

SUMMARY ANALYSIS OF MAJOR PROVISIONS---H. R. 6675

Medicare and Social Security Amendments of 1965
(House Version--April 1965)

This analysis of the Medicare and Social Security Amendments of 1965 (H. R. 6675), as acted on by the House is in three parts--(1) a description of the Basic Hospitalization Program; (2) a description of the optional Supplementary Medical Program; and (3) a description of amendments to the Social Security Act, the Kerr-Mills law, and other miscellaneous provisions.

PART 1

BASIC HOSPITALIZATION PROGRAM
(Under Social Security System)

ELIGIBILITY -- All persons aged 65 years or over who are now, or will in the future, be entitled to monthly Social Security or Railroad Retirement benefits (except Federal employees who retired after 1959).

All persons aged 65 years or over, or who will reach age 65 before 1968, who are not eligible for monthly Social Security or Railroad Retirement benefits. This part of the program to be paid for from general revenues of the Federal government, not paid for out of Social Security trust funds.

EFFECTIVE DATE -- July 1, 1966 (except for services in extended care facilities, which will be effective Jan. 1, 1967).

ENROLLMENT -- No enrollment necessary. Coverage is automatic to those eligible.

COST TO THE INDIVIDUAL -- Benefits extended to eligible persons without cost as a matter of right; no "needs test" required.

BENEFITS -- (1) Inpatient hospital charges for up to 60 days of hospitalization in each spell of illness, subject to a \$40 deductible amount.
(2) 20 days of nursing home care in each spell of illness, after transfer from hospital; two additional days of nursing home care (if needed) can be added for each day that the patient's hospital stay was less than 60 days, to a maximum total of 100 days.
(3) Outpatient hospital diagnostic services, subject to a \$20 deductible amount for such services furnished by the same hospital during a 20-day period.
(4) Posthospital home health services for up to 100 visits after discharge from hospital or nursing home (when patient is under care of physician).

FINANCING -- Through the Social Security system--payroll taxes from employee, employer, and by self-employed persons. Taxes paid into separate hospital insurance trust fund to assure that actuarial soundness of trust funds and the entire Social Security system is safeguarded. Tax rates for employee (matched by employer) will be:

1966 -- 0.35%	1967-1972 -- 0.50%	1973-1975 -- 0.55%
1976-1979 -- 0.60%	1980-1986 -- 0.70%	1987 on -- 0.80%

These amounts would be automatically deducted from payroll check (as at present) on first \$5,600 earnings a year during 1966-1970 period. Thereafter, they would be based on first \$6,600 of annual earnings. Program will cost each employee, employer only 38¢ a week, rising to about 54¢ a week for each during 1967-1972 period.

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PART 2

OPTIONAL SUPPLEMENTARY MEDICAL PROGRAM

(Under Private Insurance Carriers)

ELIGIBILITY -- All persons age 65 or over, on an optional, voluntary basis, regardless of whether or not they are eligible for Social Security, Railroad Retirement, or other benefits.

EFFECTIVE -- July 1, 1966
DATE

ENROLLMENT -- Enrollment for persons age 65 years or over before Jan. 1, 1966 will begin 2 months after enactment of bill and continue to Mar. 31, 1966. Regular enrolling periods thereafter.

COST TO THE -- If person chooses to participate in this program, it will cost him \$3 per
INDIVIDUAL month. Amount would be automatically deducted from monthly benefit check of those persons receiving Social Security or Railroad Retirement benefits. Others would pay their contribution into special trust fund directly.

BENEFITS -- In addition to the benefits listed in Part 1, those choosing to participate in the Supplementary Medical Program would be entitled to:

- (1) Physicians' and surgical services furnished in a hospital, clinic, office, or in the home.
- (2) Hospital care for 60 days in a spell of illness in a mental hospital (180-day lifetime maximum).
- (3) Home health services (without regard to hospitalization) for up to 100 visits during each calendar year.
- (4) Additional medical and health services, provided in or out of a medical institution, including--
 - * diagnostic X-ray and laboratory tests, electrocardiograms, basal metabolism readings, and other diagnostic tests;
 - * X-ray, radium, and radioactive isotope therapy;
 - * ambulance services (under limited conditions);
 - * surgical dressings, splints, casts, iron lungs, oxygen tents, artificial limbs, eyes, etc.

Benefits under this program are subject to an annual deductible amount of \$50. Then the program will pay 80 percent of the patient's bills (above the \$50 deductible).

FINANCING -- Persons participating in this program will pay \$3 a month (\$36 a year). An additional \$3 per person, per month will be paid into fund by Federal government out of general revenues.

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PART 3

OTHER PROVISIONS

SOCIAL SECURITY BENEFITS -- Increases by 7 percent (with a minimum increase of \$4 a month) all old-age, survivors, and disability insurance benefits. Increases would be retroactive to Jan. 1, 1965. New minimum benefit raised from \$40 to \$44 a month.

CHILD'S INSURANCE BENEFITS--A child's insurance benefits would continue to be paid until the person reaches age 22 (instead of age 18) IF child is attending accredited school or college as a full-time student after he reaches age 18. Will be effective as of Jan. 1, 1965 and benefit estimated 295,000 young people.

OPTIONAL BENEFITS FOR WIDOWS AT AGE 60 -- Widows may have option of receiving Social Security benefits at age 60, with actuarial reduction of benefits they would otherwise receive at age 62. Effective for second month after enactment of bill, benefitting estimated 185,000 widows.

DISABILITY INSURANCE AMENDMENTS -- Liberalizes eligibility requirements and waiting period for persons covered by disability insurance provisions of Social Security Act. Will benefit estimated 155,000 disabled workers.

BENEFITS TO PERSONS AT AGE 72 OR OVER -- Liberalizes eligibility requirements by providing a basic benefit of \$35 a month at age 72 or over to certain persons with a minimum of 3 quarters of coverage under the Social Security Act, acquired at any time since the beginning of the program in 1937. Will benefit an estimated 355,000 persons.

RETIREMENT TEST -- Liberalizes the Social Security earned income limitation. Beginning in the 1966 tax year, a person receiving benefits will be able to earn \$1200 a year without having his benefits reduced; earnings between \$1200 and \$2400 a year would be subject to a \$1 reduction in benefits for each \$2 of earnings up to \$2400; a \$1 reduction in benefits for each \$1 of earnings above \$2400 would take place. Existing law limits this provision to \$1700 instead of \$2400.

MISCELLANEOUS AMENDMENTS -- Other amendments to the Social Security Act authorize benefits to certain divorced women, coverage of self-employed physicians and interns, amendments affecting annual gross earnings of farmers, coverage of cash tips received by an employee after 1965, and an exemption from Social Security taxes of self-employed persons of the Amish and other religious sects.

IMPROVEMENT OF KERR-MILLS PROGRAM -- Extends the provisions of expanded State Medical Assistance programs not only to the indigent aged, but also to needy persons who are part of the dependent children, blind, and permanently and totally disabled programs. Establishes a single and separate medical care program to replace the differing provisions for the needy in other parts of the Social Security Act. Provides a level of medical services States must offer to receive Federal payments. Requires States to provide a flexible income test for eligibility.

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PART 3 (continued)

OTHER PROVISIONS

- PUBLIC ASSISTANCE AMENDMENTS** -- Increases the Federal share of payments under all State public assistance programs, effective Jan. 1, 1966. Contains other amendments providing Federal incentive to States to benefit aged persons in tubercular and mental institutions.
- CHILD HEALTH PROGRAM AMENDMENTS** -- Increases Federal authorization for maternal and child health services and for crippled children services. Authorizes grants to higher education institutions to train professional personnel for health and related care of crippled children, particularly mentally retarded children with multiple handicaps. Authorizes a new 5-year program of special project grants to provide health care and services for children from needy areas. Authorizes grants to help States to implement mental retardation plans.
- FINANCING IMPROVED SOCIAL SECURITY BENEFITS** -- Improvements in the regular Social Security program and increased benefits provided in the bill would be financed through a revised payroll tax schedule. Taxes on employees, employers and self-employed persons are paid into Social Security trust fund as in the past 30 years. Rates of tax are designed to guarantee the actuarial soundness of the Social Security system. The revised tax schedule and the rates under existing law are---

Years	<u>Employee & Employer tax rate (each)</u>		<u>Self-employed tax rate</u>	
	Existing law	Proposed in bill	Existing law	Proposed in bill
1965	3.625%	3.625%	5.4%	5.4%
1966-67	4.125%	4.0 %	6.2%	6.0%
1968	4.625%	4.0 %	6.9%	6.0%
1969-72	4.625%	4.4 %	6.9%	6.6%
1973 on	4.625%	4.8 %	6.9%	7.0%

As in the past, these amounts would be automatically deducted from payroll check. Tax would be paid on first \$5,600 (instead of present \$4,800) during the 1966-1970 period. Thereafter, they would be paid on first \$6,600 of annual earnings.