

# A Bill

## The Financial Sanity Act of 2027

Whereas the Government of The United States of America is heavily in debt, and the trajectory of anticipated federal debt growth could destroy the nation;

Whereas, as of September 30, 2024, according to the financial statements of the United States government, total U.S. assets were approximately \$6 trillion and total U.S. liabilities (excluding the present value of future unfunded liabilities) were approximately \$46 trillion;

Whereas, U.S. total debt was approximately \$39 trillion in February of 2026, with the Federal Reserve Bank (the “Fed”) owning approximately \$4.5 trillion of the public debt mainly via “quantitative easing;”

Whereas, quantitative easing is, substantively, money-printing, and money-printing, when done to a substantial degree (as has been the case by the Fed), causes inflation;

Whereas inflation in the U.S. in 2022 reached a level not experienced in 40 years, and prices have remained elevated since then;

Whereas, in the U.S. government’s fiscal year ended September 30, 2025, \$1 trillion of the \$5.2 trillion of revenue (i.e., 19 percent) was spent on net interest expense;

Whereas, in March 2024 and February 2025, CBO projected total federal outlays will gradually grow from 23.1 percent of Gross Domestic Product (GDP) in 2024 to 27.3 percent of GDP in 2054, and projected revenues will grow from 17.1 percent of GDP in 2025 to 18.8 percent of GDP in 2054;

Whereas historic annual revenues of the federal government since World War II have averaged less than 18 percent of GDP;

Whereas, in the fiscal years ended September 30, 2024 and 2025, federal net interest expense exceeded military spending and, per the Congressional Budget Office (CBO) the percent of federal revenue spent on interest is expected to grow to 26 percent in 2036, with spending on net interest to approximately equal all discretionary spending combined in 2036, and to then be roughly double defense spending;

Whereas, historically, the CBO has underestimated future debt growth, both in actual figures and as a percentage of GDP, as exemplified by 2005, when it forecasted 2014 debt at \$5,784 billion and a 2014 debt-to-GDP ratio of .307, but the actual debt for 2014 was \$12,778 billion and the actual 2014 debt-to-GDP ratio was .741, and further exemplified by 2015, when it forecasted 2021 debt at \$17,451 billion and a 2021 debt-to-GDP ratio of .75, but the actual debt for 2021 was \$22,284 billion and the actual 2021 debt-to-GDP ratio was .996;

Whereas the September 30, 2024 financial statements of the U.S. government provide “current policy is not sustainable” and, if left unchanged, current policy would result in a debt-to-GDP ratio of 200 percent in 2049 and 535 percent in 2099;

Whereas, in February 2025, CBO reported the large and growing debt anticipated in the future would “slow economic growth, push up interest payments to foreign holders of U.S. debt, and pose significant risks to the fiscal and economic outlook;”

Whereas, in 2007, when the total national debt was just under \$9 trillion, the GAO said: “GAO’s current long-term simulations continue to show ever larger deficits resulting in a federal debt burden that ultimately spirals out of control;”

Whereas a write-down or write-off of any federal debt could have catastrophic implications for world markets, as world markets are dependent on solvency of the U.S.;

Whereas, the debt-to-GDP ratio was 124 percent in September 2025;

Whereas, in 2010, when the debt was \$14 trillion and the debt-to-GDP ratio was 91 percent, then Joint Chiefs of Staff Chairman Adm. Michael Mullen said: “the most significant threat to our national security is our debt;”

Whereas, historically, stocks and bonds have been the two largest categories of investments for investors in the U.S., including state and local pension plans, and many of those plans are substantially underfunded;

Whereas, historically, Treasury rates have largely tracked interest rates set by the Fed and, if that historical correlation holds, low rates (that will be necessary due to the large growing federal debt) will cause bonds to be an unappealing investment for many investors;

Whereas, in the longer term, The Fed may not be able to impact Treasury rates;

Whereas it is clear that, absent a substantial change in direction, the U.S. is headed for a financial disaster;

Whereas, although the outlook is bleak, it is still possible to fix the problems, but doing so will require significant cuts to federal spending and restraint in future spending to keep spending in line with federal revenue, to gradually reduce the debt-to-GDP ratio;

Whereas, historically, nations that were world-dominant both militarily and economically eventually experienced massive financial problems of the likes now being experienced by the U.S., with Great Britain being the prior dominant country and The Netherlands being the dominant country before Great Britain, with both of those countries printing money to try to maintain their dominant position (and both failed);

Whereas the two largest federal expenditures are Social Security and Medicare;

Whereas, since the advent of Social Security in the 1930s, and Medicare in the 1960s, life expectancy has increased dramatically, including life expectancy increasing from 47.3 years in 1900 (the first year of Medicare eligible births) to 76.4 years in 2021;

Whereas retirement age changes to Social Security have not kept pace with life expectancy changes and there have been no changes to eligibility age for Medicare;

Whereas the CBO and the trustees of Social Security and Medicare anticipate insolvency in both programs soon absent substantial changes in these programs;

Whereas, substantively, the Social Security and Medicare trust funds are fallacies, as surpluses in such funds were loaned to the general fund of the Treasury for Treasury obligations, and current deficits in such funds are financed by elimination of these Treasury obligations (but there are no hard assets, and benefits not funded by program revenues are substantively paid by general taxes and borrowing by the U.S. government);

Whereas, between Obamacare, Tricare, private and public sector health plans and Medicaid, people ages 65 to 70 can acquire health care coverage at reasonable prices;

Whereas people who live a relatively long life and certain other people with the right family situation experience an excellent return on investment from Social Security, but single people who die before retiring receive nothing (from Social Security or Medicare);

Whereas, persons who worked and/or provided care to dependents (and paid Social Security taxes) for roughly only a decade often receive Social Security benefits that are roughly half those received by those worked and/or provided care to dependents (and paid taxes) for four decades, and similar (but less) disproportionality exists for persons who worked and/or provided care more than a decade but much less than four decades;

Whereas Congress wishes to reform Social Security and Medicare so as to substantially increase their financial standing, reduce the anticipated future debt of the nation, cause retirement and eligibility ages to be more in line with life expectancy, eliminate the trust fund fallacies, and eliminate or substantially reduce unfairness for current and future generations by providing minimum benefits for single persons, eliminating increased benefits for persons becoming a parent later in life, reasonably reducing family maximum benefits, and substantially reducing inequities relating to work history and taxes paid;

Whereas the presence of a third party in health care purchases has caused health care inflation to regularly exceed the general inflation rate for the nation;

Whereas use of high deductible health plans (with catastrophic coverage plans falling within such definition after 2025) has become commonplace in recent years, and their use has helped cause health care costs to be less than what they otherwise would have been;

Whereas Congress wishes to eliminate tax subsidies for health insurance that is not high deductible health insurance and to change Medicare to have one Part A and Part B common deductible of \$1,000 (to be inflation-indexed) and to require each participant to pay fifty percent (50%) of the health care costs in excess thereof until total health care costs are \$9,000 (inflation-indexed; but Medigap can cover any or all costs in excess thereof), to incentivize individuals to shop for services in part based on cost, thereby maximizing competition in the health care industry without causing potential catastrophic loss to anyone, with the resulting price decreases helping all healthcare consumers, including Medicare beneficiaries;

Whereas Congress wishes to charge the incremental costs of the U.S. Treasury for Medicare Advantage plans to their beneficiaries, with such costs to be allocated pro rata based on premiums paid by such beneficiaries in the second calendar year following the end of the federal government's fiscal year in which incurred;

Whereas for many years foreign governments have negotiated group discounts on prescription drugs for their citizens, with such discounts being subsidized by Americans (by paying more than foreigners), and Congress wishes to significantly discourage such acts; and

Whereas the Fed has for many years had three objectives, stable prices, maximum employment and moderate long-term interest rates, but it has failed to consistently produce stable prices and, given the history of countries with significant financial problems such as

those outlined above to attempt to use inflation to substantively reduce their debt burden (and such is undesirable), Congress wishes to mandate the Fed solely act to produce stable prices.

Therefore, to help achieve the objectives outlined above, Congress hereby amends provisions of The Social Security Act, 42 U.S.C. section 301 *et seq.* (the “Act”), the Internal Revenue Code, 26 U.S.C. section 1 *et seq.* (the “Code”), and Title 35 of the U.S. Code (relating to patents), as follows.

Except as noted, effective January 1, 2029, Title 42 of the United States Code is amended as follows:

(a) Subsection (a) of 42 U.S.C. section 401 is revised to read as follows:

The trust fund on the books of the Treasury that previously existed is eliminated, and all benefits payable under the Social Security Act of 1935, as amended (including disability benefits and Medicare benefits) are general obligations of the United States government, to be paid by the Secretary of the Treasury from the general fund. Any Treasury obligation owed any trust fund described in 42 U.S.C. section 401 or section 1395i, any amount owed Treasury by any trust fund described in 42 U.S.C. section 401 or section 1395i, and any amount owed by or receivable by any trust fund described in 42 U.S.C. section 401 or section 1395i, is void.

(b) Subsections (b), (c), (d), (e), (f), (g), (h), (i), (l) and (n) of 42 U.S.C. section 401 are repealed.

(c) Subsection (j), (k) and (m) of 42 U.S.C. section 401 become subsections (b), (c) and (d), respectively, of 42 U.S.C. section 401, and: (i) in (revised) subsections (b) and (c) the words “general fund of the Treasury” replace “Federal Old-Age and Survivors Insurance Trust Fund, or the Federal Disability Insurance Trust Fund (as determined appropriate by the Commissioner of Social Security);” and (ii) in (revised) subsection (d), paragraphs (2) and (3) are eliminated, and paragraph (4) is renumbered as paragraph (2).

(d) In 42 U.S.C. section 402 and 42 U.S.C. section 416(i)(3)(A), “age 62” is replaced with “early retirement age (as defined in 42 U.S.C. section 416(l))” each place that it appears.

(e) Effective January 1, 2035, in 42 U.S.C. sections 402 and 426, “age 60” is replaced with “age 63” each place that it appears.

(f) Effective January 1 2035, in 42 U.S.C. section 402, “age 50” is replaced with “age 53” each place that it appears.

(g) In 42 U.S.C. section 402, “age 70” is replaced with “late retirement age (as defined in 42 U.S.C. section 416(l))” each place that it appears.

(h) The last sentence of subsection (a) of 42 U.S.C. section 402 is replaced with the following sentences:

Except as provided in subsections (q) and (w) and the following sentences of this paragraph, such individual’s old-age insurance benefit for any month will be equal to his primary insurance amount (as defined in section 415(a) of this title) for such month. Effective after 2037, an individual’s primary insurance amount will not exceed his primary insurance amount calculated as if the average of his highest ten years of indexed monthly earnings (calculated under section 415(b)) apply to any year for which such average is exceeded, multiplied by the number of “three quarter years” (as defined in the immediately following sentence), and divided by the lesser of 35 or (in the event of death) the number of years after the year the individual attained age 21 and preceding the year of death. A “three quarter year” is a calendar year with respect to which the individual either received more than \$3,600 (increased after 2027 proportionally with increases in the federal minimum wage) as Social Security taxable compensation for services from a source other than a governmental employer or provided more than half the physical care required for a disabled person or persons (as defined in section 416(i)) or one or more children under the age of 16 for at least three of the year’s four quarters in the United States, except that with respect to years preceding 2027, a “three quarter year” means a calendar year in which the individual either earned more than \$10,000 as Social Security taxable compensation for services from a source other than a governmental employer or provided more than half the physical care required for a disabled person or persons (as defined in section 416(i)) or one or more children under the age of 16 for at least three of the year’s four quarters in the United States. The Secretary may require proof of services provided by an individual.

(i) Effective with respect to benefits first payable after 2029, to eliminate child benefits for non-disabled living beneficiaries, subsection (d) of 42 U.S.C. section 402 is amended by: (i) elimination of the words “old-age or” in the first sentence of the subsection in the two places it appears; (ii) elimination of “an old-age insurance benefit or to” in the one place it appears in the subsection; (iii) addition of the words “who has died” to the end of subparagraph (A) of paragraph (8); and (iv) elimination of the following words and comma from subparagraph (B) of paragraph (8): “or an individual entitled to old-age insurance benefits who was entitled to disability insurance benefits for the month preceding the first month for which he was entitled to old-age benefits.”

(j) Subsection (i) of 42 U.S.C. section 402 is renamed “Death payments” (instead of Lump-sum death payments) and the following paragraph is added to this subsection, to follow the last paragraph thereof:

With respect to any individual born after 1967 who attains his early retirement age (as defined in 42 U.S.C. section 416(l)) but thereafter dies before receiving benefits (himself alone or himself and any person(s) related to such individual by blood or adoption or marriage) under this section equal or exceeding the sum of the amount contributed to the Federal Old-Age and Survivors Insurance Trust Fund from the individual’s wages throughout the individual’s working career plus one-half the matching employer contributions contributed to the Federal Old-Age and Survivors Insurance Trust Fund on behalf of such individual throughout the individual’s working career plus 75 percent of contributions made to the Federal Old-Age and Survivors Insurance Trust Fund on the individual’s behalf due to payment of tax on net earnings on self-employment under 26 U.S.C. section 1401, if no person(s) shall be entitled to benefits under this section attributable to such individual’s work career other than benefits described in the preceding paragraphs of this subsection (i), a death benefit in an amount equal to the applicable percentage (as defined in the immediately following sentence) of the sum of the amount contributed to the Federal Old-Age and Survivors Insurance Trust Fund from the individual’s wages throughout the individual’s working career plus one-half the matching employer contributions contributed to the Federal Old-Age and Survivors Insurance Trust Fund on behalf of such individual throughout the individual’s working career plus 75 percent of contributions made to the Federal Old-Age and Survivors Insurance Trust Fund on the individual’s behalf due to payment of tax on net earnings on

self-employment under 26 U.S.C. section 1401, less amounts paid to such individual or to any person related to such individual by blood or adoption or marriage attributable to such individual's work subject to Federal Insurance Contribution Act tax (or the self-employment tax under 26 U.S.C. section 1401), will be paid to the estate of such individual within two years of the proof of death of such individual, except that such death benefit will be paid in five equal installments (without interest) if the amount exceeds \$100,000, as indexed for inflation after 2029 pursuant to 26 U.S.C. section 1(f)(3). For purposes of the preceding sentence, the applicable percentage is: (a) with respect to an individual born in 1968, 16.67; (b) with respect to an individual born in 1969, 33.33; (c) with respect to an individual born in born in 1970, 50.0; (d) with respect to an individual born in 1971, 66.67; (e) with respect to an individual born in 1972, 83.33; and (f) with respect an individual born in 1973 or later, 100.0.

(k) Effective for benefits first payable after 2029, to reduce the family maximum to 150 percent of the primary insurance amount, in subsection (a) of 42 U.S.C. section 403: (i) subparagraph (A) of paragraph (1) includes only "150 percent of such individual's primary insurance amount" and a period exists after such phrase; (ii) subparagraphs (B) through (D) of paragraph (1) are eliminated; (iii) paragraph (2) is eliminated and the remaining paragraphs and references thereto are renumbered accordingly; (iv) all subparagraphs of (renumbered) paragraph (2) (formerly paragraph 3) except subparagraph (D) are repealed, and subparagraph (D) is relabeled as subparagraph (A); (v) in renumbered paragraph (5) (formerly paragraph 6), "(3)(A), 3(C), 3(D), (4) and (5)" are replaced with "(3) and (4)"; and (vi) in renumbered paragraph (6)(formerly paragraph 7), the words "as in effect prior to the Financial Sanity Act of 2027" are added after "3(A)(ii) of this subsection" and "3(A)."

(l) A new clause (iv) is added to subparagraph (B) of paragraph (1) of subsection (a) of 42 U.S.C. section 415, to read as follows:

With respect to any individual born after 1967, the benefit amount otherwise payable pursuant to the preceding provisions of this subsection (a) in excess of \$2,000 (subject to indexation for inflation after 2031 pursuant to 26 U.S.C. section 1(f)(3)) will be decreased by the applicable percentage, as specified in the immediately following sentence. For purposes of the preceding sentence, the applicable percentage is: (a) with respect to an individual born in 1968, 5.55; (b)

with respect to an individual born in 1969, 11.11; (c) with respect to an individual born in 1970, 16.67; (d) with respect to an individual born in 1971, 22.23; (e) with respect to an individual born in 1972, 27.75; and (f) with respect to an individual born in 1973 or later, 33.33, except that for 2047 through 2049, the applicable percentage will be 37 percent, for 2050 through 2054 the applicable percentage will be 43 percent, and for 2055 and following years, the applicable percentage will be 50 percent.

(m) Effective after 2029, the definition of “applicable increase percentage” in subparagraph (C) of paragraph (1) of subsection (i) of 42 U.S.C. section 415 is revised to read as follows: “the term “applicable increase percentage” means the chained version of the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W).”

(n) In subsection (d) of 42 U.S.C. section 416, in order to reasonably reduce the eligibility of a divorced spouse to draw a death benefit with respect to a former spouse, in paragraphs (1) and (2), the figure “10” is changed to “15” and a comma is added after the word “effective” in both of the paragraphs, with such comma to be followed by the following phrase: “except that only 10 years of marriage is necessary to meet this definition if, during the majority of the term of the marriage, the woman provided more than half of the physical care with respect to one or more children under the age of 16 and/or a disabled child (with disability defined in subsection (i)) of the individual.”

(o) In subsection (d) of 42 U.S.C. section 416, in order to reasonably reduce the eligibility of a divorced spouse to draw a death benefit with respect to a former spouse, in paragraphs (4) and (5), the figure “10” is changed to “15” and a comma is added after the word “effective” in both of the paragraphs, with such comma to be followed by the following phrase: “except that only 10 years of marriage is necessary to meet this definition if, during the majority of the term of the marriage, the man provided more than half of the physical care with respect to one or more children under the age of 16 and/or a disabled child (with disability defined in subsection (i)) of the individual.”

(p) Subsection (l)(1) of 42 U.S.C. section 416, defining “retirement age,” is amended by eliminating the word “and” after subparagraph (D), adding the words “and before January 1, 2030” after “December 31, 2023” in subparagraph (E), changing the period after subparagraph (E) to a semi-colon followed by the word “and,” and adding the following subparagraphs (F) through (L):

(F) with respect to an individual born in 1968, 67½ years of age;

(G) with respect to an individual born in 1969, 68 years of age;

(H) with respect to an individual born in 1970, 68½ years of age;

(I) with respect to an individual born in 1971, 69 years of age;

(J) with respect to an individual born in 1972, 69½ years of age;

(K) with respect to an individual born in 1973 or after 1973 but before 1982, 70 years of age; and

(L) with respect to an individual born after December 31, 1981, the life expectancy adjusted retirement age (as defined in paragraph (5)).

(q) Subsection (l)(2) of 42 U.S.C. section 416, defining “early retirement age” is revised to read as follows:

The term “early retirement age” means, in the case of an old-age, wife’s or husband’s insurance benefit: (i) with respect to an individual born before January 1, 1966, age 62; and (ii) with respect to an individual born after December 31, 1967, the retirement age provided in paragraph (1), minus five years. In the case of a widow’s or widower’s insurance benefit, it means: (i) prior to January 1, 2031, age 60; and (ii) after December 31, 2030, age 63.

(r) A new paragraph (4) is added to subsection (l) of 42 U.S.C. section 416, defining “late retirement age,” to read as follows:

The term “late retirement age” means: (i) with respect to an individual born before January 1, 1968, age 70; and (ii) with respect to an individual born after December 31, 1967, retirement age (as provided in paragraph (1)) plus three years.

(s) A new paragraph (5) is added to subsection (l) of 42 U.S.C. section 416, defining “life expectancy adjusted retirement age” as follows:

The term “life expectancy adjusted retirement age” means the retirement age, rounded to the closest full year, that produces the same ratio of years of coverage in the applicable determination year, based on remaining life expectancy as age 65, as the ratio of years of coverage during the year 2041, based on life expectancy at age 65, produced. For these purposes, the ratio of years of coverage equals the number

of years of life for which benefits are anticipated to be received based on life expectancy at age 65, divided by total years anticipated to live (based on life expectancy at age 65). The first applicable determination year is 2043. The second applicable determination year is 2053, and an applicable determination year will exist thereafter for each decade following 2053 in ten-year increments. The life expectancy adjusted retirement age will be effective on the first day of January of each decade, beginning on January 1, 2050, and it will remain constant throughout the decade. The amount will be timely announced prior to each decade, taking into account early retirement age, beginning with the decade starting January 1, 2050. However, in no event will life expectancy adjusted retirement age be less than age 70. Life expectancy will be determined by the Secretary of Health and Human Services, or any successor thereto, using unisex tables.

(t) Paragraph (1) of subsection (a) of 42 U.S.C. section 426, relating to eligibility age for Medicare Part A, is revised to read as follows:

has: (i) with respect to an individual born before January 1, 1968, attained the age of 65; and (ii) with respect to individuals born after December 31, 1967, attained retirement age (as defined in 42 U.S.C. section 416(l)), and

(u) Paragraph (1) of subsection (b) of 42 U.S.C. section 426, relating to eligibility age for Medicare Part A, is revised to read as follows:

has: (i) with respect to an individual born before January 1, 1968, not attained the age of 65; and (ii) with respect to individuals born after December 31, 1967, not attained retirement age (as defined in 42 U.S.C. section 416(l)), and

(v) In paragraph (2) of subsection (b) and subsection (e) of 42 U.S.C. section 426, “age 65” is replaced with “age 65 (except, for individuals born after December 31, 1967, retirement age (as defined in 42 U.S.C. section 416(l))” each place that it appears.

(w) Effective on January 1, 2035, in subsection (e) of 42 U.S.C. section 426, “age 50” and “aged 50” are replaced with “age 53” each place that either provision appears.

(x) Effective on January 1, 2035, in subsection (e) of 42 U.S.C. section 426, “age 60” is replaced with “age 63” each place that it appears.

(y) In 42 U.S.C. section 1395e, the term “inpatient hospital deductible” is replaced with “Combined Deductible” each place it appears, and: (i) in subparagraph (A)

of paragraph (1) of subsection (a) of 42 U.S.C. section 1395e, “one-fourth” is changed to “one-third” and “60” is changed to “30;” (ii) in subparagraph (B) of paragraph (1) of subsection (a) of 42 U.S.C. section 1395e, “one-half” is changed to “two-thirds” and “90” is changed to “120;” (iii) in paragraph (3) of subsection (a) of 42 U.S.C. section 1395e, “one-eighth” is changed to “one-fifth; and (iv) in the first sentence of paragraph (1) of subsection (b) of 42 U.S.C. section 1395e, “for 1987 shall be \$520” is replaced with “for 2029 will be \$1,000.” Also, the following sentences are added to paragraph (1) of subsection (b) of 42 U.S.C. section 1395e, to follow the last sentence thereof: “The Combined Deductible is the deductible applicable to Medicare Parts A and B (and Part C of Medicare to the extent coverage under Part C relates to coverage under Part A or Part B), with Part A and Part B treated as one Part for this purpose (such that it applies to costs incurred under both Parts). For years after 2029, the Combined Deductible is the amount of the Combined Deductible for the previous year increased by the annual percentage increase in the monthly actuarial rate under 1395r(a)(1) of this title ending with such subsequent year (rounded to the nearest \$1).”

(z) All of 42 U.S.C. section 1395i except subsection (i) is repealed, subsection (i) is redesignated as subsection (a), “Trust Fund” is replaced with “general fund of the Treasury” in redesignated subsection (a), and the following new subsection (b) is added: (b) Any amounts previously held or to be deposited in the Trust fund or any account in existence under this section prior to 2029 will be held or deposited in the general fund of Treasury after 2028.

(aa) 42 U.S.C. section 1395i-2 is revised by replacement of “65” with “65 (except, for individuals born after December 31, 1967, retirement age (as defined in 42 U.S.C. section 416(l))” each place “65” appears, and in the only sentence of subsection (f) the words “general fund of” are added before “Treasury” and the words following “Treasury” are deleted.

(bb) In 42 U.S.C. section 1395l: (i) in the first paragraph of subsection (a) of the words “Federal Supplemental Medical Insurance Trust Fund” are replaced with “general fund of Treasury;” (ii) the first word of paragraph (1) of subsection (a) (i.e., “in”) is preceded by “subject to the provisions of paragraph (11) of this subsection;” (iii) the following paragraph (11) is added to subsection (a), to read as follows: “(11) regardless of any provision of this part to the contrary, any individual who is covered under the insurance program established by this part shall pay fifty percent (50%) of the expenses

covered under this part during any calendar year up to \$8,000 (and no insurance or other arrangement, etc. may reimburse or cover such costs), provided the \$8,000 will be increased for inflation after 2029 by the annual percentage increase in monthly actuarial rate under section 1395r(a)(1) of this title ending with the such subsequent year (rounded to the nearest \$1); and (iv) in subsection (b), the words “a deductible of \$75 for calendar years before 1991, \$100 for 1991 through 2004, \$110 for \$2005, and for a subsequent year the amount of such deductible for the previous year increased by the annual percentage increase in the monthly actuarial rate under 1395r(a)(1) of this title ending with such subsequent year (rounded to the nearest \$1)” are replaced with “the Combined Deductible, as defined in paragraph (1) of subsection (b) of 42 U.S.C. section 1395e (and no insurance or other arrangement, etc. may reimburse or cover such costs).”

(cc) Clause (2) of 42 U.S.C. section 1395o, relating to eligibility age for Medicare Part B, is revised to read as follows:

has: (i) with respect to an individual born before January 1, 1968, attained the age of 65, is a resident of the United States, and is either (A) a citizen or (B) an alien lawfully admitted for permanent residence who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this part; or (ii) with respect to individuals born after December 31, 1967, attained retirement age (as defined in 42 U.S.C. section 416(l)), is a resident of the United States, and is either (A) a citizen or (B) an alien lawfully admitted for permanent residence who has resided in the United States continuously during the 5 years immediately preceding the month in which he applies for enrollment under this part.

(dd) 42 U.S.C. section 1395w-22 is revised by addition of the following comma and words at the very end of the only sentence of clause (i) of subparagraph (B) of paragraph (1) of subsection (a): “, provided cost-sharing as specified in subsection (b) of 42 U.S.C. section 1395e and subsections (a) and (b) of 42 U.S.C. section 1395l will be applied after 2028 (and no insurance or other arrangement, etc. may reimburse or cover such costs).”

(ee) The first two sentences of subsection (f) of 42 U.S.C. section 1395w-23 are replaced with the following sentence:

The payment to a Medicare+Choice organization under this section for individuals enrolled under this part with the organization, payments to MA organizations for

statutory drug benefits provided under this subchapter, payments under subsection (l) and subsection (m) and payments to a Medicare+Choice MSA under subsection (e)(1) will be made from the general fund of the Treasury.

(ff) Subparagraphs (A) and (B) of paragraph (1) of 42 U.S.C. section 1395w-24 are revised to add the following material preceding the period: “, plus the amount specified in subparagraph (D) of this paragraph (1)” and the following subparagraph (D) is added to paragraph (1) of subsection (b) of 42 U.S.C. section 1395w-24: “(D) Any individual who elects to participate in Medicare Part C for a year will pay, as part of his monthly premium, his pro rata share of the incremental costs of Medicare Part C for the second year preceding the current year. The incremental costs of Medicare Part C are those costs that would not have been incurred by the United States government if Medicare Part C did not exist and those persons participating in Medicare Part C had instead participated in Medicare as it would have existed in such second preceding year without Part C, as determined by the Commissioner of Social Security. And individuals pro rata share of the incremental costs of Medicare Part C for the second preceding year are his monthly premium without consideration of this subparagraph (D) relative to all premiums of Medicare Part C participants for the current year, as determined by the Commissioner of Social Security.”

(gg) Paragraph (1) of subsection (a) of 42 U.S.C. section 1395w-116 is retitled “General Fund Obligations,” the remaining paragraphs of subsection (a) and the remaining subsections of 42 U.S.C. section 1395w-116 are repealed, and the text of paragraph (1) is revised to read as follows: “There will be no account with respect to Medicare Part D and all obligations of Medicare Part D will be paid by the general fund of Treasury. Any assets of any Medicare Part D account will be assets of the general fund of Treasury.”

(hh) Subsection (z) of 42 U.S.C. section 1395ss is revised by elimination of “for newly eligible Medicare beneficiaries” from its title, additional of the following sentence to follow the only sentence of paragraph (1): “Also notwithstanding any other provision of this section, after 2028, a Medicare supplemental policy may not provide any payment, insurance, reimbursement or other benefit with respect to the Combined Deductible for Medicare Parts A and B (as defined in 42 U.S.C. section 1395e) (and Part C of Medicare to the extent Part C relates to coverage under Part A or Part B) or the Medicare Part B coinsurance (and Part C of Medicare to the extent Part C relates to coverage under Part B)

that requires an individual covered by Part B to pay fifty percent (50%) of the first \$8,000 of Part B costs each year (as specified in 42 U.S.C. section 1395l(a)(11).”

(ii) A new definition, (nnn), is added to 42 U.S.C. section 1395x, to be Titled “Treasury” and to read as follows: “The term “Treasury” means the United States Department of the Treasury.”

Except as otherwise noted, effective January 1, 2029, the Code is amended as follows:

(jj) The definition of “qualified health plan” in subparagraph (A) of paragraph (3) of subsection (c) of section 36B is revised to read as follows:

Qualified health plan. The term “qualified health plan” means a high deductible health plan, as defined in section 223(c)(2).

(kk) A new section 36C is added, to read as follows:

**§ 36C. Credits to be made to retirement accounts and health savings accounts.**

(a) **In general.** In the case of an applicable individual, subject to the minimum credits and limits of subsection (c), a contribution will be made with respect to each applicable account of such applicable individual for each calendar year, equal to the amounts specified in subsection (b). Such contribution will be made by the U.S. Treasury Department by the end of the calendar year following the calendar year in which the contribution is made by the applicable individual.

(b) **Amounts to be contributed.** With respect to applicable individual for any calendar year, subject to the minimum credits and limits of subsection (c), an equal matching contribution will be made by the U.S. Treasury Department to: (i) the tax-deferred account (defined subsection (d)) of such individual who makes a contribution of at least one-percent of such individual’s combined wages (as defined in section 3321) and net earnings from self-employment (as defined in section 1402) to a tax-deferred account; and (ii) the health savings account (as defined in section 223(d)) of such individual who makes a contribution of at least one-percent of such individual’s combined wages (as defined in section 3321) and net earnings from self-employment (as defined in section 1402) to a health savings account. Such contributions will be deemed to have reduced taxable income for the

year to which they relate. Separate accounts (from other tax-deferred accounts and health savings accounts) will be required to exist and be maintained (without the possibility of comingling with other tax-deferred accounts and health savings accounts) in order for such matching contributions to be paid.

(c) **Minimum credits and limits.** For any year, subject to the limitations below, the minimum matching contribution to an account (as specified in subsection (b)) will be \$500 and the maximum contribution will be \$1,000, provided that these amounts will be pro-rated based on hours worked for individuals who work less than full-time, with full-time meaning averaging 2,000 or more hours of work per year and with work as both an employee and a self-employed person taken into account. These dollar amounts will be indexed for inflation after 2029 pursuant to 26 U.S.C. section 1(f)(3). However, for persons born in 1968, the amounts are one-sixth of the amounts previously described in subsection (b) and this subsection. For persons born in 1969, the amounts are one-third of the amounts previously described in subsection (b) and the first two sentences of this subsection. For persons born in 1970, the amounts are one-half of the amounts previously described in subsection (b) and the first two sentences of this subsection. For persons born in 1971, the amounts are two-thirds of the amounts previously described in subsection (b) and the first two sentences of this subsection. For persons born in 1972, the amounts are five-sixths of the amounts previously described in subsection (b) and the first two sentences of this subsection.

(d) **Definitions.** For purposes of this section—

(1) an “applicable individual” is an individual who was born after 1967 and who earned wages (as defined in section 3321) or net earnings from self-employment (as defined in section 1402), or both, for calendar year.

(2) an “applicable account” is: (a) a tax-deferred account (as defined in paragraph 3); and (b) a health savings account under section 223(d).

(3) a “tax-deferred account” is a traditional individual retirement account under section 408, an elective deferral account under section 401(k), an elective deferral account under section 403(b), and an elective deferral account under section 457(b).

(e) **Excise Tax on Premature Retirement Distributions.** Notwithstanding anything in section 72 to the contrary, in lieu of 10 percent additional tax that would ordinarily apply to a premature distribution from a tax-deferred account (absent an exception), a 50 percent addition to tax will apply to any distribution from an account existing pursuant to this section received prior to the year in which the account owner attains the earliest age for receipt of Social Security retirement distributions (including early retirement distributions), except such addition will not apply to a distribution received prior to such time in the event of death of the account owner or disability of the account owner (within the meaning of subsection (m)(7) of section 72).

(f) **Excise Tax on Non-Health HSA Distributions.** Notwithstanding anything in section 223 to the contrary, in lieu of 20 percent additional tax that would ordinarily apply to a taxable distribution from a health savings account (absent an exception), a 50 percent addition to tax will apply to any distribution from a health savings account existing pursuant to this section received prior to the year in which the account owner attains the age for Medicare eligibility (assuming not disabled), except such addition will not apply to a distribution received prior to such time in the event of death of the account owner or disability of the account owner (within the meaning of subsection (m)(7) of section 72).

(g) **Reporting and Separate Accounting.** The Secretary is authorized to issue regulations requiring recipients of contributions to applicable accounts to report such contributions to the Secretary, and to maintain separate accounts in a manner specified by this section.

(ll) Code section 86, relating to Social Security and tier 1 railroad retirement benefits, is revised changing subsection (d) to be subsection (b), revising subsection (f) to be subsection (c), eliminating all other subsections except subsection (a), and revising the text of subsection (a) to read as follows:

Gross income excludes Social Security benefits received pursuant to the Social Security Act [42 U.S.C. §407].

(mm) The first sentence of subsection (b) of Code section 105 is revised to read as follows:

Except in the case of amounts attributable to (and not in excess of) deductions allowed under section 213 (relating to medical, etc. expenses) for any prior tax year, gross income does not include amounts referred to in subsection (a) if: (i) such amounts are paid, directly or indirectly, to the taxpayer to reimburse the taxpayer for expenses incurred by him for the medical care (as defined in section 213(d)) of the taxpayer, his spouse, his dependents (as defined in section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof), and any child (as defined in section 152(f)(1)) of the taxpayer who as of the end of the taxable year has not attained age 27; and (ii) such coverage is provided under a high deductible health plan (as defined in section 223(c)(2)).

(nn) Subsection (a) of Code section 106 is revised to read as follows:

Except as otherwise provided in this section, gross income of an employee does not include employer-provided coverage under an accident or health plan that is a high deductible health plan (as defined in section 223(c)(2)).

(oo) Subsection (a) of section 223 is amended to read as follows: “In the case of an individual who is an eligible individual for any month during the taxable year, there shall be allowed as a deduction for the taxable year an amount equal to the aggregate amount paid in cash during such taxable year by or on behalf of such individual to a health savings account of such individual, provided that with respect to an applicable individual (as defined in section 36C(d)(1)), such amount must be contributed by (and not on behalf of) such applicable individual.” Also, the only sentence of paragraph (1) of subsection (b) of section 223 is revised by addition of the following provisions immediately following “eligible individual” at the end of the sentence: “, except with respect to an applicable individual (as defined in section 36C(d)(1)), such amount for a calendar year will not be less than one percent of the sum of the wages (as defined in section 3321) and self-employment income (as defined in section 1402) of such individual.”

(pp) The definition of a health savings account in subsection (d) of section 223 is revised by amendment of subparagraph (A) of paragraph (1) of subsection (a) to read as follows:

(A) Except in the case of a rollover contribution described in subsection (f)(5) or section 220(f)(5), no contribution will be accepted—

(i) unless it is in cash, and

(ii) to the extent such contribution, when added to previous contributions to the trust for the calendar year, exceeds the sum of—

(I) the dollar amount in effect under subsection (b)(2), provided that with respect to an applicable individual described in section 36C(d)(1), such amount will not be less than one percent of the sum of wages (as defined in section 3321) and self-employment income (as defined in section 1402) of such individual,

(II) the dollar amount in effect under subsection (b)(3)(B), if applicable to such person, and

(III) with respect to an applicable individual described in section 36C(d)(1) who does not have coverage under a high deductible health plan for any month of the year, no more than the lesser of one percent of the sum of wages (as defined in section 3321) and self-employment income (as defined in section 1402) and the maximum amount specified by section 36C(c) may be contributed for the year.

(qq) Subparagraph (A) of paragraph (2) of subsection (c) of Code section 223 is revised by: (a) placing “Except as provided in clause (iii),” at the beginning after “In general.”; (b) elimination of the word “and” after clause (i); (c) replacement of the period at the end of the subparagraph with “, and”; and (d) addition of the following clause at the end: (iii) the co-insurance percentage (which must be paid by the consumer) is not less than 25 percent until the limit of clause (ii) is attained, provided that the annual deductible may be any amount less than the amount specified in clause (i) if the co-insurance percentage is never less than 50 percent until the limit of clause (ii) is attained.

(rr) Paragraph (2) of subsection (a) of Code section 3121 is repealed, and the following paragraphs and syntax of subsection (a) of Code section 3121 are re-lettered accordingly.

(ss) Concerning the Title 35 of the U.S. Code (relating to patents), effective January 1, 2030, paragraph (2) of subsection (a) of 35 U.S.C. section 154, titled “TERM,” is revised to read as follows:

Subject to the payment of fees under this title, such grant will be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States or, if the application contains a specific reference to an earlier filed application or

applications under section 120, 121, 365(c) or 386(c), from the date on which the earliest such application was filed, except the grant will be 10 years in the event the grant relates to a pharmaceutical drug sold for less to any foreign government or agency or instrumentality thereof, or any foreign person or entity for less than the price sold to U.S. citizens, regardless of the means sold to U.S. citizens, including through the open market or any other mechanism, plan, program, federal law or other means.

(tt) Regarding the power of the Federal Reserve System, 12 U.S.C. section 225a is retitled “Maintenance of Stable Prices” and the sole sentence of 12 U.S.C. section 225a is revised to read: “The Board of Governors of the Federal Reserve System and the Federal Open Market Committee shall maintain stable prices.”

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