



Committee On Finance

Max Baucus, Chairman

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Contacts: Michael Siegel, Lara Birkes

202-224-4515

STATEMENT OF SENATOR MAX BAUCUS FINANCE COMMITTEE MARK-UP

Today, we meet to mark up three bills. The first two would expand health insurance coverage to two vulnerable and highly deserving groups. The third would reform the pension rules, as a response to the problems at Enron and more broadly throughout our economy.

These are critical issues. With respect to health insurance coverage, we have attempted to schedule this markup several times for over three months now. It seems like some other issue is always more pressing. But we need to move forward, and this is as good a time as any – particularly since we will need time to move the bills through the floor.

With respect to pensions, our bill would complement the corporate accountability proposals that are currently being considered on the floor. Further, the President has urged us to move forward on pensions. By marking the bill up today, we will be in a position to take the bill to the floor and conference quickly.

With that background, let me discuss each of the three bills. The first bill is the Family Opportunity Act, sponsored by Senator Grassley and cosponsored by 74 other Senators, including 14 members of this committee. Here's the problem. Medicaid is generally the only place that disabled kids can get important health services, like speech and physical therapy, that will help improve their lives and keep them from getting sicker. However, under current law, disabled kids lose their Medicaid coverage when their families' income and resources increase beyond the poverty level. That's just over \$18,000 for a family of four. As a result, as Senator Grassley has noted, some parents are forced to turn down promotions or pay-raises so that their disabled children can remain on Medicaid.

The Family Opportunity Act gives hard working families a little extra support. Specifically, the bill gives states the option to expand Medicaid eligibility to disabled children. Under this bill, a family of four earning up to \$45,250 a year would remain eligible. This is an important and overdue bill. I applaud Senator Grassley for his leadership in bringing it to this stage.

The second bill, S. 724, would allow states to provide pregnancy-related assistance to low-income pregnant women through Medicaid and the State Children's Health Insurance Program. Here's the problem. Under current law, states are required to cover pregnant women up to 133 percent of poverty under Medicaid. They have the option to extend this coverage up to 185 percent of poverty. Children, on the other hand, are covered up to much higher levels. The majority of states cover children up to 200 percent of poverty – which is about \$24,000 for a family of four. This imbalance in coverage just doesn't make sense. We're essentially telling families that we will cover children only after their mothers have gone through nine months of pregnancy without any health assistance. The bill before us today is designed to correct the imbalance, at least in part. It allows states to cover pregnant women through Medicaid and CHIP, up to the full eligibility levels for children. It also provides for automatic eligibility and enrollment of their children, starting the day they are born.

The Administration has recognized the need to cover pregnant women whose children will be eligible for CHIP. In January, the Department of Health and Human Services issued a proposed rule that would change the definition of "child" to include fetuses. This rule would allow low-income pregnant women to receive prenatal services through CHIP. But Secretary Thompson has made it clear that this was intended only as a temporary, second-best approach. He has repeatedly testified that the Administration supports legislation to expand CHIP to cover pregnant women. And you can read that for yourself on the chart behind me.

I should note that the bill draws from bills sponsored by Senator Breaux and Senator Bingaman. Both Senators have been tireless advocates on behalf of children and mothers. I am grateful for their efforts, and I hope we can advance their cause here today.

The third bill addresses a very different issue, but one that is equally important: Protecting the integrity of the pension plans of American workers. The issue first came to our attention with Enron. But that was only the beginning. Since then, Enron has been joined by other giants of American industry: Tyco, K-Mart, WorldCom, and more recently Xerox and Merck. All with questions about their accounting, all with thousands of workers at risk of losing their jobs and their retirement savings if the companies go bankrupt. We have to nip this problem in the bud.

The accounting bill on the Senate Floor takes important steps. It addresses issues of transparency and accountability for companies, and does so in a bipartisan way. Senator Grassley and I have attempted to do the same thing in the pension bill. It's not easy to do. Good pension policy requires a very delicate balance. Companies offer pensions voluntarily, so we need to be careful not to make the rules and regulations so burdensome that companies stop offering pensions.

I believe this bill strikes the right balance. It prevents companies from keeping workers locked into company stock in their retirement plans. At the same time, it allows workers to keep investing in company stock if they decide that's best for them.

We also give workers more tools so that they really understand the consequences of their actions, such as benefit statements and better investment information. We require advance warning about blackout periods, so workers will not be forced to sit and watch helplessly as the value of their pension plan collapses. We require more information on insider trades by executives, and we address the issue of investment advice.

Let me say a few further things about this particular issue. I understand the frustration of members of the investment community who are precluded from offering investment advice to the workers in the plans they administer. But suspending the prohibited transaction rules to allow conflicted advice is very controversial. It also is contrary to the thrust of the rest of our efforts to restore confidence to workers and investors. I hope to continue working with interested Senators and with the investment community to try and come up with a compromise that fully protects workers as we move to conference on this bill.

In the meantime, the bill creates a safe harbor for employers who want to offer independent investment advice doesn't raise the same issues. This seems to me an appropriate first step toward resolving this issue over the coming weeks. The chairman's mark also deals with executive compensation. Earlier this week President Bush called for an end to irresponsibility in the upper echelons of corporate America. He said that responsible leaders should not collect huge bonuses while the company value declines. He said that they should not grant themselves generous payments as the company prepares for bankruptcy.

Accordingly, the executive compensation provisions in this bill are designed to provide further safeguards to ensure that companies and their officials act with integrity and honesty. We do two things. We require more transparency and we ensure that transactions between corporations and individuals are appropriately taxed.

Those are the three bills. Health insurance coverage for disabled kids and pregnant women, pension reform and safeguards for executive compensation. All told, three important bills that should enjoy broad support. I hope that we will vote to report them all favorably. I now would like to turn to Senator Grassley, who is a principal author of two of the three bills.