2,000
Indiana	900	1,300	1,500	1,800
Mississippi	400	500	600	700
Missouri	800	1,100	1,300	1,600
Montana [4]	1,900	2,600	3,200	3,700
Nevada	1,100	1,500	1,900	2,200
New Hampshire	1,800	2,500	3,000	3,500
New Jersey	2,100	2,900	3,500	4,200
North Carolina	1,300	1,800	2,200	2,500
Oregon	1,700	2,400	2,900	3,400
South Carolina	500	700	800	1,000
South Dakota [4]	1,700	2,400	2,900	3,300
Tennessee	900	1,300	1,500	1,800
Texas	800	1,100	1,400	1,600
Virginia	1,400	1,900	2,300	2,700
Wyoming	1,700	2,400	2,900	3,400

[1] When 140 percent of per capita income was lower than the 140 percent of the amount for a 4-person family, this lower amount was used for the 4-person family and comparable adjustments were made for other family sizes.

[2] Program began July 1, 1967; plan not yet approved.

[3] Program began June 1, 1967; plan not yet approved.

[4] Proposed standard based on per capita income rather than the AFDC standard.

TABLE 16.—*Title XIX: Comparison of amount of protected income at proposed level (based on 150 percent of AFDC assistance standard)* [1] *with amount specified in currently approved State plans*

STATES CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX THAT INCLUDES THE "MEDICALLY NEEDY"

State	Proposed amount of protected income and difference from amount in currently approved plan for—							
	1 person		2 persons		3 persons		4 persons	
	Proposed amount	Difference from present	Proposed amount	Difference from present	Proposed amount	Difference from present	Proposed amount	Difference from present
California	$1,800	−$314	$2,500	−$824	$3,000	−$564	$3,500	−$304
Connecticut	2,100	0	3,000	−200	3,600	+100	4,200	+400
Delaware	1,700	+200	2,400	+300	2,900	+200	3,400	+100
Hawaii	2,000	+560	2,800	+640	3,400	+880	4,000	+1,000
Illinois	1,600	−200	2,200	−200	2,600	−400	3,100	−500
Iowa [2]	1,300	−300	1,900	−500	2,300	−700	2,600	−1,000
Kansas [3]	2,200	+600	3,000	+800	3,600	+1,000	4,300	+1,300
Kentucky	1,500	−120	2,100	−120	2,600	−220	3,000	−420
Maryland	1,500	−300	2,100	−180	2,600	−100	3,000	−120
Massachusetts	2,400	+240	3,400	+568	4,100	+596	4,800	+624
Michigan	1,700	−200	2,400	−300	2,900	−220	3,400	−140
Minnesota	2,000	+380	2,800	+580	3,300	+672	3,900	+864
Nebraska	1,100	−500	1,500	−700	1,800	−800	2,100	−900
New York	2,200	−700	3,100	−900	3,700	−1,500	4,400	−1,600
North Dakota [4]	1,800	+200	2,600	+400	3,100	+500	3,600	+600
Oklahoma	1,500	−228	2,100	+132	2,500	+292	3,000	+552
Pennsylvania	1,800	−200	2,500	0	3,100	−150	3,600	−400
Rhode Island	1,700	−800	2,300	−1,200	2,800	−1,100	3,300	−1,000
Utah	1,700	+500	2,400	+720	2,900	+740	3,400	+760
Washington	1,900	+220	2,700	+420	3,300	+660	3,800	+800
Wisconsin	2,100	+300	2,900	+200	3,500	+300	4,100	+400

STATES CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX THAT DO NOT INCLUDE THE "MEDICALLY NEEDY"

Idaho [4]	$1,900		$2,600		$3,200		$3,700	
Louisiana	1,100		1,500		1,800		2,100	
Maine	1,300		1,800		2,100		2,500	
New Mexico	1,700		2,300		2,800		3,300	
Ohio	1,700		2,300		2,800		3,300	
Vermont	1,300		1,800		2,200		2,600	
West Virginia	1,500		2,100		2,600		3,000	

STATES NOT CURRENTLY OPERATING MEDICAL ASSISTANCE PROGRAMS UNDER TITLE XIX

Alabama	$600	$800	$900	$1,100
Alaska	1,000	1,400	1,700	2,000
Arizona	1,000	1,400	1,700	2,000
Arkansas	800	1,100	1,300	1,500
Colorado	1,200	1,700	2,000	2,400
District of Columbia	1,500	2,100	2,500	2,900
Florida	500	700	900	1,000
Georgia	1,100	1,500	1,800	2,200
Indiana	1,000	1,300	1,600	1,900
Mississippi	400	600	700	800
Missouri	900	1,200	1,400	1,700
Montana [4]	2,000	2,800	3,400	4,000
Nevada	1,200	1,600	2,000	2,300
New Hampshire	1,900	2,600	3,200	3,700
New Jersey	2,300	3,100	3,800	4,500
North Carolina	1,400	1,900	2,300	2,700
Oregon	1,800	2,500	3,100	3,600
South Carolina	600	800	900	1,100
South Dakota [4]	1,800	2,500	3,100	3,600
Tennessee	1,000	1,400	1,700	1,900
Texas	900	1,200	1,500	1,700
Virginia	1,500	2,000	2,400	2,900
Wyoming	1,800	2,600	3,100	3,600

[1] When 150 percent of per capita income was lower than the 150 percent of the amount for a 4-person family, this lower amount was used for the 4-person family and comparable adjustments were made for other family sizes.
[2] Program began July 1, 1967; plan not yet approved.
[3] Program began June 1, 1967; plan not yet approved.
[4] Proposed standard based on per capita income rather than AFDC standard.

TABLE 17.—*Income and resources levels for medically needy in title XIX plans approved and in operation* [1] *as of June 30, 1967*

1. ANNUAL INCOME

State	Date program began	Income protected for maintenance, by number of persons in family				
		1	2	3	4	Plus amounts for additionals
California	Mar. 1, 1966	$2,000	$3,324	$3,564	$3,804	$240 per person.
Revised		2,114				
Connecticut	July 1, 1966	2,100	3,200	3,500	3,800	$300 per person.
Delaware	Oct. 1, 1966	1,500	2,100	2,700	3,300	5, $3,800; 6, $4,300; 7, $4,800; plus $400 for 8th, 9th and 10th person; $200 each additional person over 10.
Hawaii	Jan. 1, 1966	1,440	2,160	2,520	3,000	5, $3,420; 6, $3,900; $480–$540 per person up to $8,460 for 15.
Illinois	do	1,800	2,400	3,000	3,600	$600 for each additional person.
Kentucky	July 1, 1966	1,620	2,220	2,820	3,420	5, $4,020; 6, $4,500; 7, $4,980; plus $360 each additional person.
Maryland	do	1,800	2,280	2,700	3,120	$420 each additional.
Massachusetts	Sept. 1, 1966	2,160	2,832	3,504	4,176	$672 each additional.
Michigan	Oct. 1, 1966	1,900	2,700	3,120	3,540	$420 each additional.
Minnesota	Jan. 1, 1966	1,600	2,200	2,600	3,000	$400 each additional person ($408).
Revised		1,620	2,220	2,628	3,036	
Nevada	Apr. 1, 1967	1,600	2,200	2,600	3,000	$400 for each additional person.
New York	May 1, 1966	[2] 2,900	4,000	5,200	6,000	$850 each additional person.
North Dakota	Jan. 1, 1966	1,600	2,200	2,600	3,000	$400 each additional.
Oklahoma	do	[3] 1,728	1,968	2,208	2,448	$240 each additional member up to 10 persons.
Pennsylvania	do	2,000	2,500	3,250	4,000	$750 each additional person.
Puerto Rico	Jan. 1, 1966	1,500	1,800	2,200	2,600	$400 each additional person.
Rhode Island	July 1, 1966	2,500	3,500	3,900	4,300	$400 each additional.
Utah	do	1,200	1,680	2,160	2,640	5, $3,120; $360 each additional person.
Virgin Islands	do	2,200	2,750	3,190	3,630	$440 each additional member of family unit.
Washington	do	1,680	2,280	2,640	3,000	$360 each additional person.
Wisconsin	do	1,800	2,700	3,200	3,700	$500 each additional legal dependent.

2. CASH OR OTHER LIQUID RESOURCES [4]

State	Plan approved	Value of cash assets or other liquid resources, by number of persons in family				
		1	2	3	4	Plus amounts for additional persons or other assets allowed
California	X	$1,500	$3,000	$3,000	$3,000	
Connecticut	X	900	1,300	1,400	1,500	$100 each additional person. Cash value of life insurance, $500 maximum per family.
Delaware	X	600	900	1,000	1,100	$100 each additional family member; cash value of life insurance, $500 for single person, $1,000 married couple.

Hawaii	X					"At least as high as those uniform levels now in effect for the money payment programs."
Illinois	X	400	600	700	800	$100 each additional family member.
Kentucky	X	500	750	775	800	$25 each additional person. Life insurance up to $1,000 cash value, each person.
Maryland	X	2, 500	2, 600	2, 700	2, 800	$100 each additional person.
Massachusetts	X	2, 000	3, 000	3, 100	3, 200	Do.
Michigan	X	1, 500	2, 000	2, 200	2, 400	$200 additional, each person. Life insurance up to $1,000 cash value per family.
Minnesota	X	750	1, 000	1, 150	1, 300	$150 each additional person.
Nebraska	X	750	1, 500	1, 525	1, 550	$25 each additional person. Life insurance per person up to cash value of $1,000 each.[7]
New York	X	[5] 1, 450	2, 000	2, 600	3, 000	$425 each additional person; plus burial reserve in cash resources or face value of life insurance up to $1,000 per person.
North Dakota	X	[6] 300	600	650	700	$50 additional per person up to 10; $25 additional per person over 10.
Oklahoma	X	500	700	800	900	$100 each additional person up to 10.
Pennsylvania	X	2, 400	3, 840	3, 840	3, 840	Plus $500 cash surrender value insurance for each dependent.
Puerto Rico, revised	X	500	600	700	800	Plus $100 for each additional member of the family group.
Rhode Island	X	[8] 4, 000	6, 000	6, 100	6, 200	$100 each additional; plus amount allowed for life insurance, face value, $4,000—each adult; $1,000—each child.
Utah	X	400	800	900	1, 000	$50 each additional person.
Virgin Islands	X	1, 500	1, 600	1, 700	1, 800	$100 each additional person.
Washington	X	200	400	425	450	$25 each additional; or may have combination of liquid assets, cash surrender value of life insurance and equity in car of $550 single person, $1,050 for 2, plus $50 each additional.
Wisconsin	X	2, 300	3, 000	3, 500	4, 000	$500 each additional legal dependent.

[1] The following States are not listed since they do not include the "medically needy" in the scope of the program: Idaho, Louisiana, Maine, New Mexico, Ohio, Vermont and West Virginia.

[2] Figures apply in family with 1 wage earner. For families with no wage earner: 1 person, $2,300; 2, $3,250; 3, $4,350; 4, $5,150; and $850 for each additional member.

[3] Figures apply to persons owning own home.

[4] Home, household goods, and personal effects are exempt in all jurisdictions. References to other real property which may be retained, unless identified in a title XIX plan as included within the total limitation on resources, have been omitted from this table.

[5] Figures shown here apply in family with 1 wage earner. For family with no wage earner, resources may be: 1, $1,150; 2, $1,625; 3, $2,175; 4, $2,575; plus $425 for each additional dependent.

In addition, may have annual contribution up to $1,080 from person not residing in the family household.

[6] These maximums on liquid assets are included within the overall limitation of $2,500 on the equity which a family may have in personal property; the difference may be held in the value of such other property as vehicle, machinery, livestock, and the cash surrender value of life insurance.

[7] Other real and personal assets, up to the value of $3,000, may be retained if used toward self-support.

[8] In addition, tangible personal property to the value of $5,000 per household unit may be retained.

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