EXECUTIVE SESSION

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WEDNESDAY, JUNE 20, 1979

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United States Senate,
Committee on Finance,
Washington, D. C.

The Committee met, pursuant to notice, at 9:35 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long, Chairman of the Committee, presiding.

Present: Senators Long, Talmadge, Byrd, Bentsen, Ribicoff, Baucus, Boren, Bradley, Dole, Packwood, Heinz, Wallop and Durenberger.

The Chairman: We have a little leftover business here with regard to health. Might I urge that we take a look at these first two here, reimbursement of hospital-based physicians. Will you tell us what that is about?

Mr. Constantine: Mr. Chairman, Senator Wallop had offered a motion to replace the provision in S. 505 with the staff suggestion for modification with a two-year study without, at the same time, impairing present authority of the Department.

When the polling was completed on that, I believe -- Mike, when was that completed?

Mr. Stern: On June 14th, the vote stood at 10 to 9 with

1 only Senator Byrd of Virginia unrecorded. He is still
2 unrecorded. The vote is 10 to 9 at the moment.
3 Mr. Constantine: The following morning, Senator Talmadge
4 suggested that, in as much as the concern expressed was
5 primarily with laboratory services and the need to keep
6 pathologists in rural areas, that the original amendment be
7 modified to exclude services in rural areas. At which point,
8 Senator Dole suggested further usage of a relative value scale
9 involving a professional component for laboratory services
10 with the relative value schedule and the professional
11 components related to reasonable time and effort usually
12 involved in the performance of these services.
13 We were directed to go back and see whether a possible
14 modification involving the various approaches could be
15 developed, and that was worked up, and so on.
16 Mr. Hoyer has developed an overall amendment involving
17 that. I understand that Senator Wallop was concerned. I
18 think he can express his concern over the way we proceeded on
19 this.
20 Senator Wallop: Mr. Chairman, if I may, I was not
21 concerned over the way you proceeded, but the result we
22 arrived at was the thing that caused me concern. I am not
23 questioning anybody's morality in the process. What has
24 concerned me in what the staff has arrived at, is a
25 bureaucrat's daydream of an ability to write rules, to

1 hell long have it, and exempts rural pathologists.

2 I would like to offer a substitute for that, which I do
3 not know, but we could lay them both out on the table and see
4 where we are. I have certain basic feelings about it and I
5 bring the concerns here, not as an advocate for AMA or
6 pathologists or any group, but just as a Senator who is
7 concerned about us in the Congress and about the Federal
8 government's tampering with the definition of medical or
9 physician's services.

10 The government a payer to physicians who provide
11 services to patients in the Medicare program, has to establish
12 strict controls. I grant that, and monitor the program
13 continually for abuses.

14 The thing is, the mechanisms for this control have
15 already been established under Section 18.42 of the Social
16 Security Act, and I suggest that we can achieve a way of using
17 those and a combination of Senator Dole's proposals to achieve
18 just what we are trying to and not do violence to either where
19 the Chairman wants to go, or where I wanted to go originally.

20 Let me just say that I think that tampering with the
21 definition of physician services to eliminate the abuses of a
22 few are putting ourselves, the Congress and the government
23 itself, in a precarious position.

24 I think Senator Dole yesterday made the statement on this
25 catastrophic health insurance proposal that would bear

1 repeating right now. Basically, that cheap medical services,
2 as cheap gas, they benefit no one, if none is available.
3 That is a concern I have had from the beginning in this
4 pathology area.
5 Now, during the debate on the issues, it was pointed out
6 to members of my staff that the majority of abuse under the
7 existing Medicare reimbursement system with physicians was
8 occurring in the rural areas of the country where pathologists
9 are scarce and the hospitals are at their mercy for request of
10 exorbitant fees.
11 The staff proposal will say that all rural hospital-based
12 physicians be exempted from any new reimbursement program
13 which was decided on by this committee and excluded for at
14 least two years under my amendment.
15 I appreciate this accommodation, but if the rural areas
16 are the place in the country where the abuse is widespread,
17 why plan to exempt them?
18 What I do not want is to have rural physicians bought
19 off. I do not care for that particular form of prostitution.
20 That was not what I was after in the whole thing.
21 It would be easy enough to accept it, walk off, and let
22 my pathologists in the entire state of Wyoming go fee under
23 the proposal, but that does not get where I was trying to get.
24 So let me suggest, by way of a compromise, the following
25 language, Senator Dole's language, be added to the amended

2 8 5 0 3 0 0 0 0 0

1 Section 19 and that language allows physicians to be
2 reimbursed under a percentage arrangement, meaning they may
3 receive compensation for every test performed in the
4 laboratory but based on a relative value scale which HEW will
5 devise and the relative value scale will include a
6 professional component and allows the physician to direct bill
7 under Part B of Medicare; allows the physician the freedom of
8 deciding how he will be paid, not forced to go under salary,
9 in a hospital with the supervisory capacity in the hospital,
10 but could be reimbursed under Part B.

11 The original Section 19 eliminates percentage
12 arrangements for hospital services but, as I understand it, it
13 would no longer apply to hospital-based physicians since
14 percentage contracts would not be acceptable with the new
15 limitations on reimbursement under the relative value scale.

16 My amendment to Section 19 provides -- my original
17 amendment provides still for the study of the proposed staff
18 recommendation and the effect that would have on
19 hospital-based physicians. That would remain.

20 The combination of those three elements should provide
21 the committee with a compromise which addresses the problem
22 that Jay brought up, Senator Dole brought up, the concerns
23 that the Chairman brought up, and still keep us from jumping
24 wildly into the redefinition of physicians' services.

25 Mr. Constantine: Mr. Chairman, that seems to be fair, if

1 it also includes the language that Senator Dole had saying
2 that, in the relative value schedule used for the professional
3 component, that it be reasonably related to the usual
4 professional time and effort involved in the services.
5 Senator Wallop: Presumably, that would be part of what
6 HEW would devise?
7 Mr. Constantine: Yes, sir.
8 Senator Dole: Would that be satisfactory?
9 Mr. Constantine: Yes, sir. We believe it would.
10 Senator Talmadge: I have no objections to the relative
11 value scale. I would point out that AMA itself has
12 recommended that physicians be paid on a fee for service
13 basis. Three hospital-related physicians: pathologists,
14 radiologists and anaesthesiologists worked very closely with
15 us in devising this bill where we would eliminate the
16 percentage of the gross. The pathologists were divided on it,
17 but AMA have strongly recommended to this committee that the
18 physicians be paid on a fee-for-service basis.
19 I have no objective to the relative value scale.
20 The only one who opposes that, I understand, is the
21 Federal Trade Commission. Is that not right?
22 Mr. Constantine: That is right.
23 Senator Talmadge: They have litigated with these
24 physicians about it.
25 I think the relative value scales ought to be considered,

1 frankly. I do not understand the Federal Trade Commission's
2 involvement in that. I have not familiarized myself in great
3 detail with it.
4 What you have here, as all members of the committee know,
5 you have many pathologists who have these very statistical
6 chains now. You take a sample of your blood now, and they
7 will tell you all about your physical well-being.
8 They have a very great technical assistance, and so on.
9 They read the report from the machine, and then the physician
10 involved gets an abnormally high income. Maybe he should; I
11 do not know.
12 It looks to me as if it is fundamentally wrong that any
13 physician who is highly skilled can come in and claim a
14 percentage of a procedure, given the hospital, which they have
15 been doing. The anaesthesiologists and others have gotten
16 away from it. The pathologists are divided on it.
17 I think the relative value scale ought to be considered.
18 I might point out, when we went to the Senate with this
19 bill before, we did nothing in the field of pathology.
20 Senator Metzenbaum, as I recall, offered an amendment and he
21 got 70-odd votes to eliminate it. Whatever we agree on here I
22 think ought to be something that can sustain scrutiny on the
23 Senate Floor.
24 I have no objection to this, as modified by Senator
25 Wallop and Senator Dole and as agreed to by the staff.

1 The Chairman: All in favor, say aye.
2 (A chorus of ayes)
3 The Chairman: Opposed, no.
4 (No response)
5 The Chairman: The ayes have it.
6 Let's take the next item.
7 Mr. Constantine: The next item, Mr. Chairman, was held
8 over. It was, I believe, an amendment that you and Senator
9 Dole and Senator Talmadge had offered with respect to improved
10 coverage of admissions by dentists for serious conditions
11 requiring hospitalization, and where it was left was that to
12 avoid any possible indiscriminate admission of patients, it
13 would be subject to professional review to avoid that, but
14 that it was an appropriate provision.
15 It has a cost of $7 million.
16 At Senator Danforth's request, that amendment was held
17 over because he wanted to get to the cost saving amendments
18 along with all of the spending proposals at that point until
19 we got to the cost-saving amendments, which the committee then
20 proceeded to take up and I believe the net effect of the bill
21 now, with the changes in fiscal '80, 505, as amended, is $1.8
22 billion savings in fiscal '80. That is the current count.
23 Senator Dole: The administration supports this proposal,
24 too?
25 Mr. Constantine: Is there anyone here from the

1 administration?

2 There are a lot of people here from the administration,

3 but we do not know who.

4 Senator Dole: Whether they do or not, it is a good

5 provision.

6 Mr. Constantine: The staff believes that the committee

7 can approve this.

8 The Chairman: All in favor, say aye.

9 (A chorus of ayes)

10 The Chairman: Opposed, no.

11 (No response)

12 The Chairman: The ayes have it.

13 Do you want to bring up your suggestion, Senator

14 Packwood?

15 Senator Packwood: These are some of the home health

16 amendments we have had before the Committee for a fair period

17 of time. The committee will recall that two have already been

18 adopted.

19 We have eliminated the requirement that you be

20 hospitalized three days before you can receive home health

21 payments, and we have eliminated the 100 days a year

22 visitation cap.

23 Those are the two principal amendments that were in the

24 bill. However, there are three to four others that I think

25 would be worth adopting. They are not particularly costly.

1 One would allow physician's assistants and nurse
2 practitioners in rural areas to develop a plan of home health
3 care for patients as long as they are supervised by a
4 physician. The physician has to design the plan.
5 In rural areas, with the shortage of physicians, that
6 does not work well. That is the first amendment.
7 Secondly, the plan of care which the physician assistasnt
8 or nurse practitioner devises should include hopefully a plan
9 for educating the patient for achieving, to the extent
10 possible, the maximum independence in taking care of
11 themselves.
12 Three, it would require the Secretary of HEW to establish
13 guidelines for determining the direct and indirect cost of
14 home health care.
15 Four, it would require the Secretary to monitor the cost
16 of home health care.
17 Both of these provisions are not supervisory
18 requirements. They are designed to help determine over a
19 period of several years how much home health care is costing
20 specifically on a line item basis, what it is costing. Unless
21 it would require the Secretary to establish some pilot
22 projects on home health and a utilization review over a
23 two-year period.
24 Those are five separate amendments. They are all in the
25 bill that has previously been before this committee. I

1 discussed them with the staff. They are relatively cost free.
2 The more expensive ones, we have already adopted.
3 Senator Ribicoff: Mr. Chairman, I think Senator
4 Packwood's concepts are the road that we are going to take to
5 keep the costs down of all these expensive services and I
6 would like to associate myself with Senator Packwood's
7 proposal.
8 Senator Packwood: I appreciate that.
9 Mr. Constantine: We believe that the amendments are fine
10 and will help quite a bit. The staff has one suggestion
11 further.
12 The Chairman: What is the cost?
13 Mr. Constantine: The cost has not been determined. It
14 is negligible. It is essentially administrative cost, Mr.
15 Chairman. But there is a kind of an urgent problem that has
16 come to our attention.
17 The Chairman: Hold on a minute. If there is no
18 objection, why do we not vote on this part of it and then we
19 will talk about the other part.
20 All in favor, say aye.
21 (A chorus of ayes)
22 The Chairman: Opposed, no.
23 (No response)
24 Now, what is the other part?
25 Mr. Constantine: Quickly, related to this, the hospitals

1 are having a lot of problem with the Medicaid program, the
2 Part B deduction. They do not have the computers out there to
3 do the calculations.
4 We would suggest that the committee approve dropping the
5 $60 deductible requirement that the rural clinics have to
6 determine whether the $60 deductible has been met. They go
7 through an enormous amount of paperwork. I have seen some of
8 the clinics, Mr. Chairman. We have gotten a lot of letters
9 from them. It takes an enormous amount of time and the
10 paperwork just is not worth it. The amount of money involved
11 is very negligible.
12 It is a worthwhile program and it has been handicapped by
13 a lot of paper.
14 Senator Packwood: Let me ask you a question. You are
15 talking about eliminating the cost-sharing altogether, then?
16 Mr. Constantine: Just the deductible. They would still
17 have the 20 percent coinsurance requirement.
18 It would just be the first $60. They do not often now
19 have to go back and forth verifying whether the $60 has been
20 met.
21 Senator Packwood: I see.
22 I have no objection, Mr. Chairman.
23 The Chairman: All in favor, say aye.
24 (A chorus of ayes)
25 The Chairman: Opposed, no.

1 (No response)

2 The Chairman: The ayes have it.

3 Senator Ribicoff: Mr. Chairman, I have a similar
4 proposal which I would like to bring up. My amendment would
5 amend Title 18 of the Social Security Act to establish a
6 comprehensive outpatient rehabilitation facility as provided
7 and would make comprehensive services covered under Part B of
8 Medicare.

9 An identical amendment was adopted by the House last
10 fall. This committee voted for a similar amendment in 1972.
11 It was dropped in conference.

12 Today we have forced Medicare beneficiaries who need long
13 periods of comprehensive rehabilitation treatment to go to a
14 hospital and in a time of rising health costs, this makes no
15 sense. This covers medical coverage to facilities to provide
16 high quality care at relatively low cost, cheaper than the
17 hopsital.

18 The cost of the legislation is reasonable. The Health
19 Care Financing Administration Office of Financial and
20 Actuarial Analysis projects initial annual costs to the Social
21 Security System of only $4 million and $10 million upon full
22 implementation. Even these figures may be high, since the
23 effect of this bill would be to shift services for more
24 expensive settings, and I am sure that it will balance out in
25 a few years to a net savings instead of cost.

1 Senator Dole: If the Senator would yield, as a
2 co-sponsor of the legislation, I want to associate my remarks
3 with the remarks of Senator Ribicoff. Under present law, you
4 have to pass the rehab center to go to the hospital to get the
5 same services. I think the net result will be a savings,
6 should be a savings.
7 Senator Ribicoff: I think it will be that way once they
8 realize they do not have to go to an expensive hospital. You
9 can go to these clinics, much of which are financed by the
10 National Easter Seals Society for Crippled Children,
11 Association of Rehabilitation Facilities. Most of these are
12 charitable organizations who run them and it just covers their
13 basic costs which are much less than a hospital charges.
14 The Chairman: Any objection?
15 All in favor, say aye.
16 (A chorus of ayes)
17 The Chairman: Opposed, no.
18 (No response)
19 The Chairman: The ayes have it.
20 All right. That takes care of that.
21 Mr. Constantine: Mr. Chairman, we have two things to go
22 back to. One is housekeeping.
23 The Clinical Laboratory Improvement Act has been reported
24 out of the Human Resources Committee and it does amend
25 Medicare with respect to the payment of laboratory services in

1 a much tighter fashion than the committee has now agreed upon,
2 under Senator Wallop's proposal.
3 Under those circumstances, we would recommend the
4 Committee make a jurisdictional claim and seek to substitute
5 the language that you have agreed on in 505 for the language
6 in the Clinical Laboratory Improvement Act.
7 The Chairman: Without objection, we will do that.
8 Mr. Constantine: We need your consideration and approval
9 of one further, final, dental modification.
10 Mr. Hoyer: The provision is included in both Senator
11 Talmadge's bill and Senator Dole's bill, and it broadens the
12 coverage of dentist's services to include certain services
13 when physicians did them, but not when dentists performed
14 them.
15 It has to do with medical type services related to the
16 jaw and the gums.
17 The Chairman: Is there any objection?
18 All in favor, say aye.
19 (A chorus of ayes)
20 The Chairman: Opposed, no.
21 (No response)
22 The Chairman: The ayes have it.
23 Senator Baucus: Mr. Chairman I have a final amendment if
24 we are still on Section 505.
25 Essentially, the problem is the providers have been

1 seeking judicial review in adverse decisions by the Review
2 Board, properly have venu only if they are representatives of
3 group providers in the District of Columbia.
4 The thought is to make a minor change in the law, that
5 venu properly lies not only in the District of Columbia, but
6 also in the judicial district in which the representative of
7 the group of providers happens to operate or reside.
8 Presently, individual providers have venu both in D.C.
9 and the appropriate judicial district in the country, but a
10 representative of a group of providers seeking judicial review
11 may only bring an action reviewing the decision of the Board
12 in the District of Columbia.
13 The thought is it is not fair. Let's also allow venu in
14 that part of the country which is repreentative of the group
15 of providers and where they happen to operate.
16 Mr. Constantine: Mr. Chairman, we have no problem with
17 it. We do not know what the administration's position is.
18 Mr. Champion is here.
19 Mr. Champion: It is my understanding that our position
20 on this issue, Mr. Chairman, is that we do not favor this.
21 However, if it were to be approved, we would hope that report
22 language would include a requirement that venu lie with the
23 District Court, in which the first provider in the group files
24 an appeal.
25 It is a matter of familiarity with the problem, and we

1 would like to work with Mr. Baucus on that, if, in fact, the
2 committee approves. We do not favor it.
3 Senator Dole: Do you have any objection to his
4 suggestion?
5 Senator Baucus: We can work out language. As I take it,
6 the administration only is concerned with the report language
7 and would not be opposed, as long as the appropriate report
8 language can be worked out.
9 Mr. Champion: That is right, Senator.
10 The Chairman: All in favor, say aye.
11 (A chorus of ayes)
12 The Chairman: Opposed, no.
13 (No response)
14 The Chairman: The ayes have it.
15 We will work out the report language.
16 Senator Dole: Senator Heinz is on his way. He has an
17 amendment. Then Senator Cohen has a little technical
18 amendment that would return the home health report to HEW
19 under the direction -- it would be revised to comply with the
20 legislative mandate. I do not know if there is any objection
21 to that.
22 Mr. Champion: That is the resolution, I believe, that
23 has been referred to the committee to return the report that
24 HEW submitted, statutorily required report, which Senator
25 Cohen and others found nonresponsive, because it did not

1 include legislative recommendations that the statute called
2 for, and I believe Senator Cohen and his cosponsors would like
3 the report returned to the Department and for resubmittal with
4 the required recommendations.

5 Senator Dole: The best statement made on that was made
6 by Mr. Champion who said, really, we cannot do anything with
7 this report of any significance, can we? To which Champion
8 replied, no, I do not think that it advances your state of
9 knowledge any more than it advanced our knowledge, which is
10 why I refused to make any recommendations. I do not think it
11 was adequate.

12 And we do not, either. So we thought we would just send
13 it back. You will not be there to receive it.

14 Mr. Champion: Mr. Chairman, I have already made a
15 commitment to that committee that there would be material
16 forthcoming in September which I thought -- what had happened
17 is that there was an individual department which had prepared
18 that report. We had a task force working on the larger
19 question of long-term care, and when I exposed the report to
20 them, they raised so many questions about the validity of some
21 of the material that I sent it back for repairs.

22 We sent over that report in order to meet a statutory
23 requirement indicating at that time that we were working on
24 the other material. I do not really think -- if the Committee
25 choose to send it back to us, I would rather have the

1 statutory commitment fulfilled. The promise for the other
2 material is there in September, but however the committee
3 chooses to deal with it, we have no serious concern.
4 The Chairman: All in favor, say aye.
5 (A chorus of ayes)
6 The Chairman: Opposed, no.
7 (No response)
8 The Chairman: The ayes have it.
9 Mr. Champion: You still have Senator Heinz.
10 Senator Dole: Why do we not take up his amendment?
11 Maybe we can agree to it.
12 It provides the Secretary with the ability to impose
13 intermediate sanction against nursing homes. I think this is
14 the one for noncompliance of Medicaid standards.
15 Currently the current option of the Secretary is to remove
16 the facility as Medicaid provider. This is rarely invoked.
17 Senator Heinz would like to provide some alternative at a
18 lesser degree so that it might be put to use effectively.
19 Senator Talmadge: Did we not deal with that the other
20 day, when we agreed to the amendment of Senator Boren?
21 Mr. Champion: In part we did, for certain conditions.
22 Where a facility is not in compliance and a state does not act
23 to pull the plug on that facility by revocation of license,
24 under those circumstances, Senator Boren, the Secretary may
25 let the primary responsibilities with the state, and I think

1 John is familiar --

2 Mr. Hoyer : The difference is with respect to Senator

3 Boren's amendment, that his amendment would give the Secretary

4 the authority to go and make determinations under his

5 authority once he finds the providers out of compliance. If

6 it is a statutory requirement, the only alternative is to deny

7 Medicaid certification.

8 What Senator Heinz is proposing, what Senator Dole is

9 proposing, it will give the Secretary some intermediate

10 sanctions, such as partial--the bill does not specify what

11 the sanctions are.

12 For example, you could partially withhold Medicaid

13 reimbursement.

14 Senator Dole: Our question is, it gives the Secretary

15 too much discretion, but the principal author of this

16 amendment is present.

17 Senator Heinz: It is an excellent amendment, and I

18 appreciate the committee's adopting it.

19 Probably it has been improved by your handling of it.

20 Senator Dole: It is on the table.

21 Does HEW have a position on the amendment?

22 Mr. Champion: We support the amendment. The basic

23 problem here is that the sanctions in these area are the old

24 atomic bomb sanctions. You cut off all of the people in a

25 nursing home. That does them a greater disservice than it

1 does the nursing home, and therefore, we would like to be able
2 to moderate those sanctions in appropriate cases to bring
3 pressure for improvement of the conditions without putting
4 everybody out in the street.

5 That is the basic purpose and we support Senator Heinz's
6 proposal.

7 Senator Heinz: Mr. Chairman, let me just say that the
8 amendment grows out of some hearings that I held last year,
9 principally, in Pennsylvania, on nursing homes and nursing
10 home regulations promulgated by HEW.

11 We found that there were some serious shortcomings in the
12 mechanisms available. As Secretary Champion says, it tended
13 to be an all or nothing proposition. You could not get
14 nursing homes to shape up. You had to ship out senior
15 citizens. That could have dire, if not fatal, consequences
16 and many effects.

17 I think these intermediate sanctions, which can range
18 from prohibiting reimbursement for new patients coming in, or
19 from delaying reimbursement, a variety of things will allow
20 HEW to act effectively and will keep them from having to go
21 through the absolute endless due process delays that can
22 result when you are trying to, in fact, be forced to go the
23 decertification route.

24 I hope that the committee can accept the amendment.

25 Mr. Champion: Mr. Chairman, we have some experience with

1 this and it has been used successfully, for instance, if we
2 have had the cooperation of state authorities, to say no more
3 admissions to that home until these conditions are dealt with.
4 We have been able to bring it about. That is the kind of
5 thing we are talking about.
6 Mr. Constantine: The only concern that we have, Mr.
7 Chairman, is the one that Senator Dole expressed, the
8 nonspecific nature of the sanctions. If the type of sanctions
9 could be specified, I think everybody would know where they
10 were, rather than just across the bord to the Secretary to
11 make that up, but that could be worked out, I think.
12 Senator Heinz: How about if we specified that in report
13 language?
14 Mr. Constantine: Fine.
15 Mr. Champion: We would be glad to work on that.
16 The Chairman: All in favor, say aye.
17 (A chorus of ayes)
18 The Chairman: Opposed, no.
19 (No response)
20 The Chairman: The ayes have it.
21 Mr. Constantine: Senator Matsunaga had several
22 amendments, I believe, but we do not know whether he wants to
23 offer them.
24 Mr. Stern: Mr. Chairman, I might say that Senator
25 Nelson's amendment on hospital cost containment, which is

1 listed on the agenda, I asked him what his planning was on
2 that, and he said that he sent out materials to members of the
3 committee today and he would plan to bring it up at next
4 Thursday's meeting, a week from tomorrow.
5 Senator Talmadge: His letter is in the folder. It is
6 addressed to me, and was an outline of what he proposes to
7 offer.
8 The Chairman: It would be unfair for the Senators to
9 vote on an amendment in his absence, so under the
10 circumstances, we can reserve him the right to offer his
11 amendment later on.
12 Other than that, I would think that that is all that we
13 can do with regard to this bill.
14 Mr. Stern: I believe that is correct, Mr. Chairman,
15 until Senator Nelson is ready to bring his material up next
16 Thursday, a week from tomorrow.
17 The Chairman: If that is the case, I think we ought to
18 turn to the health insurance bill.
19 Senator Heinz: Mr. Chairman?
20 The Chairman: Yes?
21 Senator Heinz: Before we leave this subject, there is
22 one other question that I would just like to address, and that
23 is Section 36. This goes back a little bit, Mr. Chairman. I
24 hope you will bear with me on this.
25 At our March 22nd mark-up session on cost contaiment, we

1 agreed to Section 36, the provision to allow Medicare coverage
2 of optometrists' services for fitting patients with prosthetic
3 lenses, eyeglasses, or contact lenses.
4 When we agreed to Section 36, essentially what we were
5 agreeing to is that such services be reimbursed.
6 There is a problem that many states have no laws
7 governing performance by an optometrist, and there is some
8 concern -- excuse me one second -- there is some concern that
9 nonmedical practitioners would be allowed to perform medical
10 functions under Medicare.
11 Mr. Chairman, I would like to have Section 36 clarified
12 because, as I read that section, and as I read some of the
13 comment we received, notably from Dr. Harley who was on the
14 HEW study team that produced the report on which 36 is based,
15 I would like to have the staff, if we are not in fact placing
16 catarract patients in a potentially dangerous situation and
17 whether or not we simply should not say that we should pay for
18 eyeglasses and contact lenses rather than give broad authority
19 for reimbursement of any function to nonmedical practitioners.
20 Mr. Constantine: I believe that this was an amendment
21 that Senator Dole sponsored, and others, for post catarract
22 surgery. The amendment reads that the optometrist can fit the
23 lenses only if these are services for which they are licensed
24 to perform in the state in which they perform them. They are
25 not permitted to perform a nonlicensed service.

1 If there is a problem obviously there has been a massive
2 letter writing campaign from certain opthamologists on this
3 ---if there is a problem, it would seem to be an area where
4 the states, through their licensure laws, would act. If there
5 has been a problem, they have not demonstrated it as yet.
6 Senator Heinz: That is a possibility.
7 Mr. Chairman, let me submit for the record Dr. Harley's
8 letter on this, to Peter F. Labosse, General Counsel of HEW.
9 (The material referred to follows:)
10 COMMITTEE INSERT
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1 Senator Heinz: Here is what I would suggest, Jay, that
2 we amend what is in the language that I have before me,
3 Section 1861, RH466 of the Social Security Act. In subsection
4 4, where it says a doctor of optometry is legally authorized
5 by the state in which he performs such functions, that we add
6 the following language, after the comma -- and we have
7 inserted language. Why should that not go in subsection S,
8 the general catch-all medical and other health services, which
9 would apparently solve the problem.
10 Mr. Hoyer: It could very well, Senator. It is a
11 drafting device.
12 Any practiticner service that is covered tends to be
13 drafted as an amendment to the definition of physician's
14 services. It could be added as an additional service. You
15 are quite right.
16 Senator Packwood: Clarify something for me. Since the
17 issue has been raised about optometrists performing medical
18 services on post-catarract operative patients, will this be
19 permitted or excluded under this amendment?
20 Mr. Hoyer: It would be permitted to the extent that it
21 is permitted under state law.
22 Senator Packwood: As I understand the intent of your
23 amendment is to prohibit --
24 Senator Heinz: The intention is not to prohibit, but to
25 make sure that we do not open the door wide to reimbursement

1 of these services. We would not prohibit a state from
2 enacting such a law.
3 Senator Packwood: I understand that.
4 Would you permit payment to an optometrist for services
5 on a person who has had a catarrat operation for what would be
6 defined as a medical procedure?
7 Senator Heinz: Yes, if it were a medical service. That
8 is why it should be in Section S.
9 Mr. Constantine: It can be defined as an optometrist's
10 service, the function that he is legally authorized to
11 perform. That is the way it reads now in the state in which
12 he performs the function.
13 Senator Heinz: The problem is really simply this, that
14 it is now -- we have amended the physician's services section
15 to provide this reimbursement to a nonphysician, an
16 optometrist. I am simply suggesting that we take the
17 reimbursement service, put it under medical and other health
18 services where we reimburse nondoctors for medical services.
19 I am not trying to prohibit reimbursement, but I do not
20 want this to be considered as a medical practitioner, i.e.,
21 M.D.
22 Otherwise, HEW is going to get in serious trouble. I
23 think you are being sued, as a matter of fact.
24 Mr. Champion: Yes, but not in this area. We are being
25 sued by almost everybody in this business in one way or

1 another.

2 We have no problem with the change, Mr. Chairman, as long
3 as it only changes the definition of what is medical. We want
4 to be able to reimburse optometrists. We have received a lot
5 of mail from opthamologists who protested this, partly on the
6 grounds of reimbursement but also because of this, we have no
7 problem in terms of the definition, only our ability to
8 reimburse where they are performing services that they are
9 licensed to perform in given states.

10 Mr. Champion: We would like for the committee in the
11 future then ---you would have to pull out podiatrists,
12 chiropractors and so on who are also in there, in that general
13 area.

14 Senator Heinz: Let us do what is right this time, and
15 not complicate the issue.

16 Senator Packwood: I would like to reserve judgment on
17 this until I reads it. I have no objection now. I am not
18 quite sure what we are doing.

19 The Chairman: We can always consider it.

20 Senator Talmadge: As I understand it, we are only taking
21 it out of one portion of the bill and putting it in another.

22 Senator Packwood: I do not understand the effect of what
23 we are doing.

24 Senator Heinz: The effect is twofold: the optometrists
25 will not mind, because they will continue to be reimbursed and
the opthamologists will not be mad as hell.

1 Senator Packwood: If you have achieved that --
2 The Chairman: All in favor, say aye.
3 (A chorus of ayes)
4 The Chairman: Opposed, no.
5 (No response)
6 The Chairman: The ayes have it.
7 Does that settle this bill for the time being?
8 Let's turn to the other part of the bill.
9 Senator Dole: Can we report the bill out?
10 Mr. Stern: I think you want to wait for Senator Nelson
11 since his amendment is such a major amendment.
12 The Chairman: Senator Nelson has a significant amendment
13 that he wants to offer. I have a letter here from him. We
14 could reserve him the right to offer the amendment on the
15 floor, but in view of the fact that we are not ready to call
16 the bill up at this point ---at this point, we do not know
17 what bill we want to put it on --
18 Senator Talmadge: I agree with the chair. I think
19 Senator Nelson has the right to offer the amendment, and we
20 should not consider it without his being here.
21 Senator Bentsen: I have a major amendment that I want to
22 offer, too, Mr. Chairman, so I would like to reserve the
23 right, unless you want to hear it now.
24 The Chairman: We will hear it right now, if you want to.
25 Senator Bentsen: It is a very major amendment. It

1 involves planter's warts.

2 Mr. Chairman, this is one that in trying to limit costs
3 and being sure they did not get involved with foot care, the
4 Medicare bill passed in 1965 eliminated the treatment of warts
5 on the foot.

6 Now, that sounds pretty reasonable, because you do not
7 want to recompense people for cutting toenails, and all the
8 rest of it, but planter's warts are something a little
9 unusual, when you get checking into them. Planter's warts on
10 the foot can absolutely immobilize someone.

11 I do not know if any of you ever have had one, but I
12 have, so they caught my attention.

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1 Senator Bentsen: They can be removed surgically. It is
2 a simple operation. It costs $2 million a year.
3 I would like to ask the Secretary if he has any unbiased,
4 personal views on planter's warts.
5 Mr. Secretary?
6 Mr. Champion: Senator, my son also had planter's warts
7 and they are as disabling as you say, and the administration
8 is in full support of your amendment.
9 The Chairman: Maybe we ought to save that for
10 catastrophic health insurance.
11 Senator Bentsen: I propose the amendment.
12 The Chairman: How does the Department feel about that?
13 Mr. Champion: Actually, Mr. Chairman, this is a serious
14 problem. As a matter of fact, we cover many of the warts that
15 have almost no significance and these are, in fact, disabling
16 and it is just an anomaly. In the present situation, they are
17 not covered, and they should be.
18 The Chairman: As warts go, right now planter's warts are
19 being discriminated against?
20 Mr. Champion: Absolutely.
21 The Chairman: All in favor, say aye.
22 (A chorus of ayes)
23 The Chairman: Opposed, no?
24 (No response)
25 The Chairman: The ayes have it.

1 All right.

2 Now, Senator Kennedy will be here at 10:30 tomorrow and I
3 have not discussed this matter with the fellow Senators. We
4 thought it would be important that the Senator should appear
5 before the committee and give us his view.

6 I also invited the Senator, if he wanted to, to bring
7 some of his prestigious supporters along with him. We will be
8 happy to hear them tomorrow also.

9 He had a major proposal that has had a lot of attention
10 across the country and we would be very pleased to hear his
11 suggestion.

12 Now, I believe Senator Durenberger also wanted us to hear
13 an additional witness from the INA company who has had some
14 very thoughtful suggestions about cost containment, that is
15 actually in terms of as much competition as can be cranked
16 into the program.

17 I think the witness will be useful to anyone who has not
18 heard him. I have had the privilege of talking to him and
19 hearing some of his suggestions.

20 I think that there will be a lot of appeal to some of the
21 Senators who are trying to hold down the cost of the
22 catastrophic programs and all of the hospital programs down.

23 I would hope that we could proceed to work on this health
24 insurance bill on the basis that we will try to put building
25 blocks together and we might want to even hold hearings after

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we put the pieces together to see how the program is viewed after we reach a majority consensus in this committee.

Senator Packwood, for example, has some doubts that we ought to pass any bill at all. I think he could make available to us his views on this matter. He stated them rather eloquently to a group of business people a few days ago which I had the privilege of hearing, and I think, though, that it would be best for us to look at these problems and see as a committee about what tentatively -- on a very tentative basis -- we think the answer to these things would be.

And as we begin to coalesce on something, we know a lot better what we want to do.

So why do you not go ahead, Jay, and see if you can lay before us some of the problems we are going to deal with if we are going to act in the area of health insurance at all, and see to what extent we might be able to agree on some of them.

Senator Ribicoff: Mr. Chairman, I want to add one thing that you had stated -- you did not state here this morning -- I want to commend you for it as we go along and are trying to mark this up, and I support that attempt, that we will develop some very complex issues and undoubtedly this will require some very specialized and expert witnesses, not only from the Department, but from outside the Department.

It is my understanding that as we reach those knotty problems that we will have the privilege of calling on experts

1 to assist us in the interpretation.

2 Mr. Constantine: In that regard, Mr. Chairman, we took
3 the liberty, apart from the departmental people being here, we
4 have actuaries from Prudential and Underwriters and so on,
5 from the major insurance companies. We have somebody from
6 Aetna and Connecticut General here who would be available on
7 technical areas, and any other questions that the committee
8 might have.

9 They are here now and they will be available during the
10 course of the mark up.

11 As we understand it, the committee did indicate its sense
12 that it wanted to proceed, at least in the catastrophic area,
13 with employment-based benefits, mandated employer coverage.

14 What we have developed here for you on this list of
15 general issues is a listing of what we believe, in
16 consultation with quite a few other people, are the principal
17 areas for decision and the major elements of an employer
18 program.

19 I believe, as I understand the Chairman, the procedure
20 that he is suggesting is that we move on each item, discussing
21 it, and then understanding it and making tentative decisions
22 in each area so that we an draft and see what it looks like as
23 we make these decisions, pulling it together.

24 Is that what you wanted, Mr. Chairman?

25 The Chairman: Yes.

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1 Mr. Constantine: On the deductible, which is a very
2 major area of concern, both in terms of what types of
3 deductible there are, what type of expenses are counted toward
4 the deductible or meeting the deductible, the duration of
5 deductible, whether it is a calendar year, illness, benefit
6 period, particular illness, and so on.
7 We thought that it would be helpful if Mr. Glen Markus
8 from the Congessional Research Service started out on that.
9 He has been with the Bureau of Health Insurance, with
10 Medicare, for many years; is Senior Director of the Health
11 Unit at the library. He left for six months, or eight months,
12 to work for Connecticut General and said he could not handle
13 the three-piece suits and he came back and is now a senior
14 health specialist at the Library of Congress and he and his
15 people who work with him, they have been a tremendous help to
16 us and all of us. I thought it would be helpful if he started
17 on the deductible.
18 Senator Ribicoff: The only thing is, I know an awful lot
19 of people at Connecticut General who wear three-piece suits.
20 Mr. Markus: Yes, sir. I used to be one of them.
21 Senator Ribicoff: Do not tell me there were sanctions
22 against you because you did not wear a vest?
23 Mr. Markus: No, sir.
24 The Chairman: All right, sir. Let's see what you can
25 suggest.

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1 Mr. Markus: Mr. Chairman, as the outline indicates, the
2 range of issues in the employment-base plan are extensive and
3 quite complex. Many of the issues, of course, this committee
4 has dealt with in one form or another in past years and
5 working with both the Medicare-Medicaid programs, so there are
6 some opportunities to quickly address some of them.
7 Perhaps the most overriding issue in employment-based
8 catastrophic program, of course, is to find the level of
9 protection that the committee wishes to consider.
10 This, on the one hand, will determine the dimension of
11 the protection you are providing, especially for those workers
12 working for employers who today have no coverage whatsoever,
13 and the reverse side of that coin, of course, is to determine
14 ultimately what the cost of the catastrophic program will be.
15 Choosing this deductible is essential.
16 There have been before the committee several alternative
17 ways to select the deductible. In your bill, Mr. Chairman,
18 and the one sponsored by Senator Ribicoff over the years, you
19 have used a combined approach, namely, you have included a
20 utilization of services deductible, 60 days of hospital care
21 specifically, and also a dollar deductible, $2,000 maximum
22 medical expenses for health services.
23 More recently, testimony before the committee has
24 suggested, together with the administration's proposal, that
25 you adopted, and said a single annual dollar deductible amount

1 for all covered medical care services, as defined in the
2 threshold level, after which medical care expenses would be
3 paid for under catastrophic insurance programs.
4 There has also been some confusion over exactly how that
5 deductible level, even if you picked a dollar amount, would be
6 defined. In your proposal, in past years you have used the
7 term incurred expenses, namely, whether or not a person has
8 received a service and presumably been billed for it, whether
9 or not paid.
10 This means that two different individuals basically would
11 have a catastrophic program kick in at the very same point
12 after which they have been billed for an identical amount of
13 medical care services.
14 The insurance industry and the administration, however,
15 have proposed a different type of definition of that
16 deductible, namely an out-of-pocket expense deductible, a
17 maximum limit on the liability for which a person and his
18 family is responsible, after which the catastrophic program
19 begins.
20 The Chairman: I would suggest that we just might make
21 this decision on this now, having proposed it both ways. I
22 think it makes better sense to take it the way the
23 administration proposes it and the way I proposed it in the
24 last version of my suggestion. That would be that we would
25 look at the out-of-pocket expense.

1 We do not need to decide right now whether that is $5,000
2 or $3,000 or $2,500. I think that is going to have to depend
3 on how much money we can find.
4 Does that sound all right to you, Mr. Champion?
5 Mr. Champion: Yes, it does, Senator. We have some
6 figures on the differences.
7 The Chairman: On that point, as far as I know, we are
8 all together, that it ought to be based on out-of-pocket
9 expense.
10 If there is no objection, I think we can proceed on that
11 basis, whether you are paying for the hospital costs, the
12 doctors' bill, all money -- after the person pays a given
13 amount, whatever we think, he is covered.
14 Senator Dole: Can we also agree on a single deductible,
15 other than days and dollars?
16 The Chairman: That is what we are talking about.
17 Mr. Constantine: Yes, sir.
18 The committee consensus was, rather than separate
19 deductibles, a different deductible for hospital expense and a
20 different deductible for medical expense -- a combined
21 deductible based upon a given dollar out-of-pocket amount.
22 The difference -- the separate one would be, of course,
23 after 60 days in a hospital, you receive coverage for all
24 hospital care after that, plus over $2,000 medical expense as
25 opposed to, say, $3,000 out of pocket expense for an

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1 individual, for all combined services.

2 The Chairman: I do not think, at this point, that we can

3 fill it in. It seems to me, at this point, we will just have

4 to see what is the lowest common denominator, or the highest

5 common denominator, as the case may be.

6 At this point I do not think we can fill it in. Frankly,

7 Senator Kennedy will testify to that point.

8 I think we would do well just to keep it open for the

9 time being and go to the next point.

10 Senator Bentsen: We are just talking about one

11 composite, single deductible: money.

12 The Chairman: That is right.

13 Senator Bentsen: Not 60 days.

14 The Chairman: No 60 days. It is all the same. It is

15 all money. We will have to put the figure where we think we

16 can afford it.

17 Senator Packwood: All the same, regardless of the income

18 level of the patient?

19 The Chairman: No matter the income level.

20 Senator Packwood: Medical and hospital?

21 The Chairman: We might want to have one figure for a

22 family, one other figure for the individual.

23 Mr. Markus: We have been focusing on those requirements

24 in the employment based plan, and those features in income

25 testing later on.

1 Mr. Constantine: As I understand it, what the Committee
2 has agreed upon is a combined deductible without specifying
3 the amount at this time, as opposed to separate deductibles.
4 Senator Packwood: When you say combined, define it again
5 for me.
6 Mr. Constantine: A single dollar amount out-of-pocket by
7 an individual or a family. You will have to decide.
8 Senator Packwood: Total medical expenses?
9 Mr. Constantine: That is right, as opposed to separate
10 deductibles.
11 Do you want to go into income related?
12 Mr. Markus: One of the proposals before the committee
13 would also use a second way of defining the catastrophic
14 threshold for the employment-based plan in so far as it
15 affects individuals, in that it would measure catastrophe for
16 an individual as a function of expenditures in relationship to
17 that individual's income, in addition to satisfying some other
18 dollar amount that the commmittee has been discussing.
19 The Chairman: Senator Kennedy is going to testify to
20 that kind of approach, 10 percent of income, or some
21 percentage. In the approach that Senator Ribicoff and I
22 sponsored, you have a somewhat different arrangement. You
23 have a low-income plan with a spend-down. If they have $6,000
24 income and you want to regard that as income for that family,
25 when they spend any income over $6,000, that makes them

1 eligible.

2 Right now, we are not ready to decide that one.

3 As I say, we will decide the things we can decide
4 readily, and then come back to the tough ones a little later
5 on.

6 What is the next point?

7 Mr. Markus: Senator, one of the critical issues for the
8 deductible amount, the absolute dollar amount, is whether or
9 not it is indexed.

10 By indexing, we mean adjusted from time to time to
11 reflect the fact that both the price of medical care and
12 perhaps the physician's services, as well as the intensity of
13 those services, will change in future years.

14 Failure to index the deductible means eventually over
15 time, as a result, largely, of inflation, that deductible has
16 less and less value.

17 That type of approach you incorporate in the Medicare
18 program by requiring the Secretary of HEW annually to revise
19 the initial in-patient deductible.

20 Senator Dole: I might say we provide that in our
21 proposal, indexing.

22 Mr. Constantine: The Long-Ribicoff bill and also I think
23 the administration bill has indexing.

24 The Chairman: Without objection, indexing is in. It
25 will be in there.

1 Mr. Champion: Mr. Chairman, there are several different
2 ways to do that indexing. We need to have more discussion of
3 that when we come back to it.
4 Mr. Constantine: Your intention, as we understand it, is
5 not to get into the specifics as of now, but just the concept.
6
7 The Chairman: Beginning to put some blocks on the table.
8 What is the next one?
9 Mr. Markus: One of the critical ones is determining the
10 universe of services that you are measuring for this
11 deductible. Many of the proposals in past years have applied
12 only to services covered under Medicare, for example, as being
13 qualified, counting the deductible amount.
14 The proposals before the committee today, including the
15 outlines of the proposals by Senator Kennedy and Senator
16 Schweiker and others, all use different benefit structures
17 from one another. Most depart from the Medicare program and
18 use Medicare definitions, but because they have a different
19 package, if you will, of benefits, there is a question of how
20 you are going to arrive at a definition that is going to
21 arrive at a definition that would apply in the
22 employment-based plan.
23 For example, the Medicaid program today does not cover
24 outpatient prescription drugs. Most private health plans
25 would cover outpatient prescription drugs. They would count

1 those expenses for such drugs against their deductible
2 requirements.
3 Under the Medicare program, you do not cover them. At
4 some point, the committee would have to agree upon at least a
5 minimum package of services, then determine whether or not all
6 of those, or perhaps some other ones, could or could not be
7 counted towards satisfying the deductible.
8 The Chairman: Why do we not start out by agreeing that
9 we will cover everything that is covered under Medicare, cover
10 the Medicare services, and such additional services that we
11 would want to add?
12 It seems to me that if you are looking towards an
13 out-of-pocket expense standard, you would include the
14 prescription drugs, and things of that sort, that the patient
15 has paid for, because those expenses will have to be incurred.
16 We are talking about taking care of the situation where
17 presumably the family resources would all be wiped out.
18 So I think you are going to have to think in terms of all
19 of them.
20 Senator Ribicoff: I am just wondering if the staff and
21 Mr. Marcus should not start putting together the cost of the
22 different alternatives we are discussing, because I believe
23 that many of the decisions of what to include and what not to
24 include will be determined by what the cost will be.
25 If you were talking yesterday about 1 percent of payroll,

1 what will 1 percent of payroll really buy, if you are going to
2 go higher, or going to go lower.
3 I think with the budget problems, many of us are going to
4 want to see the costs before we put those so-called blocks
5 together. It would be pretty good if we had some tables
6 before us of different alternatives. You are going to have to
7 do it anyway.
8 I know it is going to take some time to put that
9 together.
10 The Chairman: What is your suggestion?
11 Mr. Constantine: We do have a variety of tables. We are
12 still waiting for some other members of the administration.
13 A lot will depend on what you decide on, your number for
14 deductible, how it is calculated, and what benefits you are
15 going to pay.
16 But that is different, Senator, from the benefit
17 structure. It is considerably more significant in cost than
18 the type of expenses you count towards sastisfaction of the
19 out-of-pocket deductible. You can be more liberal in what you
20 count in terms of out-of-pocket expenditures than you might be
21 in terms of what you might require of what people pay for once
22 the thing has been triggered.
23 For example -- this is not a recommendation one way or
24 another -- you might count all prescription drug expense
25 towards satisfying the deductible. Not necessarily have the

1 drugs benefit once it has been satisfied as a mandatory
2 thing.
3 All of those change the numbers.
4 The Chairman: Looking at this as a committee, if I
5 judged what the position of the majority on this committee is,
6 I think the majority feels that the amount of money available
7 to us is limited. Even the administration feels that.
8 So the overwhelming majority feels that we are working
9 with limited funds, so the amount of money we have to work
10 with is limited. We have so much money to do a job with, and
11 what that means is, the more services you put in here, the
12 higher deductible you are going to have to have.
13 Of course, in terms of looking after people at a point
14 where they are no longer able to pay, you are looking in terms
15 of a higher deductible.* And so we will have to think
16 in terms of, all right, when you put these additional things
17 in, all right, if you include them at the low end, you could
18 go for a lower deductible. If you include them at the higher
19 end, that means that they have to have a higher deductible.
20 In any event, if you -- when you move one figure, it
21 moves the other one, too. It moves the deductible.
22 Senator Packwood: When you were talking about the
23 deductible, saying we would pay everything from $4,000 and
24 above, if from 0 to $4,000 is paid by a third-party payer,
25 that counts as moving towards the deductible, even if it is

1 not out-of-pocket?

2 Mr. Constantine: Not necessarily, no sir. That is the
3 difference between the current expense. If the individual
4 bought the coverage, that would be considered out of pocket,
5 if he had private insurance.

6 There are some variations on that. I prefer Mr. Markus
7 to explain it because, frankly, Senator, it took us two or
8 three days to fully understand the difference between
9 out-of-pocket and incurred expense, but it is a very key
10 element of what kind of costs you come up with.

11 Senator Packwood: Let me ask you this.

12 The litmus test for all of this is whether or not the
13 public demand for something is what the employee in the coffee
14 shop says. I do not find any of them asking about national
15 health insurance. I get the question at the Harvard School of
16 Public Health, but I do not get it at the Roseberg Lumber
17 Company.

18 I think I get it at the Harvard School of Public Health
19 because they sense they are going to run national health
20 insurance if we ever have a program and they are probably
21 right. For the average employee who does not get too sick too
22 often, they do not seem to worry about their medical bills
23 because they are being covered by an employer-paid plan that
24 may or may not have some coinsurance or some deductible, but
25 it is not overwhelming for a person making $13,000, $14,000 or

1 $15,000 a year.

2 In the back of their mind, they may worry about
3 catastrophic. They may have seen somebody on the production
4 line who was injured and ran out their insurance and they
5 think, it could happen to me. If that is covered, then that
6 last nagging doubt in their mind is removed.

7 I am very curious about where the comprehensive, if you
8 want to call it "pre-catastrophic" coverage fits into this, if
9 that is counted towards a deductible and you are going to pay
10 beyond the deductible. It removes the last vestige of any
11 fear for the bulk of people who are employed who have a
12 medical insurance program.

13 Mr. Markus: Senator, the definition employed by the
14 administration proposal and presented to you by the insurance
15 industry is designed to build upon that basic coverage that
16 may already be there. In fact, if a person has, as a
17 practical matter, what the commercial industry would call
18 comprehensive major medical, they would never satisfy this
19 deductible because they woul never have any expenses to worry
20 about.

21 Senator Packwood: How many people have that kind of
22 coverage now?

23 Mr. Markus: The numbers vary, depending on the
24 measurements used. Perhaps I would yield to the
25 administration on the definition of how many numbers of

1 people.

2 Mr. Champion: I do think we have some numbers.

3 Dr. Davis?

4 Ms. Davis: We estimate that, out of the employed

5 population, including dependents, of 156 million, 100 million

6 of those have very complete coverage, both for basic health

7 care services and for major medical expenses.

8 Senator Packwood: Major medical.

9 What you are saying, in essence, roughly half of this

10 country does not need this bill at all?

11 Mr. Markus: What it does do is say to that worker you

12 are referring to, if he does not have a set of benefits today,

13 that would limit his liability, his personal liability, to the

14 amount this committee would choose, then his private insurance

15 would have to upgrade to that level.

16 But you are correct. Very many individuals and their

17 employers are already provided coverage equal to, or better

18 than, these particular levels.

19 Senator Packwood: Dr. Davis, say what you said once

20 more, would you?

21 The Chairman: How many again?

22 Mr. Champion: 56 million are not covered, 100 million

23 are.

24 Senator Packwood. Covered comprehensively and

25 catastrophically?

1 Ms. Davis; That is correct.

2 Senator Packwood: 100 million.

3 So of the remaining 56 million employed, they may or may
4 not have comprehensive or may have catastrophic and not
5 comprehensive or vice versa, or may not have any insurance?

6 Ms. Davis: 28 million, or half of the remainder, have no
7 group insurance at all.

8 Senator Packwood: I want to make sure, as we are
9 approaching this, that we do not lay down on this country a
10 plan for which apparently at least 100 million, counting how
11 many employees and dependents do not need it, and are being
12 covered.

13 Ms. Davis: Even for those hundred million, they would be
14 affected by under standards on policies, such as extension of
15 coverage beyond termination of employment, not excluding
16 existing conditions.

17 It is true on his particular deductible issue that you
18 are now discussing, it would not affect the 100 million.
19 There are other elements of the plan which would improve
20 coverage, even for those 100 million.

21 We are talking about 28 million who have no coverage
22 through their place of employment, or have very inadequate
23 coverage.

24 Senator Packwood: It looks to me that what we are
25 approaching is a kind of gigantic, national medical accident

1 insurance, for goodness sake, to the employer. Henceforth,
2 all your employees will be entitled to these benefits: a, b,
3 c, d, e, f, g, h. You go out, you want to buy that coverage
4 from Blue Cross or Connecticut General, or Continental
5 Casualty or Aetna, that is up to you, but it must provide
6 coverage as specified in the bill.
7 Maybe the benefits that we specify will already be
8 covered by any of the plans, or will not take much of an
9 adaption of thse plans to meet it. For the 28 million, it may
10 be a significant expense to their employer because, at the
11 moment, they are not providing any coverage, or very little
12 coverage at all.
13 Is that a fair statement?
14 Ms. Davis: We have estimated the additional cost for
15 those employers who currently do not provide any coverage or
16 inadequate coverage.
17 Senator Packwood: What is that figure?
18 Ms. Davis: We estimated. Again, it depends on the
19 bundle of services that you are talking about. If you are
20 talking about the Medicare benefits package, pretty much by
21 itself, you would be talking about an additional $5.4 billion
22 on employers, again, most of that coming in for those
23 employers.
24 Senator Packwood: If you used the Medicare standards of
25 benefits applied to the whole population?

1 Ms. Davis: That is with the $2,500 deductible.
2 Senator Packwood: Including all dependents?
3 Ms. Davis: That is correct.
4 Senator Packwood: You can get by for how much?
5 Ms. Davis: That would increase the payments by employers
6 by about $5.4 billion, if you just had the Medicare-type
7 benefits.
8 Senator Packwood: When you say increase the payments, if
9 we mandate those and tell them they can purchase them
10 privately, that is what the premiums will cost?
11 Ms. Davis: Through the private sector, not an
12 unscheduled cost, but an additional cost to employers.
13 The Chairman: Let's cover one additional aspect of that
14 that ought to be considered.
15 This point has been made to me many times by a friend who
16 has been in the insurance business. He says, if you start off
17 by saying that the companies must insure for catastrophic
18 first and the rest of it follows thereafter that you
19 drastically reduce your costs because so many of these
20 policies, when drafted, are providing first dollar coverage,
21 and things of that sort, that they could just modify the
22 policy and take care of the catastrophic at no additional
23 cost.
24 Do you have any estimate as to what the savings would be
25 if you did that?

1 Ms. Davis: We do estimate if we take the comprehensive
2 coverage with no deductible at all, just zero, such as are
3 under some of the other plans sponsored, the additional costs
4 on the employer meeting that kind of standard would be $33
5 billion.

6 The Chairman: You are not talking about the same thing I
7 am talking about at all. What I am talking about is this.

8 Let's say I am an employer and I do not have major
9 medical. I have some basic coverage for my employees.

10 Then Congress passes a law that says I am going to have
11 to provide the catastrophic type, or the major medical
12 protection, for my employees.

13 I simply negotiate with my insurer and say hereafter, the
14 policy that provides for the catastrophic type thing, it does
15 not provide nearly as much as it provided before for the basic
16 coverage. I could negotiate a policy that did not cost me any
17 more than what I have already. It is just I do not provide
18 nearly as much basic coverage.

19 If you say, by mere modification of the existing policy,
20 I could do that at no additional cost to the insurer. That
21 means the employee is going to have to pay more of the early
22 part of the expense, but he would be protected against the
23 catastrophic part of it.

24 Do you have any estimate it would reduce the cost of this
25 bill if you would do it this way?

1 Ms. Davis: These estimates do assume that the employer
2 would maintain the current basic coverage that they have, plus
3 add on to it the catastrophic.
4 The Chairman: What I am asking is if you have an
5 estimate if you assume it the other way around?
6 Mr. Champion: Mr. Chairman, I understand what that
7 problem is. We have not made that estimate. We obviously can
8 make some estimates of that kind.
9 All of our figures are based on the assumption of
10 maintaining current coverage.
11 The question, of course, what would happen in those
12 negotiations which is something we do not know.
13 The Chairman: If an employer has a labor union to
14 contend with, he has to negotiate with them about that; but if
15 he does not have a labor union to contend with, he would be
16 assuming you would mandate this coverage, he would be
17 privileged to provide less of other type coverage and use that
18 savings to provide for the catastrophic.
19 Senator Packwood: Mr. Chairman, that is a point very
20 worthwhile having the information. My hunch is -- this is a
21 wild guess ---that the cost of total catastrophic could be
22 provided by the equivalent of something like 0 to $150
23 deductibility.
24 I may be off $100, but I bet it would not be far from
25 that.

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1 The Chairman: How much do you say?

2 Senator Packwood: Just a guess. I used to negotiate
3 labor contracts when I practiced law and they were relatively
4 cheap then, but the greatest portion of our costs were in the
5 first $200 or $300 or $400 of medical bills, ten to twelve
6 years ago. So I assume the greatest cost is now in the first
7 $1,000 or $1,200 of medical bills, not everything about
8 $1,200.

9 If you are talking about a catastrophic cost at $4,000,
10 that you could offset the premium cost of that with a
11 relatively low coinsurance or deductible at the bottom end of
12 the policy. I do not know where it would be now, but I do not
13 think it would be very high.

14 Mr. Champion: There are three ways, actually, and we can
15 simply take these figures, or anybody could, an insurance
16 company who has been negotiating these, look at what their
17 cost under the comprehensive would be, and simply go back and
18 construct either a deductible or construct a copayment.

19 We can give you some illustrative cases of what might
20 happen.

21 Senator Packwood: Realizing we are not going to impose
22 unless in collective bargaining, if they want to change it.
23 We cannot impose a provision on companies who have collective
24 bargaining contracts and the union does not want to change and
25 they want to keep their known deductible or low deductible

1 contract.

2 The Chairman: There is absolutely no way that we can

3 deny a labor union their right to negotiate with that employer

4 about the level of benefits that he agreed to in the

5 collective bargaining process.

6 On the other hand, the employers ought to provide

7 insurance for his employee. He did not provide major medical,

8 did not protect them against a health catastrophe.

9 On the other and, at the early day of coverages, he

10 provided a very generous package. In that respect, he is the

11 guy in the white hat.

12 If he wants to modify his policy so he simply provides,

13 at no additional cost to the country, to cover these people

14 for the catastrophic part of the coverage, there is a strong

15 argument that can be made that he be permitted to do so.

16 You can argue it both ways. If you think in terms of how

17 it can hold the cost down, both the cost on the economy and

18 the cost in providing the additional service, that is a big

19 cost savings.

20 I do not know how much, but it has to involve a huge

21 amount of money.

22 Mr. Champion: Mr. Chairman, we can give you some

23 illustrative cases by showing you what the catastrophic would

24 do and what the tradeoffs would be.

25 I would like to raise two or three major problems, I

think, with that. The first is that we have 100 million people already with this kind of comprehensive coverage and I think that amount of money is, in likelihood, not going to be available when the negotiating or bargaining goes on.

We are only talking, really, about the 56 million people which we have already raised.

There is further the problem, as you go down the median salary level of catastrophe is somewhat different than it is at the higher levels. So $2,500 or $3,000 or whatever it is at a $15,000 level is a very high percentage of annual income. While I think that what you say would have effect, both in terms of savings to employers and perhaps in some restructuring of how much care is provided, that it would raise those two major problems.

The Chairman: Well, what we are going to have to do here, it looks like we will all be on this before it is over with, those of us who will vote for whatever we report, what we are going to have to do is consider what the administration has done already in its councils, to provide a certain amount of insurance and protection. We will provide for what wt think we can pay for and then we will provide for something more later on, as we can find the funds to fund it.

So it looks to me like, as far as what the approach is going to be, we are all going to be together on it. I do not know of anybody who is going to come in here advocating a 4

1 percent payroll tax in addition to what they are already
2 paying.
3 Senator Moynihan?
4 Senator Moynihan: I was not going to advocate a 4
5 percent payroll tax.
6 Mr. Chairman, I wonder if I could ask the Secretary to
7 pursue this point that he just alluded to, which is the
8 question of the deductible. I suppose the phrase is for
9 low-income persons.
10 $2,500 is a manageable number -- I do not know to who it
11 is manageable for, but you could say a person above the median
12 income, $2,500 is not likely to be more than about 15 percent
13 of income, is it not?
14 Mr. Champion: About 12.5.
15 Senator Moynihan: Below that, at the minimum wage, it
16 gets awfully close to being half, and I wondered ---yet we do
17 not want to get into a means testing where you have to prove
18 how poor you are in order to get the benefit.
19 I wonder if it would not be possible -- I see Senator
20 Dole seems to be interested in this, too -- to have an option
21 that you have a fixed deductible, or a fixed percentage of
22 income, say 25 percent of your income or $2,500, whatever you
23 choose, in such a way that there are a great many people in
24 this country who work a year long and bring home $5,800 and
25 $1,000 is a casualty to them.

1 Mr. Champion: Our proposal, Senator, deals with that in
2 the spend down mechanism.
3 If there were a $5,800 income after the work expense
4 ---it is all gross income for these purposes -- for $5,800,
5 after $1,700 were spent, the 55 percent level, poverty level,
6 $4,500, so the deductible for that person would be a $1,700
7 deductible.
8 Senator Moynihan: You have a spend down?
9 Mr. Champion: A spend down approach to that problem.
10 Senator Moynihan: Let me say this is something we want
11 to pursue, Mr. Chairman. Yesterday, Senator Bentsen was
12 telling us about a couple in his state whom he had been put in
13 contact with whose child had a very serious illness and died.
14 Both mother and father were working. They were not eligible
15 for any kind of Medicaid, anything like that, and they are
16 absolutely bankrupted and a fund is being raised to buy a
17 tombstone for the child and that is that kind of madness. It
18 does happen.
19 Senator Ribicoff: The thought occurs to me, before we
20 are through, we are going to have to have figures to make up
21 our mind, and from our experience with Medicare, and how off
22 the actuarial estimates are.
23 I would like for the committee to have three sets of
24 actuarial figures: The committee's figures, HEW figures,
25 since the private insurance companies are going to administer

1 it, I would like the insurance companies' actuaries submit a
2 set of figures for us to make up our mind. I think the
3 committee should have at least three sources.

4 Senator Dole: I share the view expressed by Senator
5 Moynihan. We address that in the third part of our proposal,
6 the so-called residual market, the poor and near-poor, based
7 on a percentage of income.

8 We were told earlier on that it would be an
9 administrative nightmare if we got into the workforce section
10 of our proposal and it does get into means tests.

11 Do you have any comment on that, Mr. Markus?

12 Mr. Markus: There is a separate distinction between what
13 you would require of an employer and the typical arrangements
14 through group health insurance and the separate arrangement to
15 otherwise determine if an individual, who also might happen to
16 be an employee, as your bill does, or Senator Moynihan has
17 suggested, could otherwise qualify.

18 The Long-Ribicoff bill has a spend down mechanism.

19 Senator Ribicoff: The Long-Ribicoff original plan ---and
20 most critics of Long-Ribicoff never talked about Title III --
21 we had a provision in there making available under proved
22 policies to take care of the deductible.

23 Now, what you are going to have to consder, then, is
24 instead of throwing out that Section 3, if you are talking
25 about people in lower income groups and you are going to have

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1 the insurance companies administer it, you might have to start
2 considering another type of policy, and what is that going to
3 cost, to take care of a certain group of people who cannot
4 afford to pay the first $2,500?
5 It could be covered for X amount to take care of the
6 first $2,500.
7 Mr. Constantine: As this proceeds, we do get into the
8 low income. It moves section by section.
9 Would some sense of panic, would you settle for two sets
10 of figures, one from the administration and one from the
11 insurance industry, because frankly, the staff -- we do not
12 have actuarial capacity here.
13 Senator Ribicoff. All right.
14 Let me put it this way. There may be panic. I do not
15 expect you to do so. But this is so important it becomes
16 essential. In the staff's estimation, if there should be an
17 independent, actuarial study, I would hope that you would come
18 to the Chairman and the committee and say we think we have to
19 hire independent actuaries to look at this because so much is
20 involved here, the prospects are so catastrophic for the
21 budget if we guess wrong or estimate wrong, that if we take
22 the administration or insurance companies, they both have a
23 vested interest.
24 I think it may very well be that the committee would be
25 warranted in spending $100,000 or $200,000 to get independent

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1 actuaries to check on the actuaries.

2 Senator Talmadge: I share the view of the Senator from
3 Connecticut. I think we can get the Department's figures, get
4 the insurance industry's figures and CBO figures, three sets.

5 Mr. Constantine: We would also point out, just for some
6 sense of cost in this area, attachment A, dealing with
7 employment based coverage does on page 3 give you some idea of
8 what the costs might be.

9 These are administration estimates for these proposals
10 and we would stress again that these are first-year costs
11 only.

12 Mr. Markus: By way of reference to Senator Packwood's
13 question before about total costs and additional costs to
14 employers and the distribution of different deductible levels
15 that were referred to for the so-called Medicare package of
16 benefits is the so-called second table that Dr. Davis referred
17 to before.

18 Senator Packwood: The $5.4 billion figure.

19 Ms. Davis: The other deductible levels -- if you are at
20 the bottom part of that table -- that does not include the
21 maternal and infant care. You will find for the $3,000
22 deductible is a 351 per worker cost, $5.1 billion total cost.
23 That drops to $4.9 billion for an individual deductible,
24 $3,000 or a family, $5,000, drops to $4.8 billion, and
25 $3,800.

1 You are basically talking of $4.5 billion.

2 Senator Packwood: Let me ask you this, if you know it.
3 If you had policies that said the first $250 of medical
4 expenses would be paid by the patient rather than by the
5 insurance company, what would be the saving to the employer?

6 Ms. Davis: These assume that the plan is only picking u
7 expenses over $2,500.

8 Senator Packwood: I understand that. I am trying
9 to figure out Senator Long's question.

10 Ms. Davis: If they substitute some basic coverage for
11 some catastrophic, it is that estimate that we will have to
12 come back with.

13 Senator Packwood: All right. Thank you.

14 The Chairman: Were you giving us the figures on page 3
15 below which that $6.8 billion -- did you give us the figure as
16 to what it would cost, what the premium costs to the employers
17 would be if the deductible were made $5,000?

18 Ms. Davis: Yes. On the bottom part of the table where
19 you have no maternal and infant care.

20 The Chairman: No what?

21 Ms. Davis: Maternal and infant care, with just the
22 $5,000 deductible on the basic Medicaid benefit. $4.1
23 billion. It is cheaper in the range that you are speaking
24 about, $4 billion.

25 Senator Dole: What is the figure with maternal?

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1 Ms. Davis: That is $5.9 billion for $5,000 dedutible,
2 where you have Medicare benefits and maternal and infant care.
3 $5.9 billion.

4 The Chairman. $5.9 billion.

5 Is that assuming that the employee is going to pay
6 one-quarter of it?

7 Mr. Heineman: That is correct. 75 percent. The
8 employer premium share.

9 The Chairman: If you assume that the employee would pay
10 none of it and it is all paid by the employer, then that has
11 to move up about one-third, so each one of those figures would
12 have to be moved up by one-third if you assume they are all
13 going to be paid for by the employer?

14 Senator Packwood: Does that presume 30 percent employee
15 payment on that figure?

16 The Chairman: Those figures tat she gave -- if you added
17 those figures at the bottom, the $5,000 figure under the first
18 column of the chart, she feels that the cost would be $5.9
19 billion, that the $5,000 deductible, for what is there, if you
20 take the $5,000 figure on the second chart, assuming no
21 maternal and infant component, the bottom figure there, the
22 $5,000 deductible, would be $4.1 billion.

23 Those figures assume that the employee is paying
24 one-quarter of that cost. So if you want to look at what it
25 would cost for the employer to pay it all, you would have to

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1 increase those figures by one-third.

2 Senator Packwood: All along the scale.

3 The Chairman: On the righthand side, and on the scale,
4 too. That would be that much more that would be paid.

5 Senator Packwood: Your figure, average per-worker
6 premium cost means the total premium cost in your figure is
7 that the employer will pay one-quarter of that. Is that
8 correct?

9 Ms. Davis: That is correct.

10 Mr. Markus: Senator, I do not know if that question was
11 answered the way it was explained before.

12 This assumes, as I understand it ---this is the cost to
13 the employers after assuming the employer is paying
14 three-fourths.

15 Ms. Davis: The $6.8 billion and $5.4 billion are the
16 average per-worker premium costs, 100 percent of the premium.

17 The Chairman: If we were saying that the employer would
18 be required to provide, at the expense of the employer, all
19 the protection that we assume in the Long-Ribicoff bill, then
20 you have to move those figures up by one-third, so the lowest
21 figure, the $4.1 figure, would become about $5.5 billion.

22 Even so, if you are thinking in terms of using that
23 approach, that would still be a relief to some of our more
24 economy-minded Senators compared to what some of the other
25 estimates have been.

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1 Senator Packwood: I want to understand the per worker
2 costs. Without maternal and infant component, the $2,500
3 deductible, the $385 per worker cost. You roughly mean, then,
4 that the employer will pay $300 and the employee $100. Is
5 that approximately it?

6 Mr. Constantine: Senator, as we understand it, this is
7 where the employer has no coverage. Is that correct, or the
8 average of all.

9 In other words, where an employer has what you describe,
10 Senator, has some coverage in place, the average per-worker
11 cost would be considerably less.

12 Senator Packwood: I understand that. It is going to be
13 the same cost whether the employer has a plan in effect now.
14 If he is not paying $350, he is going to pay $35 more.

15 What I want to be sure is your use of the word "worker"
16 does not mean that $385 is the employee's share of the cost.
17 That is the total cost, right?

18 Ms. Davis: It is the total cost. Both the employer and
19 the employee's share is included in that $385.

20 Mr. Markus: I might add as a footnote that the numbers
21 provided by the health insurance industry basically agree with
22 the Department on the range of per-employer cost. They
23 differ, at least in the first analysis, both as to the extent
24 of the coverage and the level of underlying coverage that is
25 out there today, so the total additional cost on the economy

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1 results in different numbers.

2 Senator Packwood: A lot more?

3 Mr. Constantine: These gentlemen -- Mr. Harris, who is
4 here, is from Prudential.

5 Senator Packwood: How much more?

6 Mr. Schiffer: Our estimates of cost, Senator, are
7 considerably less, because our estimate of the underlying
8 coverage that now exist in this country and the level of
9 underlying coverage is substantially greater than the
10 Department's estimates. So our costs are roughly half of
11 these.

12 The Chairman: Would you elaborate a little bit on that?
13 Explain to us how you arrived at that lower cost, and
14 what your different assumption is.

15 Mr. Schiffer: The basic difference in assumption is over
16 the degree of people in this country who now have coverage and
17 the adequacy of the coverage that they have. There have been
18 any number of studies done on this subject by the
19 Department, by private industry, by foundations and by the
20 insurance industry itself, and our estimates of the numbers of
21 people who do not now have any coverage at all would tend to
22 be in the range of between 11 and 18 million people rather
23 than the 28 million that the Department estimates.

24 Our actuaries have looked at the individual claim costs,
25 the cost per worker, and we have no substasntial disagreement

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1 with the figures that the Department produces. It is simply
2 in the number of people who now have coverage.
3 Senator Packwood: How many people would you say now have
4 comprehensive coverage, basic and catastrophic?
5 Mr. Schiffer: Our estimate of the number of people who
6 have catastrophic is closer to $140 million.
7 Senator Packwood: Would most of those have basic
8 coverage?
9 Mr. Schiffer: A substantial number would have basic
10 coverage.
11 I will have to get that number for you.
12 Senator Packwood: Are there a fair number of plans that
13 exist now where you have catastrophic coverage but relatively
14 minimal basic coverage?
15 Mr. Schiffer: The tendency, the predominant plans, would
16 have basic coverage as well.
17 Senator Packwood: I sense from your answer that there
18 are now 140 million people who now have catastrophic coverage.
19 Mr. Schiffer: That is right.
20 Senator Packwood: Are there less than that who have
21 basic coverage and, if so --
22 Mr. Schiffer: The estimate of the total number of people
23 covered in the private sector under age 65 is 165 million, I
24 believe.
25 Senator Packwood: I still do not understand the answer

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1 to my question. You said $140 million have catastrophic
2 coverage and you also indicated the basic coverage was the
3 more prevalent type of plan that is initially written.
4 Mr. Schiffer: That is right.
5 Senator Packwood: You have $165 million covered.
6 Mr. Schiffer: Under age 65.
7 Senator Packwood: Under 65, with basic benefits.
8 That is everybody who works and their dependents, is it
9 not?
10 Mr. Schiffer: Not quite.
11 Senator Packwoood: How many are left? If you have 165
12 million people covered, what is the population of the country?
13 218 million?
14 Mr. Champion: 231 million.
15 Senator Packwood: How many are left to work that are
16 uncovered, then, or dependents uncovered?
17 Mr. Schiffer: Our estimate is between 11 and 18 million.
18 14 million are estimated.
19 Senator Packwood: 165 million have coverage, basically;
20 140 milion have catastrophic coverage?
21 Mr. Schiffer: That is right.
22 Senator Dole: How do you define catastrophic?
23 Mr. Champion: Senator, that is exactly the problem. In
24 order to assess these numbers, you need the definition sitting
25 along side them and the assumpions on which they are based.

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1 There are a whole category of these. We would be glad to
2 supply the committee with each of them, but there is no way to
3 reconcile these numbers unless you have definitions.
4 Senator Dole: 165 million do not have the same
5 catastrophic coverage?
6 Mr. Champion: That is correct.
7 One historic observation, HEW stands here accused of
8 overestimating.
9 The Chairman: I want to note that, because HEW is
10 notorious for doing it the other way around.
11 What you are saying here is that HEW figures of the
12 people uncovered are much higher than your figures, Mr.
13 Schiffer.
14 Mr. Schiffer: That is correct.
15 The Chairman: Then we ought to try to study that very
16 carefully to see exactly what these figures are, because that
17 could make huge amount of difference in the cost.
18 Senator Dole: The basic approach, if we are going to
19 cover what is included in catastrophic, then you could
20 probably find the right numbers.
21 The Chairman: If this committee were to write a bill
22 that basically compels coverage and says the employer should
23 provide it privately in addition to those unemployed,
24 or on welfare, or not in employment situations, if we were to
25 put them into pools, pay the premiums and the private

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1 insurance companies were to bid on that and provide the same
2 coverage that they provide employees, would that be a bill
3 that, by and large, the health insurance industry would
4 support?

5 Mr. Schiffer: Yes, sir.

6 Senator Ribicoff: Le me ask you, what do you estimate
7 the cost for an individual or a family to cover the deductible
8 and catastrophic from $2,500 to $5,000? What would the
9 premium on that one be?

10 Mr. Schiffer: The premiums themselves, as I say, are
11 very close to the figures that the Department has come up
12 with. Our estimate on the cost of the $3,000 deductible --
13 this would be an individual deductible -- would be about $275.
14 You would have to increase that.

15 Senator Ribicoff: This was a question that was raised by
16 Senator Moynihan. What do you do with the $5,800 person who
17 is faced with a $3,000 bill before he gets catastrophic? Now,
18 it becomes different if that cost can be insured for $275, and
19 I think that this is a problem that Senator Long and I
20 wrestled with when we were devising our bill. What do you do
21 with the low-income people?

22 The critics never mention the fact -- there was no critic
23 when they were kicking this all around who ever talked about
24 this ---the Title III concept and what we write. I think we
25 are going to have to look at it.

1 What is the cost of the overall administration plan to
2 take care of the poor? What do you have as that cost? $18
3 billion? $16 billion to $18 billion?
4 Mr. Heineman: The total cost of the low income for the
5 full subsidy under 55 percent of poverty.
6 Senator Ribicoff: For the low income, non-aged
7 individuals, for full coverage, which means people under 55
8 percent of poverty, not presently covered through AFDC is $7
9 billion. The spend down protection is an additional $3.8
10 billion. That would be anyone over the 55 percent threshold
11 who could spend down on a one for one basis which was a
12 provision in the original Long-Ribicoff bill, to reach that
13 threshold.
14 They would also get full protection.
15 Senator Ribicoff: How much would that be? $10 billion
16 to $11 billion.
17 The Chairman: That is a lot of money. That is something
18 that is going to have to phase in no sooner than October of
19 next year because we just do not have -- we cannot budget it.
20 We do not have the money to budget that.
21 In that respect, even Senator Ribicoff and I are with the
22 administration saying that we cannot do that before the next
23 fiscal year, even then we have to look and see at what point
24 we have to find the money to pay for it. We are not going to
25 pay for that with an insurance tax.

1 Senator Ribicoff: The next question is what would the
2 total cost be on the basis of a premium of $275? Would that be
3 less than the administration's figure for that group of
4 society?
5 Mr. Markus: As I understand it, the premium would not
6 vary by income class.
7 Senator Ribicoff: What would that premium be for that
8 group of people that we are talking about that would be on
9 welfare or poor, if you covered them by insurance?
10 Mr. Markus: If you bought comprehensive coverage for
11 them?
12 Senator Ribicoff: Right.
13 Mr. Schiffer: An average family premium -- this will
14 vary considerably by age and family composition -- we estimate
15 an average family comprehensive kind of program would run in
16 the neighborhood of $1,000.
17 Senator Ribicoff: That would cover from beginning right
18 up to catastrophic?
19 Mr. Schiffer: Through catastrophic.
20 The estimate, then, of the cost of only the basic
21 underlying coverage that you have to buy would be in the range
22 of about $700, $1,000 plus the $300, $275 to $300 cost of
23 catastrophic.
24 Senator Ribicoff: What would the total be? What would
25 the total bill be for that class of people?

1 Mr. Schiffer: We have made no estimate of how many
2 people are in that class, so I cannot give you that.
3 Senator Ribicoff: How many people do you say are in that
4 class?
5 Ms. Davis: About 16 million low income people under the
6 administration's plan would receive no coverage either because
7 they were below 55 percent of poverty or spent down into that
8 full coverage level.
9 Senator Ribcioff: What would that amount to? You are
10 talking about a family, the average family of four people --
11 four people is the average family? What do you actuaries
12 figure that would cost?
13 If there were 16 million people in that so-called poor
14 category and an average of four people in a family, what would
15 the total premium cost be for that group of $16 million, the
16 total premium cost?
17 Mr. Schiffer: Using your average composition of four per
18 family, that would be essentially four million family units
19 times $1,000 per family unit, which would be $4 billion.
20 Senator Ribicoff: If it is $4 billion, they are talking
21 about $11 billion. That is the big problem.
22 When all is said and done, the decision will have to be
23 made on money.
24 Senator Packwood: Did you say, Mr. Schiffer, that for
25 $1,000 you could provide basic and catastrophc coverage for a

1 family?

2 Mr. Schiffer: Yes, on an average across the country.

3 I think the problem with Senator Ribicoff's figures may

4 be, with the figures I gave him, is the assumption of four per

5 family unit. It may be three.

6 Senator Packwood: Here is the question I want to further

7 ask. He says they can provide basic, comprehensive and

8 catastrophic coverage for $1,000. The United Auto Workers

9 contract with the auto companies is approaching $3,000 per

10 year per employee.

11 Either you are talking about a plan significanty less

12 comprehensive than theirs -- dramatically less comprehensive

13 than theirs -- or there is something wrong with the figures

14 somewhere.

15 What on earth are they getting for $3,000 a year per

16 employee, or very close to it now, that you can provide for

17 $1,000 a year? What are they getting that you can cut out

18 what you carve, the basic -- the UAW plan of benefits, and I

19 think that would give you the answer to that question.

20 Senator Packwood: That has to be an incredible

21 difference, does it not?

22 Mr. Schiffer: It appears on the surface to be an

23 incredible difference. We will find that out for you.

24 Senator Packwood: The reason I ask this, if this

25 committee is thinking in terms of normal, basic, and

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1 catastrophic coverage, the UAW standard, that is a hell of a
2 different cost from what you are suggesting providing $1,000.
3 Mr. Schiffer: One of the points that comes to mind is
4 the fact that the UAW program is in fact a first dollar
5 program for almost all benefits. As you suggested before,
6 there is considerable savings to be realized by some kind of
7 reasonable deductible. That is the major difference.
8 Mr. Heineman: If I may go to Senator Ribicoff's point
9 that $11 billion figure is a comprehensive figure, first
10 dollar figure, for the very poor. We are talking about apples
11 and oranges, not catastrophic --
12 Senator Ribicoff: Mr. Schiffer's figures were also based
13 --
14 Ms. Davis: We do differ fairly substantially on that.
15 First dollar coverage for the kind of coverage we are talking
16 about here would be more like $2,000 per family. We also must
17 understand we have a number of aged and disabled individuals
18 -- some are on Medicare now; some are not -- who would be
19 brought into improved coverage. There is a high cost group
20 of coverage.
21 To give you some perspective on what the average might
22 run in 1980, we estimate that total health expenditures in the
23 U.S. would be $230 billion. That is more than $1,000 for
24 every man, woman and child in the country. Of that, 60
25 percent goes to hospitals and physicians services.

1 So just under the current system we are estimating we are
2 spending around $600 on hospital and physician services.
3 So, our estimate for this type of benefit package
4 for a family of four would be about $2,000.
5 Senator Ribicoff: The people who are outside of the bulk
6 of the population would have the deductible.
7 Ms. Davis: That is right. I am just trying to give you
8 some idea.
9 Mr. Constantine: I also think these numbers should be
10 understood. These are 1980 numbers, not the program the
11 administration plans to put into effect. When we evaluate the
12 cost of their low-income plan, that is not the 1980 breakdown
13 for the low income cost.
14 I imagine that would be on the order of $15 billion more,
15 or $16 billion. Is that correct?
16 Senator, we will come back with all of the numbers and
17 combinations so that the perspective can be there.
18 Senator Ribicoff: Senator Moynihan, I wonder if Mr.
19 Heineman would want to discuss the decision the
20 administration proposed, 55 percent of the poverty level as
21 eligibility where in your welfare proposal you have come in at
22 65 percent, which is the figure that has a certain amount of
23 historical usage.
24 Mr. Heineman: The numbers have different functions,
25 different functions, Senator Moynihan. Welfare, as you know,

1 55 percent is the basic benefit and you subtract out earnings
2 to get total income for welfare recipients. 55 percent is an
3 eligibility threshold, not a basic benefit. You are no longer
4 eligible.

5 Our objective in this plan would be to raise the low
6 income standard to 55 percent up to the poverty line as money
7 became available over time. It is not the proposal in the
8 legislation.

9 Ms. Davis: The income security is 65 percent and also
10 includes Food Stamps in the definition of income, looking at
11 the cash side.

12 Senator Moynihan: May I follow that with one question?
13 I would like to say the basic concern here among some parts of
14 the country is going to be that to the degree that we have an
15 income program that that program be real income and not in
16 fact a welfare benefit such that a state where there are most
17 states provide more than 55 percent of the poverty line
18 to their dependent people, if, in consequence of those
19 provisions the individuals are thought to be dependent -- this
20 is sort of a perverse bookkeeping.

21 Mr. Heineman: Looking a little bit further ahead,
22 categorical eligibility would continue under the proposal in
23 Medicaid in the state of New York would continue to be
24 eligible for subsidy under health care.

25 Senator Moynihan: I understand that and appreciate that.

1 That income should be true income and not income provided
2 because of the absence of income.
3 **Senator Roth. I have a question. On page 3,**
4
5 the average per worker cost is $385. For the employer, would
6 that mean that if there was a family of four it would still be
7 $385?
8 Ms. Davis: The average cost per worker takes into
9 account that some workers are families, some are individuals.
10 It also takes into account that sometimes that you have two
11 earners in a family and you only are getting coverage through
12 one owner so that the comparable type of premium for a family
13 of four would be $661, $2,500. You are averaging for
14 multi-earner families. The premium would be $661.
15 The Chairman: I would like to see us make a few
16 decisions. What we can now -- I would like to suggest, Mr.
17 Markus, as we move through these things here and see how many
18 easy answers we can come up with before we get on this.
19 Senator Roth: If I may ask one more question, would it
20 make any sense that, rather than have all costs over the $25
21 deductible be reimbursable, to have the individual pass a
22 percentage so there is some discipline, so that when you each
23 this $2,500 figure or $5,000 figure it will not be
24 overutilized.
25 Has that been considered at all?

1 I would like to ask Mr. Schiffer the same question.
2 Mr. Champion: What level of income? What level of
3 out-of-pocket?
4 If it is $5,000, some people have spent a lot of money to
5 get there. They are not going to spend indiscriminantly to do
6 it.
7 We did consider, and we did arrive at something, that had
8 a relationship to the amount of dollars. We did not believe
9 that you reached the catastrophic, that most people at medium
10 or low income has ever had a catastrophic expense, they have
11 no money left to do anything, let alone make copayments.
12 Senator Roth: The fact remains that $2,500 is pretty
13 easy to reach. You can be in a hospital two or three days
14 once you have reached that ceiling. Once you have reached
15 that, maybe there should be -- I am just curious because of
16 our experiences with Medicaid and Medicare, the costs have
17 ballooned. Would there be a tendency for overutilization over
18 those who have reached those maximum amounts.
19 Mr. Schiffer, do you have any comment?
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1 Senator Roth. Mr. Schiffer, would you have a comment on that?

2 Mr. Schiffer. Yes. The approach, Senator, that we are

3 suggesting in applying this deductible amount is the actual and

4 the maximum responsibilities an individual has. It does take into

5 account your concern.

6 We are not saying an individual pays nothing until he

7 reaches $2,500.

8 Senator Roth. I am talking about after he reaches $2,500.

9 Mr. Schiffer. Well, the appraoch we suggest is, in fact,

10 this out-of-pocket amount.

11 Now, there are several ways that thing might satisfy the

12 out of pocket. One is to apply the plan of benefits that has

13 co-insurance, you know, from the first step, so that he is

14 paying part of the costs all the time, until he reaches that

15 $2,500 out-of-pocket limit himself.

16 Senator Roth. But my concern is, after he has reached that

17 figure at $2,500, then everything is reimbursed, so it makes no

18 difference if he has $10,000 worth of expense above and beyond

19 that $2,500; that is reimbursible and costs him nothing; is that

20 correct?

21 Mr. Schiffer. That is correct.

22 Senator Roth. My question is, would it make any difference

23 nationwide to the cost if you say when you reach that $2,500

24 ceiling you still have to pay 1 percent or nothing, so there

25 wouldn't be a tendency on the part of the patient and the doctor

1 to say, leave the person in the hospital?

2 Mr. Schiffer. Well, obviously, there would be some reduction

3 in costs; but I think the Administration feels once somebody has,

4 in fact, spent that much money out of his own pocket, he is truly

5 in the catastrophic situation.

6 Senator Roth. I guess what I am really asking you is,

7 what would it do to costs? What impact would it have on the

8 costs? Do you have any figures on that?

9 Mr. Schiffer. Well, it would depend on the amount of co-

10 insurance.

11 Senator Roth. At any level?

12 Mr. Schiffer. The 10 percent co-insurance factor is going

13 to reduce the cost 10 percent, plus a little bit more for some

14 very minor discouragement of utilization, but not --

15 Senator Roth. You don't think it would be very significant?

16 Mr. Champion. Senator, I think the utilization controls

17 now in hospitals, reinforced by the PSRO mechanism, would have

18 much more influence in dealing with that at that level of

19 expenditure than adding a co-payment.

20 The Chairman. Can't we just go through some of these?

21 Let's just pick some of these items that might be easier to

22 zero in on. Let's go through them.

23 Mr. Constantine. Senator, you could make a tentative

24 decision that whatever deductible you choose, that there would

25 be a maximum family deductible. That is the pattern in most

1 major medical and catastrophic health insurance today. That is,
2 for example, that if you picked a given number for an individual
3 as the deductible amount, that a family would not have to pay
4 more than twice that as a family -- that sort of thing.

5 The Chairman. Well, now, can we agree on that?

6 Mr. Champion. Mr. Chairman, we believe that the individuals
7 and families should be the same, because the impact in any unit
8 is exactly the same. We think those two should not be divided.
9 That is the Administration's position.

10 The Chairman. Yes.

11 Mr. Constantine. You can have two family earners and all
12 sorts of things.

13 Senator Moynihan. What is the order of dividing it, Jake?

14 Mr. Constantine. We would suggest you have an individual
15 deductible and a family deductible as well, following the pattern
16 that is usually followed.

17 The Chairman. Do private companies pay with a family
18 deductible, the individual and the family deductible?

19 Mr. Constantine. We would favor the family deductible, sir.

20 The Chairman. In other words, you would say that the
21 Administration's figure of $2,500, or whatever the figure is, you
22 are looking at the same family, and when they are paid up to
23 that amount, they have paid about all they can afford to pay.

24 Now, yes, that is for one year, I would think, during a
25 calendar year, right?

1 Mr. Champion. Yes, that is one principle we might also
2 deal with, Senator, and that is, an annual basis for this, which
3 I think most -- which I think there is a general agreement, or
4 maybe there isn't general agreement.
5 The Chairman. Do you favor that?
6 Mr. Champion. Yes, we do.
7 Senator Ribicoff. Suppose it is an illness that goes beyond
8 one year?
9 Mr. Champion. Well, then we are back into another spindown
10 or another situation, because what we are trying to do is to
11 control that amount of income, limit that amount of expense in
12 any given year, and work that against income.
13 So our concept is annual rather than length of illness.
14 Senator Ribicoff. But the person who has an illness beyond
15 one year, they really are in trouble. I don't know where they
16 are going to get the other $2,500, or $3,000 or $4,000.
17 Mr. Constantine. Mr. Chairman, on that -- and we didn't
18 quite finish on the family or individual, but on that we would
19 suggest that we think that the approach in the Long-Ribicoff
20 bill makes perhaps the greatest sense. You could pick a number
21 ultimately, but once you have satisfied your deductible on a
22 family or an individual basis, that coverage continues, because
23 presumably the problems continue, until such time, as I recall,
24 there was a 90-day interval, a break during which you did not
25 incur $500 of expenses. That would indicate some tapering off.

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1 Now, you can pick a number at some point as to what you
2 want to regard as essentially, you know, an end to that catas-
3 trophic episode; but once the deductibles were obtained, the
4 coverage continued until some defined lessening occurred.
5 We think if the objective of catastrophic coverage is to
6 protect people, we think once they are at a catastrophic illness
7 level, we think that approach is probably the best way of doing
8 it.
9 The Chairman. Does that incur a very large cost to do it
10 that way?
11 Mr. Constantine. It is more expensive than requiring
12 someone to once again start all over accumulating that, whatever
13 number --
14 The Chairman. Now, what roundoff cost are we talking
15 about? When you say the cost of doing it that way, what --
16 percentagewise, how much more would you say it would cost?
17 Mr. Schiffer. It depends on the period.
18 Mr. Constantine. We would like to come back on that, if
19 we might, Mr. Chairman. because we want to discuss it.
20 But just conceptually, and in terms of equity to the family
21 that is experiencing the illness, we believe that that approach
22 is the fairest way to proceed.
23 On the other hand, there are cost considerations. We will
24 be glad to get back with the costs on that for you.
25 The Chairman. Well, you see, each one of these things brings

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1 up so many different problems with it.

2 Well, why don't we think in terms right now of doing it the

3 way Mr. Constantine was suggesting, and go back and get with that

4 again after we see what the cost of it would be; because that

5 might make all the difference.

6 Senator Moynihan. Mr. Chairman, what is that?

7 The Chairman. Yes, sir. Well, you see, we proposed only

8 in the Long-Ribicoff bill that when you have a catastrophic

9 illness, that as long as that illness continues, if it continued

10 over a three-year period, let's say, that once you meet the

11 deductible, we continue to carry you. All right. Now --

12 Senator Moynihan. For each calendar year?

13 Senator Ribicoff. As long as illness is there.

14 The Chairman. As long as illness is there. Let's assume

15 you have a terminal illness.

16 Senator Moynihan. One deductible to an episode?

17 Senator Ribicoff. Of serious illness.

18 The Chairman. Well, let's assume a terminal illness that

19 drags over a period of three years. All right, let's assume

20 cancer in a person goes over a two-year period, just to give you

21 an example, so a person is dying of cancer and it goes over a

22 period of two years. Should they have to meet the deductible

23 twice, or do they have to meet the deductible just one time?

24 And the way it was in the original Long-Ribicoff bill is to

25 say when you meet that deductible, if you didn't get well, you

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1 just continued to be ill until the good Lord called you home, over
2 a period of two years, let us say. Well, theoretically, the
3 deductible is what makes it a catastrophe, a medical catastrophe,
4 and at that point you don't have to meet that deductible a second
5 time.

6 Senator Moynihan. Mr. Chairman, I don't want to be an
7 obstructionist on a subject we are not well informed on, but no
8 one knows an illness is terminal until it is terminated. And do
9 you want to give a hospital incentive to judge that this is some-
10 thing that should be protracted?

11 One of the curiosities of my City of New York is that one
12 of our health problems is, we keep people in hospitals too long,
13 because we have too many hospital beds, and that can be a problem
14 for health.

15 Would there be an incentive built into this continued
16 relationships for hospitals to say, "No, this person is still
17 sick"?

18 The Chairman. Well, you have made such a logical argument,
19 that let's just do it the other way. Let's say, all right, we
20 will do it on an annual basis and then later on look at it again
21 and see if we want to change it back.

22 Mr. Champion. Roughly, we think it costs you about 20 to
23 30 percent more to have a spell of illness than we have set forth,
24 plus the kind of administrative problems that Senator Moynihan
25 has mentioned.

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Mr. Constantine. I should point out the Dole-Domenici-Danforth bill has something similar to the Long-Ribicoff, that is, that $500 interval, some interval to have a break, and you have the problem of once the deductible is met under any circumstances, of that of bringing it on.

Senator Monyihan. But you don't want to get into a situation where a person is kept in a hospital for another 3 weeks because that brings you into the new year and you haven't ever stopped being sick. That is not our idea.

The Chairman. Well, you are not going to get any wonderful answer in either event.

Senator Moynihan. But can I say, Mr. Chairman, that the medical profession has become concerned about the health impact that comes from the various arrangements that we make. And one of the concerns, I think it is the case, is that there is overhospitalization, and even overdoctoring. The problems of -- well, we know this -- that there is such a thing as too much medicine and too much incapicitation. I will just stop there.

The Chairman. Well, now, let's go to the next point then.

Mr. Constantine. Putting this aside?

The Chairman. Well, at the moment, I think; let's just think in terms of doing it the Administration's way, and then come back; and we might decide going back to the way we had it.

But for the time being we are trying to help people not getting any coverage at all. And a one-year deductible is better

1 than no deductible at all.

2 Mr. Constantine. With a three-month carryover, as the

3 Administration has it?

4 The Chairman. Well, at the moment let's take it and do it

5 the way the Administration has done it in their bill.

6 Okay, now our next point.

7 Mr. Marcus. Senator, moving to another issue out of the

8 deductible, is the question of the employer mandate, and, namely,

9 that is answering the question which employers and which of

10 their employees will mandated coverage apply to.

11 This is rather critical, of course, since you are determining

12 the universe of the people, of the entities who must ultimately

13 pay for the coverage required. Current practice today has an

14 actively "at work" definition, that is to say, no plan is

15 proposing here to cover temporary or part-time workers, just

16 regular employees. However, nothing precludes an employer from

17 extending his coverage to part-time or temporary workers as well.

18 The mandate, however, would only apply to regular employees.

19 So something has to be done in determining who is going to be a

20 regular employee for purposes of obligating the employer.

21 The Administration and most of the other proposals before

22 the committee would define that regular employment for those

23 employees who will work at least some specified period of time --

24 a week, namely, 25 hours a week.

25 Current practice in the industry is somewhere between 20 and

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1 30 hours a week. So 25 is right in the middle. And they have a
2 second definition which would apply a 250 hour test over a 13
3 consecutive week period, I assume to take care of a number of
4 arrangements that would not normally fall into the regular pattern
5 of employment.

6 Now, whether or not it is more or less, or some other unit of
7 definition, you can envision circumstances in which one or
8 another employer will fall into or fall out of mandated require-
9 ments.

10 A related definition, one that is rather ticklish, is dealing
11 with both governmental entities and nonprofit organizations.

12 The governmental entity case --

13 The Chairman. Why don't we just think then for the moment
14 of the Administration's definition? We might want to add to that
15 later on, but for lack of a better one, we will use theirs.

16 Mr. Champion. Mr. Chairman, may I go back to one other
17 point, which is was my falut we went off on the question of
18 period of illness, et cetera? But we were talking about the
19 family/individual relationship, and whether we treat it simply
20 as the family or the individual and the deductible.

21 Our proposal was family; and I didn't understand whether we
22 resolved that question or not.

23 Mr. Constantine. Mr. Chairman, I don't believe -- we
24 didn't look at that as being resolved as to whether there is a
25 one deductible per family or an individual deductible per person;

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and then the family maximum. That is something like $3,000 for individuals and $5,000 per family, or whether you want $3,000 for an individual or a family.

The Chairman. Mr. Moynihan?

Senator Monyihan. Mr. Chairman, I would simply offer the uninformed judgment that if we are talking about a family unit which has a certain amount of income, we ought to talk about a certain amount of medical expense and not distinguish among the individuals. If we have any hope that our program is going to be understood by anybody--I mean, one family, one deductible--and it may not be the view that you have -- is this the Administration's?

Mr. Champion. That is our proposal, as I understand the industry's preference.

The Chairman. I would like to hear what the argument is as far as the company is concerned.

What is the argument from the point of view of the industry? I am sure that has nothing to do with costs; but what is the argument, Mr. Schiffer, from the point of view of an insurance company as to why you might want a larger deductible for the family than you do for the individual?

Mr. Schiffer. Well, the argument basically is one of cost. It is, you know, substantially more expensive to provide a family deductible than it is to provide a deductible where you have a separate amount for an individual and then with a family maximum.

And the reason for that is, obviously, that is much more

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likely that benefits will be utilized with only a family deductible, rather than requiring that an individual, you know, first meet the expenses. It is somewhat more difficult to administer a family deductible also.

There is considerably more recordkeeping involved in trying to keep track of the expenses of many, many different individuals potentially within a family than to do it on an individual basis.

So there is a cost increment also in terms of administering.

The Chairman. You said it is more difficult; but, on the other hand, in terms of the cost, you think, between the two, if you are thinking in terms of the dollars you have to work with and how you can do it, you still think that you ought to have,-let us say, a $3,000 deductible for the individual and a $5,000 deductible for a family, or something of that sort?

Mr. Schiffer. That is the way we would prefer to see it; and, also, I think there is the logical argument that says, you know, for the most part a one person family is going to have less income or, put it the other way, more positively, you know, a family unit of three, four, or five people is more likely to have more family income. And there it makes some sense to have a higher deductible for the family, for the multiple-person family.

The Chairman. Mr. Champion?

Mr. Champion. Mr. Chairman, there is a tradeoff in costs if you simply set the deductible for the family at $3,500;

but our basic position is that a family earns $12,000 and an individual earns $12,000, that as far as dealing with catastrophic costs with all the family members, that is a tougher problem for the family than it is for an individual at the same income; and that it is inequitable to, in effect, set a different level for a family unit -- I mean, for a family unit than it is for an individual. He is somewhat more better able to take care of the problem than the family is.

Mr. Schiffer. Well, you know, the counterargument, I think, is because there are other family memebers; presumably they can step in and help out. The individual who gets sick, you know, doesn't have that ready source of outside assistance available to him.

So I think there are good arguments on both sides.

Senator Ribicoff. Not if they are minor children and only one person in the family is working; that argument doesn't hold.

Mr. Schiffer. In that situation, you are correct, sir.

The Chairman. Yes?

Senator Moynihan. Mr. Chairman, may I say that I can see how a private insurance company might want to have this dual -- to have two numbers in its policy. It reduces the costs and increases the sales in a sensible way. At the same time it seems to me good social policy would be to follow the Administration and to think of the family as a unit. And if we make that decision, we will make our cost decision in terms of at what level we put

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this deductible, rather than to go into this dual definition, primarily because of cost concerns.

Our cost concerns can be met by what level we set, having agreed to the principle, you know, that "a family" is a unit.

Mr. Champion. We would prefer that, Mr. Chairman.

If we are looking at costs, we would much rather have one that is set a little higher to deal with cost, rather than to deal with the split situation.

Mr. Constantine. Just one afterthought: You may want to hold on to this, Senator, for another reason. When you get to the dependents, as I understand it, one of the considerations is a rather liberal definition of "dependency" for a worker's family.

The Chairman. That is another problem.

Mr. Constantine. So you may be really bringing in an awful lot of people as a member of the family.

The Chairman. In order to keep people from falling between the cracks further down here, we will want to have a broad definition of "dependents" so that a person 27 years old in a family and who doesn't have a job is covered under the program.

So I suggest we hold that one. We will try to zero in on that later on. That is just one little problem. There is no perfect answer to it.

What is the next thing you have here?

Mr. Marcus. A related question to the employer definition, as you know, tentatively identified the Administration's

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1 definition, Senator, as one to proceed with as to which workers
2 report "regularly."
3 The Chairman. It seems to me you want to cover all employers
4 as you want to cover the self-employed/self-insurance. Well, that
5 reminds me of what the Governor of Louisiana said one time after
6 Hurricane Betsy hit. We went down into the bayou and here is
7 some fellow who had his business completely wiped out; and they
8 said, "How about this fellow? And they said, "He is self-insured."
9 The governor said, "Which is nothing." (Laughter.)
10 And so that it seems to me that you want everybody to be
11 insured and protected; and I would think the so-called self-
12 insured would have to come under this.
13 Mr. Marcus. Yes.
14 Mr. Champion. Yes.
15 The Chairman. So that sort of solves itself.
16 Now, the State and local employees are a little more diffi-
17 cult. Do we want to bring them under it? It seems to me if we
18 say we are protecting people, we ought to bring them in. How
19 can we do that?
20 Mr. Marcus. All the proposals before the committee, with the
21 exception of the Dole bill, would mandate the requirements on the
22 States and their political subdivisions. I don't have enough
23 detail to explain the Administration's position on that.
24 Mr. Champion. We would support that, Senator.
25 Mr. Constantine. The way it was done, Senator, well, the way

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1 you did it in Long-Ribicoff, was just simply saying the State
2 wouldn't be eligible for matching under Medicaid or the
3 low income plan or catastrophic benefits --
4 The Chairman. Would you find some way to force them into it?
5 Mr. Constantine. Persuade them of the wisdom, yes.
6 The Chairman. We can figure out later as to how to coerce
7 them into it. As long as they are getting money from the Federal
8 Government, we can find a way to persuade them to join up.
9 Mr. Constantine. Related to that, you may very well want to
10 consider at some point -- and we would suggest for jurisdictional
11 reasons a separate bill -- Mr. Chairman, as to what to do about
12 Federal monies with respect to catastrophic insurance.
13 The Chairman. Don't we have a pretty good program with the
14 Aetna Company for Federal employees? How does that program work?
15 It is a pretty good program?
16 Mr. Champion. There would be some slight changes, but I
17 would think they would meet the standards, and we would certainly
18 expect them to meet the standards.
19 The Chairman. It doesn't take a lot of doing, in other words,
20 to make the Federal program meet the catastrophic?
21 Mr. Champion. No; it is quite a strong, full program.
22 The Chairman. That is my impression, that we have a good
23 Federal program already. We have to upgrade it a little bit to
24 do the job; but that would be easy, it seems to me.
25 Mr. Marcus. The present statute specifies basically the

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benefit package. The only thing as a practical matter that would be needed would be to assure the deductible level was available to everybody, as it basically is today.

The Chairman. All right. Well, it seems to me that sort of answers itself very easily. Yes, we would bring the Federal program into line.

What else do we have to think about?

Mr. Marcus. If the definition of "employer" is agreed upon and applies to these various groups of people, the next question is what the financial obligation of that employer should be.

Most of the proposals before the committee expressed that in terms of a percentage of the premium cost for required coverage. I believe all the proposals hold it at 75 percent, with the exception of the Long-Ribicoff bill, and your own latest proposal; and none of the proposals would preclude any employer, either through collective bargaining or on his own, from paying more than 75 percent.

The Chairman. Well, the more I see these cost figures, the more they shake me up. The more you see the cost figures, the more you try to find a way of containing the costs.

The first thing you know, I will be as much of a cost containment champion as Mr. Champion; and when you start looking at the prospect of having to vote for that tax, especially if you are running next year, as I expect to be, you whince a bit. You think,

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look here, maybe we can get to find a better way to contain this cost, to get the cost of it down; and I would hope that we could work this so that insofar as we can work it out, so that if the employers can find a way to insure their employees, that they will do it that way; and that those that don't do it would have to pay a tax.

I guess that is how we are going to bring them into it, isn't it?

Mr. Constantine. Mr. Chairman, we would suggest the same approach, that the employee pay up to 25 percent and so on.

The concern was that in some of the smaller firms where they have high costs, high fringe costs, that there may be some effort to discourage, where your employee contributes, to say, "I would like to hire you but the fringe benefit costs are so high, if you elected to take this insurance, I wouldn't be able to cover you."

The approach that was suggested, I think, was by Mr. Hoyer, and was that we simply require the employer, regardless of whether the employee enrolls, pay at least 75 percent, so there is no incentive one way or the other, and that the employer's contribution, in the event the employee doesn't opt for the coverage, goes into the fund which would be used to subsidize employers, ultimately, who are adversely affected where the payroll costs were too high, they jump too high, or people who fall between the cracks were not low income and not in an employment relationship -- such as dayworkers in a regular kind of thing.

1 That was the only concern we had with the employee contri-
2 bution, was in the small firm area and elsewhere, with possibly
3 intimidation of employees.
4 The Chairman. But if you do it that way, you leave an
5 individual employee with the privilege of opting out; is that
6 right?
7 Mr. Constantine. That is right; but the employer would still
8 make an appropriate payment. In other words, his payroll costs
9 would not be affected regardless of whether the employee bought in
10 or stayed out.
11 The Chairman. Now, Mr. Secretary, would the Administration
12 feel that the individual employee on the 25 percent should have
13 the privilege of opting out?
14 Mr. Champion. No, Senator, except in the unusual circum-
15 stance where there are other employed persons in that family with
16 full family coverage, we would provide for a decision to opt
17 which one would, in fact, be covered. But we do not believe there
18 should be an opt out for individual employees; and for a low
19 income we have provided a subsidy in the plan, through the
20 unearned income tax credit device, of compensating somebody at so
21 low a level that that is an intrusion on his income.
22 Mr. Heineman. That only applies to families that are likely
23 to have a slightly higher premium cost at that 25 percent level
24 than individuals.
25 The Chairman. Well, Senator Ribicoff and I had a more

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1 popular approach, to say that the employers would pay it, would
2 pay the whole thing. It is a little more burdensome on the
3 employer, but in the last analysis the employee picks it up as a
4 part of the cost of everything he buys anyway. It has to be passed
5 on to him in the cost of the product if you put the tax on the
6 employer.
7 Now the strongest argument I know against it is that the
8 people who fear it will add onto it, and keep running up the cost
9 of it; and if you have just employers paying it, without the
10 employee contributing anything directly out of his paycheck,
11 the employee would just tend to say, "Give us more; we want more."
12 Now, that is the only compelling argument I know on the
13 other side.
14 Mr. Champion. Mr. Chairman, the other problem, of course,
15 there is to the extent we add particularly the small employer,
16 and the employer who has never had a plan, is that I think it
17 becomes an inhibition in the labor market to hire people; and we
18 thing there ought to be some way to balance that, to hold down
19 that impact on small employers, that every time we add to that
20 cost to the employer we probably reduce somewhat the leve of
21 new employment in the country.
22 Mr. Constantine. Mr. Chairman, I think you can decide on the
23 principle of whether there should be some employee contribution,
24 not to exceed a specified proportion required. That is a general
25 principle that I think, you know, is in the Dole bill as well as

the Administration's bill.

Senator Dole. We also do not mandate the employee to pay.

Mr. Constantine. That is something new to us. I guess we didn't read the Administration's proposal that carefully. We di not realize the employee could not opt out, that, in effect, he is required to pay whatever contribution you decide, and it is not a contribution under those circumstances.

Mr. Champion. It is up to 25 percent.

Mr. Constantine. Up to 25 percent.

Senator Dole. What are we talking about, the employee paying in any event if he pays 25 percent?

Mr. Constantine. Well, we are proceeding, Senator, on the assumption that if an employee opted out, did not choose to pay that, that the employer did not have to pay the other 75 percent, say; but as I understand the Administration's proposal, there is no choice on either party, that the employer has to pay the 75 percent and the employee may not choose not to be covered. Is that correct?

Mr. Champion. I am sorry?

Mr. Constantine. That the employee may not choose not to be covered?

Mr. Champion. That is right. There is no opt out. Our plan does not pose the problem presented of what happens to the employer contribution, because every employee is required to stay in.

Senator Ribicoff. In most of the large employer-employee contracts covered by major labor unions, doesn't the employer pay the entire premium?

Mr. Constantine. That certainly is the trend, Senator, and I think youa re right in the large ones; certainly the auto workers and so on. But there are a fair number also -- and I think the industry people will tell you -- where the employer contribution ranges from 50 percent to 75 percent, and something along those lines, Senator, where you don't have everyone enrolled.

Senator Ribicoff. What are you going to do with the proviso the Chairman mentioned earlier, that in labor negotiations you can make any contribution you want to?

Mr. Champion. Senator, that becomes a tradeoff in those negotiations against wages and so on; but there is another special concern for one kind of employer that we are talking about covering. In the nonprofit area, and also to a substantial extent in State and local, there is a tradition of maintaining a partial employee contribution; and every plan I have ever dealt with had a substantial one as a matter of fact.

And if you look at those employers -- and they are a very substantial number -- it is important not to put more on them than can be achieved through negotiation and through tradeoff against wage levels.

The Chairman. My initial point was to say that the employers would pay it all; and I can understand how one is for

1 and against it. I kind of like that approach -- the employer
2 paying it all. Senator Dole, on the other hand, would say it
3 would be optional, the employee could opt out. And I think for
4 the time being, just with all the various arguments that can be
5 made, I would be willing to settle for the moment, reserving the
6 right to propose that we do it differently later on, that the
7 employee would pay 25 percent, as the Administration is proposing
8 here, and Senator Kennedy is proposing the 25 percent proposal.
9 Senator Dole. We have 25 percent.
10 The Chairman. Senator Dole has 25 percent, and they can opt
11 out.
12 I would suggest for the time being we say all right, they pay
13 the 25 percent, but they can opt out; you are in. Because I
14 don't like the idea of some fellow opting out and then we have to
15 take care of him with our private charity and Community Chests
16 and everybody going back and picking up the burden for the buy
17 who elected to be a burden on the rest of us.
18 Senator Moynihan. Mr. Chairman, I agree with you, but I would
19 like to draw attention to a provision in the Dole-Danforth-Domenici
20 bill, briefly, which proviedes a hardship subsidy over the next
21 five years for situations where you have employers of low-wage
22 employees where there aren't many benefits, and along comes this
23 enterprise and costs go up.
24 One of the concerns I think we have here is with small
25 businesses and businesses which may not be -- well, all businesses

1 are small; how many big businesses are there? About 2 percent of
2 the firms have more than 100 employees? About that?
3 Mr. Champion. It is a little more, but the point is well
4 taken.
5 Senator Moynihan. Not many have more than 100 employees;
6 and I think Senator Dole has a good provision on this, and why
7 don't we speak to it? I think it is a sensible one.
8 Senator Dole. If I can find it here --
9 Senator Moynihan. As soon as he remembers it.
10 Senator Dole. No, I know what it is aimed at, because we
11 are concerned about the same thing. If I can find the specifics
12 here --
13 Senator Moynihan. In our blook book it is on page 23, but it
14 is in your section.
15 Senator Dole. While I am getting that page, I am just
16 wondering what the objectives are, getting back to the other
17 question, of, you know, permitting the employee to opt out?
18 I can understand that maybe the economics of it, but I don't
19 understand the rest. It gets into freedom of choice?
20 Mr. Champion. Well, our objection is basically what Senator
21 Long stated, and that is, that we are trying to get to a plan
22 where everybody, according to some reasonable relationship to his
23 ability, participates in the support of a national health system
24 and is going to be the beneficiary of it. If somebody doesn't pay
25 in, then nobody is going to be refused at the emergency ward or

1 wherever the care may be provided, and we are going to take care
2 of thosepeople. And we can't make, I think, good arrangements
3 unless everybody ultimately participates; and, basically, it is
4 the point that Senator Long made.

5 The other problem it raises, unless you do what the staff
6 proposed, which is to put that 75 percent of the employer in the
7 pot anyway, is that you create a situation where employers would
8 discourage participation; and we don't want that to happen.

9 Senator Dole. I buy that concern. I am not certain about
10 the other.

11 On the hardship subsidy, if in order to come into compliance an
12 employer's payroll cost is increased by 2 percent or more over
13 what his payroll costs would have been in the first year of
14 compliance, we provide a subsidy in the form of refundable tax
15 credit.

16 The Department of the Treasury would have the responsibility
17 of administering the program. The tax credit would be equal to
18 50 percent of the total amount above the 2 percent increase in
19 payroll costs in the first year, and then decreased by 10 percent
20 each year thereafter. That is an effort in our bill to address
21 the concern of the marginal employer in the first place.

22 It may be the straw that breaks his back.

23 Senator Moynihan. It seems to me a nice transition; it is
24 not permanent but takes five years to run out.

25 Mr. Champion. Mr. Chairman, I would point out we have a

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1 somewhat similar hardship provision. We have the 5 percent limi-
2 tation. It is simply a matt er of money, as to how far you want
3 to go in that transition period. At 3 percent, which was the
4 lowest we considered, that is $500 million to provide that.
5 Senator Moynihan. The first year?
6 Mr. Champion. The first year. With a 50 percent tax credit.
7 Senator Monyihan. It gives you a feeling there are going
8 to be places that are going to be hit.
9 Senator Dole. I think the thrust is, there is some general
10 agreement that it should be done. I guess that is where you put
11 the peg.
12 Mr. Champion. I would agree with the principle. We do need
13 to provide some transition. Whether you have a permanent subsidy
14 at one level or whether you provide another level during the
15 transitional period, I think, is something that is a matter of
16 judgment.
17 Mr. Constantine. We will have those numbers for you by
18 tomorrow. There is another pamphlet being prepared that has the
19 numbers at least going at the 5, 4, 3 percent levels.
20 The Chairman. What occurs to me is that all these people
21 who cannot insure themselves with a premium that equals a
22 tax, now I would assume that the big employers like General Motors
23 and peoople that that could take care of their pecple for a
24 premium less than the tax we would levy, no more than that. So
25 that there would be no burden on them at all; however, the people

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1 can modify their policy so that they solve the problem without

2 paying any additional charge.

3 Now, these small business people have to pay maybe 5 percent;

4 and my thought is to say, all right, those people will pay into

5 a pool the amount that the tax would be, and the companies would

6 then bid on the pool or any part of it; and we would have to

7 supplement the amount of money there, I would assume.

8 One way or the other, we would have to find the money to make

9 up what it would take in order to provide the coverage for those

10 individuals.

11 Now, how does that strike you?

12 Mr. Champion. Yes, Senator.

13 Mr. Chairman, another way to do it would be to give them an

14 option, so if they want to go into a private situation, they can

15 do that. If, because they have a very high risk population or

16 other concern, that if theywant to take the 5 percent and go into

17 the public plan to deal with their problem that way, they can do

18 that.

19 Both devices are available or a combination of them.

20 Mr. Constantine. Mr. Chairman, as the Long-Ribicoff, the

21 original Long-Ribicoff bill did, but the current proposal does

22 not, the Administration has a public plan. I think as the staff

23 understands your suggestion you are saying that the pool is a

24 device for doing two things, which would not be necessarily

25 governmental: it would be a place where the subsidy would be paid

to the employer where his payroll costs are above what you
believe to be a reasonable amount, or if he buys approved insurance,
to subsidize the premium there; that is, he would pay some amount
and then the pool would pay the balance to that; is that it?

The Chairman. Well, I was thinking just in terms of saying
those that you don't have covered otherwise you put into a pool,
so that you say to the employers, "All right, you either pay the
tax or else you insure these people for this coverage."

All right, now, so that if a person could not get the
insurance, let's say, he could pay the amount that the tax would
be into a pool, and that pool would then cover those employees.

Now, what is paid into the pool might not be enough, and so
at that point then we would have to subsidize the pool, wouldn't
we?

Mr. Champion. That is right, Mr. Chairman.

The other thing I think you would need to do is, you would
need to experience rate them, so what they ought to pay in
depends a little bit on how they handle their health insurance.
But the pool idea could handle that.

The Chairman. It seems to me that hopefully you don't have
to subsidize at one place, one time; and that is why I would
think that you pay into the pool. And then if we have to, we
would have to find a way to put some additional revenue into the
pool in order to put enough money in there to provide the
insurance. But you then seek to get the companies to provide the

service. In effect, they are each being paid by the pool for the part of the risk that they are assuming.

Mr. Constantine. Mr. Chairman, the only question I have is, the pool is also an underwriting pool, that is where employers can go in--the smaller employer with high payroll costs, can elect to be covered into a pool in which the insurers participate proportionately.

But we also understand that that employer may opt to go with an approved insurer as well. In other words, he may not want to go into the pool if he has the choice of an approved insurer. Then the question would be, would the only place that you would have a subsidy be through the pool coverage, that is, through the group, or could he also get coverage from an individual approved insurer?

The Chairman. Well, it seems to me as though you are going to have an administrative problem if you are offering him more than two options, and why don't we study that? Apparently you would offer him three options: He could insure; he could pay into a pool; or he could take it to a private insurer, and you would subsidize?

Mr. Champion. Yes, We did not originally offer a pool.

I think those are the three basic approaches that are before the committee.

Senator Ribicoff. Are you talking about a pool separate and apart from insurance coverage?

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Mr. Champion. We did not propose a pool, Senator. I am responding to Senator Long's interest in that.

The Chairman. Now, you would subsidize, let's assume you are in the DFC. You have one now, small employers, could each of them conceivably have a different rate he would have to pay?

Mr. Champion. Yes, I think it might be very difficult. If you are running an asbestos factory, it is pretty high and if you are running another kind of enterprise it may be very low in terms of what the real costs involved are.

The Chairman. It seems to me the best answer is to pool the risk. In other words, here are the people that are going to have to pay a lot more than the 1 percent; so that being the case, we are going to help them. So we are going to subsidize them one way or another.

But it seems to me if we say, all right, you go ahead and pay the 1 percent and you pay that into the pool. Now, that gives us all these people who work with these businesses, and if we have the 1 percent paid in here, we will need more money than that. Well, we are going to have to come up with revenues from some source to do that, however, we do that. But at lease we don't have to worry about then having all of these individual ratings for each one of these employers. We are looking at a broad swath of people and you are paying an insurer to provide the insurance for that group.

Mr. Champion. That is a possible solution, Senator. The

1 Administration perfers the plan we proposed.

2 There is a problem, a threshold problem here of defining

3 what is a "small employer" and whom you would want to include,

4 which becomes much more complicated in this system than in the

5 one we proposed, where we don't have to define a "small employer."

6 We simply say anybody who can't handle their expenses for

7 5 percent can go into a public plan, or we will subsidize him in

8 the private market, if he can make that case at that rate.

9 And, you know, frankly, I don't think we have had a chance,

10 really, to explore, and I would like to look a lot more at that

11 pool notion. That may be a better answer, Senator. I just haven't

12 thought that one through.

13 Senator Ribicoff. I would be very reluctant to see anything

14 like that, because you would run into all the problems of various

15 pools that don't have the experience and don't have the security.

16 I have been under the impression that everybody was talking--

17 that you were going to have basically large employers, and out

18 in the fringes there would be individuals or small employers, and

19 you were going to require the insurance companies to actuarily

20 take them on the same basis that they gave rates to big employers.

21 And since you are talking about the entire population of the

22 country actuarily, it would even out and not have selectivity,

23 where the insurance companies are going to select the better risks.

24 I mean, I am sort of puzzled by the turn this discussion has

25 taken. That was my concept of what we had beentalking about.

1 Mr. Champion. Our option to go into a private insurance
2 company was an actuarily based option as to what their costs
3 would be.
4 Senator Ribicoff. Because then, of course, the insurance
5 companies would have to be approved, their plans would have to
6 be approved, their security would be assured instead of having
7 large groups floating around.
8 The Chairman. But let's look at it another way. You and I
9 started out sponsoring a bill where you take 1 percent of payroll
10 and you provide this catastrophic health protection to all of
11 these people and their dependents. All right. Now, of course,
12 we just said, "Do it with the tax." Now you can achieve the
13 same result by the process I described yesterday, where you put
14 the tax on and you say everybody has to either pay the 1 percent
15 to the companies or else he has to pay the tax; and then put all
16 of that into one pool, and then let the pool pay back to each
17 company whatever that would cost to do their part of the job.
18 Senator Ribicoff. Do I understand, Mr. Chairman, that you
19 are talking -- that you are not going to have a pool in the
20 insurance business, but that a pool would cover with X, Y and X,
21 all the insurance companies, he could pick the insurance company
22 that he would cover with, instead of the pool taking the obli-
23 gation and starting off anew? I think that would really leave
24 a problem of security and assurance. And like some of the
25 pensionplans, we don't want to get into a situation where suddenly

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1 bankrupt.

2 The Chairman. But the point is, there is more than one way
3 to do it. Now, obviously, once we establish a pool we can't
4 get the pool into bankruptcy; we would have to do like we do with
5 social security, we just have to put more money into it.

6 What were you going to suggest?

7 Mr. Constantine. Mr. Schiffer had some comments on the
8 pools. You see, we visualized the pools as essentially insurance
9 pools, with a fixed rate, based on something not to exceed 150
10 percent of the group ratee -- that kind of thing -- and where
11 they guaranteed the availability of coverage and spread of the
12 risks, and were of sufficient size to assure stability.

13 Senator Ribicoff. That is my understanding: leave it
14 open-ended, that the general revenues would start having it
15 come in, like social security, to give assurance that you would
16 always have enough money to pay for it. I thought the original
17 intention was, you were going to have numbers of insurance
18 companies regionally, be statewide, be a consortium, writing this
19 assurance. You would regulate them, to make sure they were
20 actuarily sound. So then you would know what the premiums were
21 going to be, and the public sector would not be charged for the
22 employer/employee, the mandated insurance.

23 Your only obligation from the general revenues would be the
24 people underneath who are poor or are on welfare; and I think it
25 would be very dangerous to depart from that concept and have a

1 separate pool for private employers. I would be very chary about
2 that.
3 The Chairman. Well, I would personally like to, after this
4 session, sometime between now and the time we meet tomorrow, I
5 would like to talk to Mr. Schiffer and these other actuaries about
6 the way you think you might manage this problem. I simply haven't
7 had enough chance to talk to the private companies myself to get
8 their thoughts on how they might do this.
9 I started out by saying that one way to do it would be just
10 make the whole thing one big pool, and then take from that the
11 part that each company would -- like if a company is already
12 insuring the General Motors employees; they would continue to
13 insure the General Motors employees -- and so forth. But that
14 there is more than one way to do it, and I would personally like
15 to consult with people more before we arrive at just precisely
16 how we are going to do it.
17 I can see there is more than one way. One think I don't
18 like is for us to fool around here, for us to pay the money to do
19 some experience rating for every little, small business around
20 the country. It seems to me it is far better to pool the risk;
21 and that being the case, after the first year you will know about
22 what it costs to take care of those people, and you can go from
23 there.
24 But I would like to know more before we make this decision;
25 so let's go on to the next point.

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1 Mr. Champion. Mr. Chairman, I might give you one figure in
2 connection with that: At 5 percent, we estimate 7 million of
3 the 73 million enterprises,or whatever, would be at that 5
4 percent level, 7 million employees, 7 million employees.we
5 are talking about being covered at that 5 percent level. So we
6 are talking about a number of small enterprises.
7 The Chairman. Yes, but the point is, at that rate it would
8 cost you as much as it would cost to insure 35 million workers at
9 the other rate though, at the 1 percent rate; and I am just trying
10 to find a way for us to get the best results. That is all.
11 Well, gentlemen, it is now 12:30, and I think that we, the
12 loyal, faithful troops that stayed here and fought this battle
13 up to this point, have come to the point where we had better
14 come back tomorrow and try again.
15 Senator Dole. Mr. Chairman, I can't appear tomorrow, but I
16 assume all the decisions are tentative and we will eventually
17 report out the right bill.
18 (Whereupon, at 12:30 p.m., the hearing was adjourned.)
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