

1 EXECUTIVE COMMITTEE MEETING
2 THURSDAY, SEPTEMBER 28, 1995
3 U.S. Senate
4 Committee on Finance
5 Washington, DC.

6 The meeting was convened, pursuant to recess, at
7 7:47 p.m., in room SH-216, Hart Senate Office Building,
8 Hon. William V. Roth, Jr., Chairman of the Committee,
9 presiding.

10 Also present: Senators Dole, Chafee, Grassley,
11 Hatch, Simpson, Pressler, D'Amato, Murkowski, Nickles,
12 Moynihan, Baucus, Bradley, Pryor, Rockefeller, Breaux,
13 Conrad, Graham, and Moseley-Braun.

14 Also present: Lindy L. Paull, Staff Director and
15 Chief Counsel; Joseph H. Gale, Minority Staff Director
16 and Chief Counsel; Roy Ramthun, Health Analyst; and
17 Leslie B. Samuels, Assistant Secretary of Treasury for
18 Tax Policy.

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1 [Applause.]

2 The Chairman. The Committee will please be in
3 order.

4 We are meeting later today than originally intended,
5 but the staff of the two sides have been working steadily
6 throughout the day, and I think some very good progress
7 has been made as a result of that.

8 I think I might point out that our reporter has just
9 told me that today is the 16th year he has acted in that
10 capacity for this Committee.

11 [Applause.]

12 And we want to thank him for his good work.

13 We are going to proceed immediately with the
14 amendments. Yesterday, of course, we had an amendment
15 from the Democratic side, the Democratic substitute. So
16 today our first amendment will be ----

17 Senator Moynihan. Which got 10 votes.

18 The Chairman. But not enough to be enacted.

19 But today, as I started to say, we will start with
20 the Republican side. As I announced yesterday, Senator
21 Moynihan and I have agreed that debate on amendments will
22 be limited to 10 minutes. We will move back and forth
23 from one side to the other, as has traditionally been the
24 practice in this Committee.

25 So at this time I am pleased to call on Senator

1 Chafee.

2 Senator Chafee. Thank you very much, Mr. Chairman.

3 This is an amendment offered on my behalf, and on
4 behalf of Senator Graham, who is regrettably not here. I
5 hope he will be here in a couple of minutes so that he
6 can chime in in support.

7 Mr. Chairman, I believe that the Governors need
8 greater flexibility.

9 Senator Breaux. Excuse me, Mr. Chairman. Do we
10 have a copy of it? I would really like to see it. I
11 think it is very important.

12 Senator Chafee. Yes. The clerk will distribute
13 it.

14 As I said, I believe the Governors need greater
15 flexibility. I believe in repeal of the Boren amendment
16 and the FQHC, the modifications of the early periodic
17 screening. But, Mr. Chairman, I believe that this bill
18 goes too far. If you look and see what takes place under
19 the bill before us, that is, the measure we are
20 considering as part of the Chairman's Mark, it makes
21 very, very radical changes.

22 For example, currently, poor children 5 and under
23 are covered up to 133 percent of poverty. For children
24 between the ages of 6 and 11 are covered up to 100
25 percent of poverty. Furthermore, Mr. Chairman, as you

1 know, that age of 11 goes up each year until it reaches
2 the age of 18 in the year 2002. Also, there is a whole
3 series of mandated benefits.

4 Mr. Chairman, what my amendment does is provide for
5 an individual entitlement. It keeps the existing
6 eligibility, and it keeps the current benefits. The
7 individual entitlement, or the per-capita cap, which I
8 have in there is based upon the amount--I will make this
9 as simple as I can--is based upon the amount that the
10 State is currently eligible per individual. And then
11 each eligible individual can receive that amount. In
12 other words, the State will receive that amount.

13 Let us say, for example, that it figures out that
14 each eligible individual in State A is receiving \$4,000 a
15 year. Then, for each eligible individual, that \$4,000
16 would continue.

17 So we keep the entitlement. Yes, that is true. I
18 know that the word "entitlement" is not to be used much
19 around here any more, but I believe that these
20 individuals who are poor, who are handicapped, who are
21 elderly, and require some assistance should receive this
22 assistance.

23 So this is the individual entitlement. There is a
24 per-capita cap. You cannot shoot the moon. You cannot
25 spend as much as you want. You can only spend up to the

1 amount that was spent in the base year, plus the
2 increases that are granted pursuant to the statute as we
3 enact it.

4 You might say, what is the difference from now?
5 Well, Mr. Chairman, we make substantial savings from the
6 repeals that I mentioned, or the Boren amendment and the
7 FQHC. They can do away with all the required waivers
8 that Governors now have to receive. For example, those
9 that are currently required to go into managed care.

10 So I am in favor of this amendment. I am sorry that
11 Senator Graham is not here to speak on its behalf.

12 Senator Moynihan. Mr. Chairman?

13 The Chairman. Senator Moynihan.

14 Senator Moynihan. I would simply like to say, I
15 know that other Senators on this side would like to speak
16 in support of this amendment.

17 Medicaid began, and ought to continue, as an
18 entitlement to people who need it, a Federal provision of
19 medical care for children in particular. It has become a
20 provision that is more heavily weighted in outlays for
21 the elderly, but it was children that we had in mind when
22 this began. And Senator Chafee's amendment very
23 emphatically restates, reasserts and finally establishes
24 that entitlement. I very much appreciate his having
25 offered it. I hope it will have unanimous support on our

1 side.

2 Senator Chafee. Mr. Chairman, I have a letter here
3 that I will not read in all the details, but it is a
4 letter from the Republican Governor of Minnesota, who
5 indicates grave concern over the route that we are taking
6 so far under the Chairman's Mark. I will make this
7 available for anyone who chooses to read it.

8 Senator Breaux. Mr. Chairman?

9 The Chairman. Senator Breaux.

10 Senator Breaux. Mr. Chairman, I congratulate the
11 Senator for offering this amendment. I do have one
12 concern. I want to ask the Senator from Rhode Island a
13 question. One of the concerns that I think a lot of us
14 have who are, quite frankly, from poor States, that you
15 have a growth of people who are eligible to receive
16 Medicaid because of health problems.

17 It was my understanding that, under the Chairman's
18 Mark before, there would not be any mechanism for
19 assuring that those States that have a high growth rate
20 of Medicaid patients would be covered.

21 Under your amendment, because it is a per-capita, or
22 per-person cap, it would take care of that particular
23 problem. I would ask the Senator, does his amendment
24 take care of that particular concern?

25 Senator Chafee. Now let us see if I have got this

1 right. You are posing the situation, if additional
2 beneficiaries or individuals should fall into the
3 eligibility category, would they be taken care of? The
4 answer is yes.

5 Senator Breaux. I think that is a legitimate
6 concern that we all have. If you just put a fixed amount
7 of money that a State would get, and say that is it, that
8 does not take into consideration increases in
9 unemployment or increases in problems or disasters that
10 State may have. I think that is not the best way to do
11 it.

12 I think that this proposal really allows the program
13 to still have a reduction in spending. It will be a
14 capped amount of money, but every person who meets the
15 eligibility would be assured of at least the amount up to
16 that cap. I think that is a more fair way of trying to
17 solve this problem, and at the same time reduce Federal
18 spending.

19 Senator Rockefeller. Mr. Chairman?

20 The Chairman. Senator Rockefeller.

21 Senator Rockefeller. It is not clear to me at this
22 point whether I am going to vote for Senator Chafee's
23 amendment because I think it cuts \$80 billion to \$100
24 billion out of Medicaid. But I flat out congratulate him
25 for taking on the business of entitlements and, by

1 implication, the whole business of block grants.

2 You turn Medicaid into block grants, you are
3 basically putting 30 million American people without
4 health insurance. States have no control over what will
5 befall them because two-thirds of what happens with
6 medical inflation, technology, and the rest of it, they
7 have no control over anyway.

8 At least in this Senator's view, about tort reform
9 with respect to product liability, you are going to
10 create not form shopping but State shopping. People will
11 move to States that have more to offer. That is already
12 happening. This will simply make it a more rapid
13 phenomenon.

14 I often use the example of one State which sets AFDC
15 at 16 percent of poverty, which means that if you make
16 \$2,500 as income, you do not qualify. It is that State's
17 way of saying go North, folks, go North. Go somewhere
18 else where they pay more.

19 Senator Chafee has clearly recognized that and, I
20 think, deserves enormous credit for it because he is
21 clearly speaking against health care rationing for the
22 poor--health care rationing period, especially for the
23 poor--which is what the end of block grants will mean.
24 So I think it is courageous, and recognizes what is a
25 devastating flaw in the Majority proposal.

1 I thank the Chairman.

2 Senator Nickles. Mr. Chairman?

3 The Chairman. Senator Nickles.

4 Senator Nickles. Mr. Chairman, I will ask Senator
5 Chafee to correct me if I misunderstood his amendment,
6 but his amendment would maintain the entitlement for low-
7 income pregnant women and children, for the disabled and
8 for seniors. Is that correct?

9 Senator Chafee. That is correct.

10 Senator Nickles. I compliment Senator Chafee. He
11 has told some of us that he wanted to do this for a long
12 time. Originally, we were talking at one time about
13 entitlement for pregnant women and children. Then it was
14 expanded to include disabled. So I said, if you do that,
15 we will also have an entitlement for seniors. Therefore,
16 we will continue with present law of mandating by Federal
17 law that these individuals have to be covered.

18 Somebody said why does it not make sense? Well, we
19 are basically going to tell the States that we are going
20 to give them a lot of flexibility. You cannot really
21 give States flexibility if you are going to have a
22 Federal mandate of coverage for all the following
23 individuals and, if they are not covered, the States can
24 be sued.

25 I have talked personally to several Governors,

1 including Governor Edgar of Illinois, Governor Engler of
2 Michigan, Keating of Oklahoma, and some others who feel
3 very strongly. They are willing, and they believe they
4 can do a much better job if we give them the flexibility
5 and the tools to do so.

6 If we keep the mandates, and yet reduce the rate of
7 the growth of spending programs, they are going to feel
8 like, wait a minute, you were supposed to cut the
9 strings, not keep the strings and reduce the supply of
10 money. They are willing to take a slower growth rate in
11 exchange for flexibility. I think, if we keep the
12 mandates, that would not be fair.

13 So I compliment my friend from Rhode Island. He
14 stated early on that this was his position, although this
15 mandate has grown. As I told him, I thought that once
16 you had the mandate or the entitlement provision for one
17 group in, it would be expanded to include all three
18 groups. And that has turned out to be the case.

19 So I would hope that our colleagues would vote no on
20 the amendment.

21 The Chairman. Senator Chafee.

22 Senator Chafee. Mr. Chairman. Oh, there is
23 Senator Graham, so I would like to yield, if he is
24 prepared. I know he just walked in. We are kind of
25 catching him cold.

1 The Chairman. Senator Graham?

2 Senator Graham. Thank you, Mr. Chairman.

3 Mr. Chairman, I think it is important that, as we
4 look at all the elements of this piece of legislation,
5 that we ask ourselves what are the policy objectives that
6 we are attempting to achieve? What are the destinations
7 that we are trying to reach?

8 This amendment says that what we are trying to do is
9 to treat fairly, with all the beneficiaries who depend
10 upon this program, by providing for a per-capita cap, in
11 which there will be a set amount of money available, and
12 then allocated based on the weighted mix of persons
13 within that State, whether they be elderly, disabled or
14 poor families, and then allocated essentially on that
15 basis.

16 We will achieve an objective of treating each
17 American citizen, wherever that citizen lives, with a
18 degree of equality, respect and dignity. I believe this
19 is a formula which will serve not only the immediate
20 needs, but also will be responsive to changes in
21 circumstances in the future.

22 So I urge the Committee's close attention to this.
23 I appreciate the great efforts that my colleague, Senator
24 Chafee, has committed to this proposal. I commend it to
25 your support.

1 The Chairman. Well, let me first of all point out
2 that the Chairman's Mark does provide for mandatory
3 spending in the three areas covered by Senator Chafee's
4 amendment. We require that, on average, 85 percent be
5 spent in each of these areas that has been spent, on
6 average, during the last 3 years.

7 So we have taken care of them. And the Governors
8 have told us that, with this kind of approach, they think
9 they can do a better job in providing the kind of medical
10 services best suited to the people in need in their area.

11 I would also note that President Clinton himself,
12 when he was Governor of Arkansas, signed a resolution by
13 the nation's Governors calling for an end to Federal
14 Medicaid mandates. And that is what we are seeking to do
15 here.

16 The Governors have told many of us that, if they
17 have flexibility, they can do a better job. The
18 complexity of the current requirements is extremely
19 expensive, and does not help in providing medical service
20 to these three groups.

21 So I must respectfully oppose this amendment. It
22 does not, of course, meet the spending requirements. The
23 purpose of what we are doing is to reduce the growth of
24 spending. And this particular proposal is open-ended,
25 not paid for. Accordingly, as I say, I must respectfully

1 oppose it.

2 Senator Moynihan. Mr. Chairman, may we have the
3 yeas and nays?

4 Senator Chafee. I would say this. First I would
5 say, as far as the need for flexibility and lack of
6 mandates, I think that is splendid. And, on that basis,
7 I will move later on to get rid of the Nickles amendment
8 that you put in there which reduces the Governors'
9 flexibility as far as Medicaid funds being used for
10 abortion activities. Second ----

11 The Chairman. All time is up.

12 Senator Chafee. Second, we have a really serious
13 problem, Mr. Chairman, about the 85 percent in each of
14 these categories of low-income pregnant women, disabled
15 and the elderly, that they must receive 85 percent of the
16 dollars in the base year. I will go into that later,
17 because I misunderstood it, and I believe you are
18 misunderstanding it now, as to what the money provides
19 under that. But I will get to that later.

20 Finally, Mr. Chairman, you are right. I do not have
21 an adequate offset here. My proposal saves \$80 billion,
22 and the Chairman's Mark saves \$182 billion, so I do not
23 meet the requirement. Therefore, I will withdraw the
24 amendment, but I did want to make my point that I think
25 we have got to take care of these individuals.

1 I will go back to the group that Senator Nickles was
2 referring to--the pregnant women and low-income children.
3 Whether it is up to age 11 or 12, I certainly think they
4 should have an entitlement, and likewise the disabled.

5 So, on that basis, I would withdraw my amendment,
6 Mr. Chairman.

7 Senator Moseley-Braun. Mr. Chairman?

8 The Chairman. The distinguished Senator from
9 Illinois.

10 Senator Moseley-Braun. Thank you, Mr. Chairman. I
11 thought you could not see me over here or something.

12 I did not want to interrupt Senator Graham because
13 Senator Chafee had called on him, but I really wanted to
14 make a point in response to Senator Nickles' comments
15 about State flexibility.

16 The Chairman. May I just interrupt, and then we
17 will let you continue, but we are limiting the
18 discussions.

19 Senator Moseley-Braun. I will be very, very brief.
20 I think it very important. I strongly support the reason
21 for the now withdrawn amendment of Senator Chafee's in
22 concept.

23 And I would say to my friend from Oklahoma, he
24 reminded me the other day it is Oklahoma. You referenced
25 my own State of Illinois. Certainly, out of State

1 loyalty, I do not want to say anything bad about
2 Illinois. But you should know that my State has below
3 the national average in spending on health care for poor
4 people, above the national average in infant deaths.

5 The last time we tried what is called flexibility--
6 it was a waiver at the time--it was a program called
7 Healthy Mothers and Healthy Babies, there were problems
8 of access to health care. There was a problem with
9 quality health care. That whole initiative was
10 roundly criticized, and was actually a complete
11 disaster.

12 My State is already over a billion dollars in
13 arrears in terms of health care payments to providers.
14 We are floating that debt by paying people late, 60, 90,
15 120 days late. There are huge problems that flexibility
16 in and of itself will not solve.

17 I just think, and the bottom line for what Senator
18 Chafee is saying, is that, the mechanics notwithstanding,
19 we ought to have a safety net for women and children,
20 with regard to access to quality health care services.
21 And I think that we can do that.

22 That is why I would have supported his amendment,
23 had he gone forward with it. But I did want to make that
24 reference. When you talk about flexibility, you really
25 ought to know the details because sometimes the result

1 does not work out as good as it may look on the surface.

2 The Chairman. We are now open to an amendment from
3 the Democratic side. Kent?

4 Senator Conrad. Mr. Chairman, if it would be
5 appropriate at this time, I will bring up my amendment on
6 spousal impoverishment. Would that be appropriate at
7 this time?

8 The Chairman. I am sorry. Would you repeat your
9 question?

10 Senator Conrad. At this time I would offer my
11 amendment on spousal impoverishment.

12 The Chairman. Yes, I wish you would. That is
13 appropriate.

14 Senator Conrad. Mr. Chairman, and Members of the
15 Committee, current law provides protection so that
16 spouses of nursing home residents will be able to retain
17 enough monthly income to be able to live with dignity.

18 Since 1988, States have been required to allow
19 spouses of institutionalized Medicaid beneficiaries to
20 keep a specified amount of the couple's total income and
21 assets. Without these protections, spouses could be
22 forced to sell their home, to sue each other, or even
23 divorce in order to avoid destitution.

24 Mr. Chairman, these are no academic possibilities.
25 When I was living full time in Bismarck, North Dakota, I

1 owned an apartment building. I lived downstairs, and
2 woman lives above me who was over 80 years of age. Her
3 husband was in a nursing home. They owned a small farm
4 in North Dakota. As he lived in the nursing home, they
5 kept selling more and more of the farm in order to pay
6 the nursing home bills.

7 Finally, it got down to the point where all they had
8 left was the household on the farm, and they wanted to
9 keep that because it had been in the family for many
10 years. They were told that they would have to sell that,
11 and that the woman would have to continue to spend down
12 her assets until she had nothing left--nothing left.

13 This woman came to me one day crying, and said,
14 Kent, you have got to help me. I have been to my lawyer,
15 and he says now the only way to save anything is for me
16 to divorce my husband, and we have been married for over
17 50 years. She was utterly distraught. This is not an
18 isolated example. It is why we acted in 1988 to provide
19 protection to prevent spousal impoverishment.

20 My amendment, which is cosponsored by Senator
21 Baucus, would reinstate those protections against
22 decimating the spouse of somebody in a nursing home. It
23 is very modest. I very much hope my colleagues will join
24 in this amendment.

25 Senator Dole. Is this the Conrad-Dole amendment?

1 Senator Moynihan. Conrad-Dole. I move the
2 adoption.

3 Senator Conrad. Well, it was not the Conrad-Dole
4 amendment. You know, we were very successful last night
5 with a Conrad-Dole amendment, or was it a Dole-Conrad
6 amendment? We would love to have you join in this
7 amendment.

8 Senator Moynihan. Mr. Chairman, I really do think
9 there is probably unanimous accord in this Committee in
10 this regard.

11 Senator Baucus. Mr. Chairman?

12 The Chairman. Yes, Senator Baucus.

13 Senator Moynihan. Mr. Chairman, as a cosponsor of
14 this amendment, I just want to underscore the basic
15 unfairness of requiring a spouse to divorce in order to
16 maintain his or her assets and home. It is obviously an
17 injustice that has to be corrected and remedied. I would
18 very much hope that this amendment would be adopted by
19 everyone on the Finance Committee.

20 Senator Pressler. Mr. Chairman, I would like to
21 join as a cosponsor of this amendment also, and say that
22 I have heard of similar situations with patients of
23 Alzheimer's and other diseases. I commend my friend from
24 North Dakota for his outstanding leadership on this
25 amendment.

1 The Chairman. I think the amendment does address a
2 very serious problem. I too congratulate Senator Conrad
3 or Senator Dole for bringing up this proposal. I would
4 be happy to accept it.

5 Senator Rockefeller. Mr. Chairman?

6 The Chairman. Yes.

7 Senator Rockefeller. The Senator from West
8 Virginia is also happy about this, but must in all
9 honesty wonder why in fact it was left out, and we needed
10 to do this tonight.

11 Senator Moynihan. Mr. Chairman, may I say, just
12 for the record of course, this is an amendment by Mr.
13 Conrad, Mr. Baucus and Mr. Dole.

14 The Chairman. Very good.

15 All those in favor of accepting the amendment,
16 please signify by saying aye.

17 (A chorus of ayes)

18 The Chairman. Opposed, nay.

19 (No response)

20 The Chairman. The ayes have it. The amendment is
21 adopted.

22 We will now have an amendment from the Republican
23 side.

24 Senator Grassley. Mr. Chairman?

25 The Chairman. Senator Grassley.

1 Senator Grassley. I do not want to mislead
2 anybody. I believe my amendment will be fairly
3 controversial. I would hope though that it would be a
4 common sense approach to what I see as a situation in the
5 legislation, as well-meaning as it is, to make sure that
6 we stay within our budget constraints, so the bill
7 provides for a sequester under the Medicare fee-for-
8 service system, so that if you go over the amount of
9 money that is budgeted in a certain year, reimbursement
10 would be cut back for certain services that go over.

11 The problem, as I see it, is that there are a few
12 very high areas in the country, high-cost areas. When
13 you have an across-the-board cut, those regions of the
14 country, 70 percent of the counties in America are below
15 the national average, then those counties are going to be
16 hit much more drastically, and going to be punished for a
17 problem that they have not caused, that is caused by the
18 higher-cost areas.

19 So I have no problem with the issue of sequester.
20 My understanding is that, if the BELT sequester were
21 imposed, it would be applied across the board, across the
22 entire country, without regard to some markets, to
23 whether these were exceeding the allowable aggregate caps
24 on Medicare spending and other spending under the caps.

25 As my colleagues know, my State, several other

1 States as well, in fact a majority of the States on this
2 Committee, I believe, would fall into the category of
3 primarily rural States, having low health care costs, and
4 then tend not to grow as fast as some other areas of the
5 country.

6 So my assumption is that, if Medicare spending does
7 overshoot the targets, it is highly unlikely that States
8 like Iowa and other low-cost, low-growth States, are
9 going to be a part of the problem. But they are sure
10 going to be a part of the solution if this present
11 language carries. That is that they are going to have to
12 have their Medicare spending cut in order to bring
13 Medicare spending within the targets.

14 And remember, States like these low-cost States and
15 lower-reimbursement States are not the problem. So these
16 cuts are going to hurt us more than the higher-cost areas
17 and the more rapidly growing areas.

18 Without my amendment, there would be a
19 disincentive--I want to emphasize this--there would be a
20 disincentive for high-cost areas to keep their costs
21 under control. So what my amendment would do is to
22 change the BELT provisions so that the look-back
23 sequester would be imposed only on those market areas
24 which are the source of the problem. They are the ones
25 my amendment would make pay for any overspending. If

1 low-spending growth areas are not causing the problem,
2 then why should they be punished?

3 There might be some question about the
4 administrability of this. I want to speak to that point.
5 The Department can do this. First of all, the country
6 will be divided into markets for Medicare choice
7 programs.

8 Second, the Department collects payment data from
9 every county. They even do it by zip code. They do
10 elaborate calculations now on the DRG's to adjust under
11 present policy, to adjust county-by-county for variation
12 in wage indices, as an example.

13 The Department would have to establish a way of
14 determining which market areas were out of line in their
15 spending. That is, which ones were causing the spending
16 overruns. It seems to me that the Department can
17 establish the rate of increase in Medicare spending for
18 different market areas from one year to the next. Any
19 market area in which spending increased faster than the
20 permitted overall growth in Medicare spending would seem
21 to be contributing to the problem.

22 Market areas in which spending increases at the same
23 rate as overall permitted growth, or in which spending
24 increases slower--and there will be several parts of the
25 country that will be slower than the rate of overall

1 permitted growth--would not be contributing to the
2 problem.

3 It seems to me to be good public policy to hold
4 harmless those who are not causing the problem. It is
5 just like our budget process on the floor. If an
6 appropriations bill exceeds its allocation, there is a
7 point of order against the bill. We do not sequester all
8 other bills.

9 What you get in a situation in high-cost areas over
10 a whole decade now is a situation where, in the high-cost
11 areas, you have one-third more of the number of MRA's,
12 CAT scans, X-rays per capita than you do in lower-cost
13 segments of the country.

14 In other words, physicians in Kansas may well be
15 punished for utilization practices that are much more
16 extreme in high-cost areas like Los Angeles.

17 Given the fragile economics of the fee-for-service
18 enterprise in rural areas, these fail-safe mechanisms
19 based on national average can have a devastating effect
20 on fee-for-service in rural areas.

21 Now this will be my last point. The Catch 22 here
22 is this. For a few years--hopefully no more than 3 or 4
23 years--we have got a situation where we do not have
24 enough balance between high-cost parts of the country and
25 low-cost parts of the country.

1 So, in the low-cost areas of the country, there will
2 be a much greater use of current Medicare fee-for-service
3 system, until we get the market adjusted so we have an
4 encouragement for the new organizations to come in,
5 HMO's, medical savings accounts and other things.

6 We are going to exacerbate the problem if we, in
7 addition, have automatic sequester because high-cost
8 areas continue to practice medicine as they are, and then
9 the rural areas of America are sequestered. Then you are
10 never going to get the low-cost areas competitive so we
11 can bring in the market-oriented organizations that we
12 want to bring competition to the system, to bring the
13 prices down. So it is just a Catch 22 which we should
14 not put 70 percent of the counties in America in.

15 Some of the low-cost States in the nation--just in
16 case you are not aware of them--would be like Alaska,
17 Kansas, Montana, North Dakota, Oklahoma, South Dakota,
18 Utah, Wyoming, Iowa, Nebraska, some of those States. I
19 will not name the high-cost States because I think you
20 know them. But I think you just need to realize that we
21 should not make the situation worse.

22 I yield the floor.

23 Senator Moynihan. Mr. Chairman?

24 The Chairman. Senator Moynihan.

25 Senator Moynihan. Mr. Chairman, I do think you

1 know the high-cost States. If you have ever had the
2 misfortune to be ill, you have very likely been treated
3 by a doctor trained in a medical school by one of those
4 so-called high-cost States.

5 The distribution of wheat acreage, corn acreage, and
6 oil fields, coal mines, and what you will, in our country
7 is not on a per-capita State basis. Some of our States,
8 some of the older States, are the centers not just of our
9 medical schools, but the centers of medical science in
10 the 20th century.

11 For the first time in the history of our nation, the
12 United States is the center of a scientific revolution.
13 What physics was at the beginning of the century, that
14 took place in Europe, medical science is taking place in
15 the United States at the end of the this century.

16 It is taking place in California. It is taking
17 place in Illinois. It is taking place in Texas. And its
18 epicenter is the City of New York. One in every seven
19 physicians in this country is trained in New York City.
20 The edge of science is in this City.

21 If we revert to this kind of Articles of
22 Confederation attitude toward our nation, what will
23 become of our nation? I can think of two medical schools
24 on the island of Manhattan which were chartered by George
25 III. It takes a long time to be two and a half centuries

1 in place. [Laughter.]

2 And it costs a lot to teach gene therapy and other
3 forms of medicine not known 15 years ago.

4 When rulers around the world get ill, where do they
5 go for treatment?

6 Senator Dole. Walter Reed?

7 Senator Moynihan. They go to Walter Reed. And
8 they would not be ill advised. But a New York hospital
9 might be better. It depends on their ailment. Surely we
10 will not do this to one of the glories of American
11 civilization at this moment, which is medical science and
12 the training of medical doctors.

13 Senator Pressler. Mr. Chairman?

14 The Chairman. Senator Pressler.

15 Senator Pressler. Mr. Chairman, I would like to
16 join in support of this amendment. I do know that the
17 research hospitals are very important. And I do know
18 that the medical centers serve a great purpose. However,
19 we do need balance in our system.

20 It may be true that the world leaders go to the
21 research hospitals, but a lot of people in my State
22 cannot afford to go to the research hospitals, and depend
23 on small county hospitals and medical services that are
24 practiced in the very best way possible, but without the
25 prestige of one of the great universities.

1 So we do have a big country, and we do need a
2 balance. I know that there are more and more
3 telecommunications being used to bring some of the
4 benefits of the big research centers, and I worked with
5 that and applaud that.

6 But I think Senator Grassley is making a good effort
7 here to bring some balance into the system with his
8 amendment, and to protect some of the smaller rural
9 cities. A lot of them are not rural areas any more; it
10 is just smaller cities. So I think he has a thoughtful
11 amendment, and I ask to be named a cosponsor. I join in
12 supporting him.

13 The Chairman. The Senator from Illinois.

14 Senator Moseley-Braun. Thank you, Mr. Chairman.

15 Actually, this amendment kind of cuts both ways, in
16 terms of my own State of Illinois. We used to have a
17 slogan--just outside of Chicago, there is a place called
18 Illinois.

19 So much of my State is rural, and I understand the
20 Senator's concern. Except it seems to me that this would
21 just further exacerbate the kind of Balkanization that
22 would head us in just the opposite direction we would
23 want to go if we were to maintain the quality of care,
24 the quality of health care that we enjoy in this nation.
25 We have the greatest health care in the world, but that

1 is a function of the fact that we have a system in which
2 the parts work kind of together. It is too expensive,
3 and we are working on that part. But, at least in terms
4 of medical care, they work together.

5 This would effectively isolate the medical centers,
6 the areas that provide the tertiary care. It would
7 isolate them. Particularly with regard to fee-for-
8 service, it would isolate them entirely and, again, would
9 further Balkanize our nation in terms of the provision of
10 health care and the quality of care.

11 I just think that, in that regard, it heads in the
12 wrong direction, and I would oppose the amendment.

13 The Chairman. Our time is running out, but Senator
14 Graham?

15 Senator Graham. Mr. Chairman, I just want to use a
16 few seconds to point out that the problem in this
17 provision is much more fundamental than the amendment
18 raised by the Senator from Iowa. And that is the fact
19 that, hidden in this language, is the fact that the only
20 segment of medicine that will be subject to this BELT
21 process is the fee-for-service segment of medicine.

22 We are building in all this range of options--
23 medical savings accounts, health maintenance
24 organizations. We were told yesterday that none of those
25 are going to be asked to participate, if it is necessary

1 to have an across-the-board restraint. I think that is
2 where an amendment ought to be offered, if one is going
3 to be offered that will try to achieve the maintenance of
4 some equality in who pays if we do not meet our spending
5 targets.

6 The Chairman. Senator Baucus?

7 Senator Baucus. Mr. Chairman, I might fall for
8 that same point because, in the rural areas, you are
9 going to find proportionately a lot more fee-for-service
10 medical practice because a lot of seniors will not be
11 able to join in managed care, HMO's and so forth. And
12 the effect of the so-called BELT is really going to hit
13 them that much more.

14 I just must say that rural hospitals are on the
15 ropes right now. Their reimbursement is cut, as it will
16 be anyway, under the proposal before us. It will be cut
17 that much more with the so-called BELT tightening. I
18 just cannot in good faith and conscience support that.

19 Now we are a vast country. And I understand the
20 point that the very distinguished Senator from New York
21 made. We do have the finest medical care in the world.
22 There is just no doubt about that. And it is because of
23 advances in science and medical research in our country.

24 But it is also true that, when a person is ill and
25 goes to a research facility for special care, he or she

1 is going to pay those increased costs for those services
2 in that center anyway.

3 The real bottom line here is that we are here
4 legislating in some ways in the dark, not knowing what we
5 are doing.

6 On the surface, it is a good amendment, and I
7 support it very strongly. But I also must say that, in
8 some sense, we are just voting on really superficial
9 amendments, and it is not a good way to be developing
10 health care policy.

11 Senator Conrad. Mr. Chairman?

12 The Chairman. Yes. The time on the Democratic
13 side has expired, but if you want to comment, please be
14 brief.

15 Senator Conrad. All right. I appreciate it, Mr.
16 Chairman.

17 If I could just say, I support the Grassley
18 amendment because there is an enormous disparity. In the
19 District of Columbia, they are spending an average for
20 Medicare patients, in the last year for which we have
21 full figures, \$4,200. In North Dakota, \$2,600. I also
22 appreciate the statement made by the Ranking Member, the
23 Senator from New York, because what he says has a strong
24 element of truth to it.

25 But I think what the Grassley amendment really

1 points out is the flaw of the whole BELT proposal. The
2 BELT, as Senator Baucus said yesterday, is really a
3 noose. And seniors are going to find that they have
4 additional choices to begin with but, because of the
5 BELT, they are going to find those choices evaporate, and
6 they are going to have less choice--less choice--as we go
7 down the road.

8 So I would say to my colleagues that the real
9 problem here is the BELT proposal itself. And I think
10 the Grassley amendments deserves support because of the
11 enormous disparity. But I am going to offer an amendment
12 to strike the whole BELT proposal.

13 The Chairman. Let me say in closing that I oppose
14 the amendment. I want to congratulate my colleague from
15 Iowa, who does such an excellent job of promoting and
16 protecting the interests of the rural areas. And we have
17 been very happy to work with him for that exact purpose.
18 But I think he is correct in saying that this is a
19 controversial proposal, of which not enough is known, and
20 it would be extremely difficult and complex to
21 administer.

22 I would be happy to include in the Mark language
23 calling upon the Secretary to make a study of this matter
24 and report back to the Congress, say in 1999. But I
25 think, at this time, it would not be wise. For that

1 reason, I oppose the amendment.

2 Do you want a roll call vote?

3 Senator Grassley. Yes, I would like to have a roll
4 call vote.

5 The Chairman. The clerk will please call the roll.

6 The Clerk. Mr. Dole.

7 Senator Dole. No.

8 The Clerk. Mr. Packwood.

9 Senator Packwood. No, by proxy.

10 The Clerk. Mr. Chafee.

11 Senator Chafee. No.

12 The Clerk. Mr. Grassley.

13 Senator Grassley. Aye.

14 The Clerk. Mr. Hatch.

15 Senator Hatch. Aye.

16 The Clerk. Mr. Simpson.

17 Senator Simpson. Aye.

18 The Clerk. Mr. Pressler.

19 Senator Pressler. Aye.

20 The Clerk. Mr. D'Amato.

21 Senator D'Amato. No.

22 The Clerk. Mr. Murkowski.

23 Senator Murkowski. Aye.

24 The Clerk. Mr. Nickles.

25 Senator Nickles. Aye.

1 The Clerk. Mr. Moynihan.
2 Senator Moynihan. No.
3 The Clerk. Mr. Baucus.
4 Senator Baucus. Aye.
5 The Clerk. Mr. Bradley.
6 Senator Bradley. No, by proxy.
7 The Clerk. Mr. Pryor.
8 Senator Pryor. Aye.
9 The Clerk. Mr. Rockefeller.
10 Senator Rockefeller. Aye.
11 The Clerk. Mr. Breaux.
12 Senator Breaux. No.
13 The Clerk. Mr. Conrad.
14 Senator Conrad. Aye.
15 The Clerk. Mr. Graham.
16 Senator Graham. No.
17 The Clerk. Ms. Moseley-Braun.
18 Senator Moseley-Braun. No.
19 The Clerk. Mr. Chairman.
20 The Chairman. No.
21 The yeas are 10, the nays are 10.
22 The Chairman. The amendment does not carry.
23 The next amendment comes from the Democratic side.
24 Senator Graham?
25 Senator Moynihan. Mr. Chairman, I was going to

1 offer an amendment that anyone trained in a medical
2 school in the States of New York, California, Illinois or
3 Texas can only practice in those States. [Laughter.]

4 But I think I will refrain from that.

5 The Chairman. Please include Delaware too.

6 Senator Moynihan. And Delaware.

7 Senator Hatch. We from Utah are willing to accept
8 that. [Laughter.]

9 Senator Moynihan. Remember where you guys from
10 Utah began.

11 Senator Hatch. Remember what a great medical
12 school we have also.

13 The Chairman. Senator Graham.

14 Senator Graham. Thank you, Mr. Chairman.

15 Mr. Chairman, in the welfare reform bill, there were
16 some specific, quantifiable targets set, by which we
17 would evaluate success or failure. Those were framed in
18 the context of the number of people who had been on
19 welfare, who, through the process of the welfare to work
20 procedure and resources, would be able to secure
21 employment.

22 I believe it is important, as we embark upon these
23 changes in the Medicaid program, that we talk about some
24 similar standards that we are attempting to achieve, with
25 some sanctions for failure to achieve those standards,

1 just as we had sanctions for failure to achieve the work
2 standards in the welfare reform bill.

3 Certainly, one of the things this nation is
4 extremely proud of is the progress we have made in the
5 last decade in terms of reducing the rate of infant
6 mortality. In 1984, 10.8 per thousand American children
7 did not survive birth or the weeks immediately
8 thereafter. Today, infant mortality is down to 8.5 per
9 thousand, a remarkable and very important achievement for
10 this nation.

11 I have the statistics for each of the States
12 represented by Members of this Committee. And, in every
13 instance, there has been a significant reduction in
14 infant mortality. Certainly that is one of the standards
15 by which we wish to have our health care system judged.

16 So I would suggest that that would be one
17 appropriate standard by which we would evaluate the
18 program we are considering tonight. We know that the
19 children most at risk are the poor children. Those are
20 the children which, in the past, have contributed to
21 these unacceptably high rates of infant mortality.

22 It has largely been because of Medicaid that we have
23 seen such a reduction. Today, Medicaid finances the care
24 of one out of three babies born in the United States--1.4
25 million of the most vulnerable children who come into

1 this earth, born in the United States.

2 So the amendment I propose would state that, if the
3 infant mortality rate increases nationwide, this proposal
4 before us today will sunset, and we will revert back to
5 the Medicaid program which has contributed to the
6 achievement of these stellar reductions in infant
7 mortality.

8 If infant mortality does not increase on a
9 nationwide basis, but does increase in an individual
10 State, then that State must provide coverage for all
11 children who are at or below 133 percent of poverty for
12 all prenatal and pregnancy-related services to pregnant
13 women, and to infants to the age of 1.

14 This would be one of the standards by which we will
15 evaluate whether we achieve success in terms of improving
16 the quality of health of our people.

17 The Chairman. Carol?

18 Senator Moseley-Braun. Thank you very much, Mr.
19 Chairman.

20 This is a very important amendment because it
21 relates directly to what has got to be the most important
22 indicia of a functioning health care system, and that is
23 infant deaths.

24 Frankly, Medicaid finances care for one out of three
25 babies. I think that my colleague from Florida mentioned

1 that. But this amendment is particularly important in
2 States that may themselves experience an increase, or
3 fail to keep pace with the decrease of infant deaths
4 nationwide.

5 The Senator from Florida has a list of States. I am
6 sad to say, my own State has the highest rate of infant
7 mortality of anybody else on this Committee. So this is
8 very important. Illinois has a 10.1 percent infant death
9 rate. The national average is 8.5 percent. There are no
10 other States represented on this Finance panel to which
11 this amendment means as much in terms of providing a
12 basis for care for babies.

13 Again, the amendment is limited. It only kicks in
14 on a mechanism, as described by the Senator from Florida,
15 and it will help us to insure that our successes in
16 dealing with infant mortality are maintained. I would
17 encourage the Committee's support for this important
18 amendment.

19 The Chairman. All time is up on the Democratic
20 side.

21 Just let me say that, in my judgment, this amendment
22 could turn the entire Medicaid system upside down. It
23 sets up a scenario where every State's Medicaid program
24 would be held hostage to a statistic. Again, I think we
25 need to understand that the Federal Government is not the

1 Senator Simpson. No.
2 The Clerk. Mr. Pressler.
3 Senator Pressler. No.
4 The Clerk. Mr. D'Amato.
5 Senator D'Amato. No.
6 The Clerk. Mr. Murkowski.
7 Senator Murkowski. No.
8 The Clerk. Mr. Nickles.
9 Senator Nickles. No.
10 The Clerk. Mr. Moynihan.
11 Senator Moynihan. Aye.
12 The Clerk. Mr. Baucus.
13 Senator Baucus. Aye.
14 The Clerk. Mr. Bradley.
15 Senator Bradley. Aye, by proxy.
16 The Clerk. Mr. Pryor.
17 Senator Pryor. Aye.
18 The Clerk. Mr. Rockefeller.
19 Senator Rockefeller. Aye.
20 The Clerk. Mr. Breaux.
21 Senator Breaux. Aye.
22 The Clerk. Mr. Conrad.
23 Senator Conrad. Aye.
24 The Clerk. Mr. Graham.
25 Senator Graham. Aye.

1 The Clerk. Ms. Moseley-Braun.

2 Senator Moseley-Braun. Aye.

3 The Clerk. Mr. Chairman.

4 The Chairman. No.

5 The ayes are 10, the nays are 10.

6 The Chairman. The amendment does not carry.

7 Senator Hatch.

8 Senator Hatch. Mr. Chairman, I am offering this
9 amendment on behalf of myself, Senator Chafee and Senator
10 Grassley.

11 Senator Dole. Can I just say one word?

12 Senator Hatch. Sure

13 Senator Dole. I just say to my colleagues, the
14 votes that were scheduled for tonight are going to be put
15 off until tomorrow morning, if that has any influence on
16 anybody's debate. So there will be no votes tonight on
17 the floor unless somebody over there objects that I do
18 not know about. And the votes will occur tomorrow
19 morning, starting at 9:15 a.m.

20 Senator Hatch. Mr. Chairman?

21 The Chairman. Senator Hatch.

22 Senator Hatch. Mr. Chairman, this amendment I am
23 offering on behalf of myself, Senator Chafee and Senator
24 Grassley is a 1 percent set aside for community health
25 centers and the rural health clinics.

1 best suited to run 50 different health programs for low-
2 income individuals.

3 Do you want a roll call vote?

4 Senator Graham. Yes, Mr. Chairman.

5 The Chairman. So I would ask the clerk to call the
6 roll.

7 Senator Rockefeller. Mr. Chairman, might I just
8 ask? You said that all time on the Democratic side had
9 expired. Did you consult a clock on that? Was that an
10 inner or an outer clock? It seemed to pass very quickly.
11 Some of us wanted to say something.

12 The Chairman. That is because the speakers were so
13 eloquent.

14 The clerk will please call the roll.

15 The Clerk. Mr. Dole.

16 Senator Dole. No.

17 The Clerk. Mr. Packwood.

18 Senator Packwood. No, by proxy.

19 The Clerk. Mr. Chafee.

20 Senator Chafee. Aye.

21 The Clerk. Mr. Grassley.

22 Senator Grassley. No.

23 The Clerk. Mr. Hatch.

24 Senator Hatch. No.

25 The Clerk. Mr. Simpson.

1 This amendment would allocate 1 percent of Federal
2 Medicaid spending for the preservation of what I really
3 believe to be the nation's primary care infrastructure,
4 and that happens to be community health centers and rural
5 health clinics.

6 I am aware that there is concern about the funding
7 source for this amendment. We are sympathetic to those
8 concerns, and I want to work to address them, should this
9 process move forward.

10 Under this amendment, one-half of the amount
11 allocated would be used for payments to community health
12 centers, and the other half for rural health clinics.

13 The Secretary of HHS would determine the methodology
14 for determining payments to these centers, and would make
15 payments directly to the centers. Payments made to the
16 centers by the Secretary would be in addition to any
17 other revenues the centers receive from Medicaid, either
18 directly from the States or from managed care plans.

19 There are over 1,000 community health centers and
20 2,500 rural health clinics. These play a unique role in
21 our total health care system. In inner city areas,
22 community health centers are often the only providers of
23 care to Medicaid patients and the uninsured.

24 In rural areas, community health centers and rural
25 health clinics are often the only providers for the

1 residents of those rural areas, whether they are on
2 Medicaid or Medicare, have private insurance, or are
3 simply uninsured.

4 Community health centers and rural health clinics
5 serve over 16 percent of Medicaid patients nationwide.
6 Thirty-six percent of community health center patients
7 are on Medicaid. Forty-four percent are uninsured.
8 Eight percent are on Medicare, and 12 percent have
9 private insurance.

10 For rural health clinics, 27.7 percent of their
11 patients are on Medicaid. Twenty-nine point 4 percent
12 are on Medicare, 14.4 percent are uninsured, and 28.5
13 percent have private insurance.

14 The current Medicaid program recognizes the unique
15 role for these centers, and provides them with cost-based
16 reimbursement, in order to assure that payments are
17 sufficient to meet the health care needs of Medicaid
18 patients they serve.

19 I would ask that the rest of my remarks be placed in
20 the record.

21 [The information appears in the appendix.]

22 Senator Hatch. But let me just say that the
23 benefit that would result from this amendment is that we
24 would have assured access to cost-effective preventive
25 and primary health care in communities that need it the

1 most, because of where the centers must, by law, be
2 located.

3 Second, this is one of the best health care bargains
4 available in our whole health care system. For example,
5 the total cost of community health center comprehensive
6 primary and preventive care is on the average less than
7 \$300 per patient, which is a bargain in today's market.

8 Three, there would be substantial savings for State
9 Medicaid programs. Several recent studies have found
10 that Medicaid patients who regularly use health centers
11 have lower total annual health care costs than Medicaid
12 patients who use other primary care providers, such as
13 HMO's, hospital outpatient units or private physicians.
14 These studies show that health center patients were 22 to
15 33 percent less expensive overall, and have between 27
16 percent and 44 percent lower inpatient costs and days.

17 And number 4, other providers do benefit. These
18 centers serve disproportionate numbers of high-risk
19 patients. Adequately compensating the health centers for
20 their health care can make risk levels more reasonable
21 for other providers and communities with more than one
22 provider.

23 So I think, for all of those reasons, I hope that my
24 colleagues will support this amendment. It is a good
25 amendment. It makes sense. It is cost-saving amendment

1 that makes sense and, in the end, I think it will help to
2 improve the bill.

3 Senator Grassley. Mr. Chairman?

4 The Chairman. Senator Grassley.

5 Senator Grassley. I would like to ask to modify
6 this amendment to delete the reference to nonprofit rural
7 health centers, so that all health centers in rural areas
8 are eligible.

9 And this is the justification for this, Mr. Chairman
10 and Members of the Committee. When we created rural
11 health clinics in 1977, the legislation specifically
12 authorized that rural health clinics could be either for
13 profit or nonprofit entities.

14 Since the inception of the program, the vast
15 majority of rural health clinics have been operated as
16 for-profit medical practices. Individual physicians are
17 largest group of owners of rural health clinics, and
18 these practices are typically operated as for-profit
19 medical practices.

20 Increasingly, and of a lot of interest to us on this
21 Committee--and some of this is included in this bill--we
22 want an environment to have physicians' assistants and
23 nurse practitioners deliver health care in rural America.
24 So these people, as PA's and nurse practitioners, are
25 owning and operating facilities like rural health

1 clinics. As with physicians, they are operating them as
2 a for-profit medical practice.

3 The annual cost reports submitted by every rural
4 health clinic have no mechanism for calculating a profit.
5 Medicaid only pays for actual, verifiable costs of caring
6 for Medicaid and Medicare patients. Legitimate costs are
7 such things as salaries for the physicians, physician
8 assistants, nurse practitioners, office staff, and for
9 reasonable overhead like rent, mortgage or equipment.

10 Last, I want to make clear that the corporate status
11 in no way affects the payment to rural health clinics
12 because, in many instances, the per-encounter Medicaid
13 costs of caring for patients is lower in for-profit rural
14 health clinics than in nonprofit rural health clinics.

15 Senator Hatch. Mr. Chairman?

16 The Chairman. I would point out that the time on
17 the Republican side has expired.

18 Senator Hatch. If I could add just one comment
19 about the modification.

20 I agree with Senator Grassley. He has correctly
21 pointed out that there is an incorrect reference in the
22 description of the amendment, which appears to be limited
23 to nonprofit rural health centers. Many health centers
24 in rural areas are for profit. And it is my intent that
25 all rural health centers, as defined in the Social

1 Security Act, are included.

2 The Chairman. All right. I accept the
3 modification.

4 Senator Hatch. I agree.

5 The Chairman. Carol?

6 Senator Moseley-Braun. A quick question or
7 comment. Senator Hatch, with this 1 percent, do you mean
8 no less than 1 percent? That is not a ceiling, is it?

9 Senator Hatch. That is right.

10 Senator Moseley-Braun. No less than 1 percent?

11 Senator Hatch. That is right.

12 Senator Moseley-Braun. In that case, I hope it
13 does not jinx the amendment, but I strongly support it.
14 I think it is a very good idea.

15 Senator Hatch. Thank you.

16 The Chairman. I would join the distinguished lady,
17 and say that I think ----

18 Senator Moseley-Braun. I would like to be a
19 cosponsor.

20 The Chairman. I think it is a good amendment. I
21 would be happy to accept it. Is there any further
22 comment?

23 Senator Chafee. Mr. Chairman, could I just say
24 that I do not think there is a better deal for medical
25 service existing in our country than the community health

1 centers. So this is a really good amendment.

2 The Chairman. That has been our experience in
3 Delaware too.

4 Those in favor, please signify by saying aye.

5 (A chorus of ayes)

6 The Chairman. Opposed, nay.

7 (No response)

8 The Chairman. The ayes have it. The amendment is
9 agreed to.

10 Senator Dole. Mr. Chairman?

11 The Chairman. Senator Dole.

12 Senator Dole. Let me indicate to my colleagues
13 that the first vote will now be at 10:00 a.m., instead of
14 9:15 a.m.

15 The Chairman. We were going to start here at 10:00
16 a.m.

17 Senator Dole. We will probably have two votes,
18 maybe more, at 10:00 a.m. And we will be here Saturday.

19 Senator Murkowski. If I may make an inquiry, we
20 have a conference with the House that was to start at
21 10:00 o'clock. Do you anticipate two votes, four votes?
22 When would you guess we would be through voting?

23 Senator Dole. It looks now like there will be only
24 two votes. I wish we could have more.

25 Senator Murkowski. So might we be finished by

1 10:30 a.m.?

2 Senator Dole. Yes.

3 Senator Murkowski. Thank you.

4 Senator Dole. Might.

5 Senator Murkowski. Well, that is the best you can
6 do. We might not.

7 Senator Hatch. Mr. Chairman?

8 The Chairman. Yes.

9 Senator Hatch. I apologize for taking more time.
10 But, as you know, I am very concerned about the provision
11 on clinical labs contained in this bill. Your staff has
12 been very helpful to us as we have tried to sort this
13 out. And I have no objection to reducing the level of
14 spending under this category, which I know is your
15 objective as well.

16 I had suggested a provision similar to the Ways and
17 Means bill, which would only freeze updates for lab
18 payments, and include administrative simplifications. So
19 I wonder if you would be willing to have your staff work
20 with mine on this issue prior to floor action, to see if
21 we can resolve that problem.

22 The Chairman. Yes, I will be happy to.

23 Senator Hatch. Thank you, Mr. Chairman.

24 The Chairman. I am glad to cooperate with you.

25 The next is Senator Graham.

1 Senator Graham. Mr. Chairman, this amendment is in
2 the same category as the one I offered a few moments ago,
3 in that it attempts to set a standard by which we will
4 evaluate whether this reform in Medicaid is accomplishing
5 its objective.

6 The standard in this instance is whether it has
7 contributed to avoiding excessive increases in the rate
8 of uninsured persons, uninsured for their health
9 benefits, in the nation.

10 At the current time, there are 41 million Americans
11 who do not have insurance, either in the private sector
12 or they are not insured under a program such as Medicaid.

13 Nine million of those Americans are children. This
14 would provide that if, in any year, the total number of
15 uninsured Americans rose to exceed 45 million, or more
16 than 10 million children became uninsured, then this
17 program would sunset and we would return to the Medicaid
18 program as we have it today.

19 So this is intended to be an amendment that will
20 provide a performance standard. The performance standard
21 is the avoidance of an excessive increase in the number
22 of medically uninsured Americans, and particularly
23 American children.

24 Senator Moynihan. The Senator speaks of the
25 uninsured rate, but he means the uninsured number.

1 Senator Graham. The uninsured number.

2 Senator Moynihan. Yes.

3 The Chairman. Any further comment?

4 (No response)

5 The Chairman. I would oppose this for the same
6 reasons we opposed the earlier one.

7 Would you like a roll call vote?

8 Senator Graham. Yes, I would. Senator Rockefeller
9 wanted to speak on this a minute.

10 The Chairman. Senator Rockefeller?

11 Senator Rockefeller. I am not really sure how to
12 put into words how strongly I think this amendment this
13 amendment, as the previous one should have passed.

14 The comment has been made that, if we do this, it
15 takes away flexibility from the States. And I recognize
16 that the chances of all 50 Governors and all 50
17 legislators, and all 50 departments of health doing the
18 right thing by people is close to 100 percent, because we
19 are, after all, Americans.

20 But I frankly do not think that will happen. I
21 think there has to be a standard. The Federal Government
22 exists at least for some reason, I thought. And in the
23 process of what I consider to be sort of decimating
24 Medicare and Medicaid--children, pregnant women, elderly,
25 disabled and others--it does not seem to me unfair to set

1 up a trigger mechanism by which there is a discipline in
2 the background on the American health care system, which
3 I hold to be very important. And I strongly support
4 Senator Graham's amendment.

5 Senator Bradley. Mr. Chairman?

6 The Chairman. Senator Bradley.

7 Senator Bradley. If I could, I would like to voice
8 support for Senator Graham's amendment as well.

9 We are engaged in what is basically a great
10 experiment here, which is to take a program that has
11 actually improved the health of poor people in this
12 country, particularly poor children, and send it back
13 with virtually no strings attached as a block grant to
14 the States, with the assumption that the result will be a
15 continued improvement in the health of children.

16 It seems to me that the only thing this amendment
17 says is that, if this experiment does not work, and we
18 have an increased number of children who are poor and do
19 not have health coverage, and a sizeable increase in the
20 number of poor people who have no health coverage, that
21 the old system will trigger in because the new system is
22 not doing what it is advertised to do, which is to
23 provide in a new and creative way health care for the
24 poor of this country.

25 So I think it is a very timely and important

1 amendment, and I think a prudent amendment. And I
2 strongly support it.

3 The Chairman. All time has expired on the
4 Democratic side.

5 The clerk will call the roll.

6 The Clerk. Mr. Dole.

7 Senator Dole. No.

8 The Clerk. Mr. Packwood.

9 Senator Packwood. No, by proxy.

10 The Clerk. Mr. Chafee.

11 Senator Chafee. Aye.

12 The Clerk. Mr. Grassley.

13 Senator Grassley. No.

14 The Clerk. Mr. Hatch.

15 Senator Hatch. No.

16 The Clerk. Mr. Simpson.

17 Senator Simpson. No.

18 The Clerk. Mr. Pressler.

19 Senator Pressler. No.

20 The Clerk. Mr. D'Amato.

21 Senator D'Amato. No.

22 The Clerk. Mr. Murkowski.

23 Senator Murkowski. No.

24 The Clerk. Mr. Nickles.

25 Senator Nickles. No.

1 The Clerk. Mr. Moynihan.
2 Senator Moynihan. Aye.
3 The Clerk. Mr. Baucus
4 Senator Baucus. Aye.
5 The Clerk. Mr. Bradley.
6 Senator Bradley. Aye.
7 The Clerk. Mr. Pryor.
8 Senator Pryor. Aye.
9 The Clerk. Mr. Rockefeller.
10 Senator Rockefeller. Aye.
11 The Clerk. Mr. Breaux.
12 Senator Breaux. Aye.
13 The Clerk. Mr. Conrad.
14 Senator Conrad. Aye.
15 The Clerk. Mr. Graham.
16 Senator Graham. Aye.
17 The Clerk. Ms. Moseley-Braun.
18 Senator Moseley-Braun. Aye.
19 The Clerk. Mr. Chairman.
20 The Chairman. No.
21 The Clerk. The ayes are 10, the nays are 10.
22 The Chairman. The amendment does not carry.
23 Senator Rockefeller. Mr. Chairman?
24 The Chairman. Senator Rockefeller.
25 Senator Rockefeller. No. I am not the next

1 amendment, but I will be the next Democratic amendment.

2 The Chairman. Senator Simpson.

3 Senator Simpson. Has my amendment been distributed
4 yet, Mr. Chairman?

5 Mr. Chairman, I hope you will look carefully at this
6 because it is something that I think is important in
7 health care. We are talking about Medicare, and what
8 this amendment I am offering would do is require Medicare
9 beneficiaries to pay a \$15 copayment each and every time
10 they receive physician services under Part B.

11 These copayments would not be applied to a
12 beneficiary's annual deductible, nor would they be
13 considered in calculating the 20 percent current program
14 copayment.

15 Under this amendment, Medigap policies could not
16 cover the \$15 copayment--it must come directly from the
17 beneficiary. Medicare's payment to the provider would be
18 reduced.

19 If I might have your attention, let me share with
20 you that it is my belief, in studying this issue over the
21 years--not to the depth of some in this chamber on both
22 sides of the aisle--but it seems to me that everyone
23 should pay a nominal amount when they receive medical
24 care from a physician.

25 I think that sum should come out of their own

1 personal resources, and Medigap insurance should not
2 cover that, in order that these beneficiaries understand
3 that they are receiving access to the most extraordinary
4 health care system in the world, and that they actually
5 realize that this is a privileged nation in a sense, a
6 privileged population to receive this kind of care in
7 this kind of health care system.

8 The reason that the issue of health care does not
9 really stir the bosom as it should is because 85 percent
10 of the people of America are getting the exact kind of
11 care they want at the moment they want it, and somebody
12 else is paying for it. How can you complain about a
13 thing like that?

14 So this is a provision to provide that there will be
15 a \$15 payment each and every time one would go to a
16 physician to receive access to this extraordinary health
17 care system. I am talking about the price of two movie
18 tickets--that is all--to receive this remarkable
19 nurturing and care.

20 The First Lady and I visited about this many months
21 ago, when she was working diligently on health care. It
22 was something that was originally to be part of that
23 proposal but, perhaps politically, it was not included.

24 And this is a fair and equitable means to effect
25 change in people's behavior. Many of us have talked

1 about it at great length, so I thought we would just try
2 this amendment. All of the payments would go into the
3 health insurance trust fund, to restore it.

4 Remember, when we are all done with this, if we get
5 it all done, which is very unlikely, we can pound our
6 breasts and say that we have saved Medicare from going
7 broke in the year 2002. It will now go broke in the year
8 2007. That does not seem too responsible to me, but I
9 will track along with it.

10 So I think we must change people's behavior when it
11 comes to health care. I believe some people go to the
12 doctor at times when it is very unnecessary. Each time
13 they may have a sniffle, or an ache or pain, or are
14 lonely, or are riddled with anxiety. Those are serious
15 things, but that is not why we should overutilize this
16 health care system.

17 There is much overutilization of the system that
18 could be prevented by people if they knew a simple fact,
19 that they were going to see a modest financial impact if
20 they see a physician. And all payments would go into the
21 health insurance trust fund.

22 To me, that is a small step in the direction of
23 making people more cost conscious. I do not know how
24 else you do it. Nothing else seems to work. It would at
25 least make them question the honest need for additional

1 visits.

2 I am very well aware. I can hear the ringing
3 denouncement of the poor, the wretched, and all the rest.
4 But, ladies and gentlemen, I would rather do something
5 other than watch a system go broke. And I throw it in
6 for what it is worth.

7 Senator Baucus. Mr. Chairman?

8 The Chairman. Senator Baucus.

9 Senator Baucus. Mr. Chairman, I wonder if I could
10 ask the sponsor a couple of questions to see how this
11 would work. As I read it, it would require beneficiaries
12 to pay a \$15 copayment each time they receive physician
13 services under Part B.

14 A lot of questions come to my mind about how it
15 would be administered. One is, does it apply to a
16 physician's service. Let us say that a practitioner is
17 providing some care, and the patient is referred to a
18 specialist. I was wondering how many times the \$15 would
19 apply.

20 Senator Simpson. Well, obviously, once. If you go
21 to the physician, and you are referred on to the MRI and
22 pulmonary, and so on, we are not talking about anything
23 more than the single visit.

24 Senator Baucus. All right. But that gets to the
25 basic question of what constitutes a single visit? It

1 might be a first visit, then a referral, or the patients
2 might come back again for a checkup. It may be related
3 to the first visit, it may not be. What about doctors'
4 visits in hospitals? Does it apply to physician services
5 when he makes his rounds in the hospital?

6 Senator Simpson. It is my intent that it apply to
7 the initial entry. From there on, wherever it goes. If
8 you are at the Mayo Clinic or the downtown clinic in
9 Cody, Wyoming, and you are referred to the radiologist
10 and so on, those secondary ones are not included. It
11 simply includes the initial access to physicians, \$15.

12 Senator Baucus. Would it apply to physician
13 assistants or nurses, or anyone in those categories?

14 Senator Simpson. Physician is the word I am using.

15 Senator Baucus. So it is the physician?

16 Senator Simpson. Yes.

17 Senator Baucus. Thank you.

18 The Chairman. Is there any further comment?

19 Senator Nickles. Mr. Chairman?

20 The Chairman. Senator Nickles.

21 I might say that our time is up on the Republican
22 side, so I would ask that you keep your remarks short.

23 Senator Nickles. I will be very brief. I think
24 Senator Simpson is very courageous for his statement, in
25 is saying that we should have a copyment. Some people

1 think that we are being courageous because we are going
2 to eliminate the subsidy for upper-income, and maybe that
3 is. But I do not know that that would change behavior.

4 I think Senator Simpson's amendment has some real
5 merit to it. I just congratulate Senator Simpson. This
6 may not be a popular amendment, but I personally think we
7 need some copays if we are going to change the behavior,
8 and that is really what he is talking about doing.

9 Again, it is not one that may be real popular, but
10 it could have some real significant impacts. I think if
11 we are close to passing it, we could have some exemptions
12 for lower-income, or at least allow physicians to waive
13 it for lower-income. That is what they did for years.

14 So I compliment my colleague from Wyoming.

15 Senator Hatch. Mr. Chairman, could I just have 10
16 seconds or so?

17 Senator Rockefeller. Is the time remaining on the
18 Republican side by the external or internal clock?

19 The Chairman. I have tried to be generous on both
20 sides.

21 Senator Hatch. Well, if I could just have 10
22 seconds. I know what the Senator is trying to do. He is
23 trying to change behavior, and cause people to realize
24 that you have to pay something. But I am just wondering
25 if the Senator would be willing to reduce that, say from

1 \$15 down to \$5, and that would establish the behavior.

2 I think the Senator's amendment makes a lot of
3 sense. We do overutilize this system because the
4 Government is paying for it.

5 Senator Rockefeller. Mr. Chairman?

6 The Chairman. Senator Rockefeller.

7 Senator Rockefeller. Mr. Chairman, I strongly
8 oppose the amendment. I am fascinated. In fact, it was
9 even suggested to me by somebody in the last 30 seconds
10 that I should not say anything because what was being
11 said on the other side showed the philosophy, the
12 difference between the Majority and Minority. These
13 10-10 ties are not partisan. They are based upon how
14 the two sides genuinely differ with respect to health
15 care. It is a genuine difference, and an interesting
16 one. Three of those who supported the amendment referred
17 in a sense to sickness as behavior--an interesting
18 concept.

19 In other words, if one is poor or old, or if one is
20 sick, or if one has Lou Gehrig's disease or multiple
21 sclerosis and goes to the doctor, the primary assumption
22 is that one goes to a doctor for the purpose of ripping
23 off the Federal Government. I do not think that is the
24 Majority view of people who are sick and feel that they
25 need to go and see a doctor in this country.

1 this is a bad amendment because \$15, when it has to be
2 paid at some frequency in the State of West Virginia, if
3 not the State of Wyoming, is a lot of money. It may be
4 that we will come to that, but we must not come to that
5 in this short-term fix. We must come to whatever
6 solution we do.

7 What Senator Dole has so properly praised is the
8 concept of a commission where we look at all these
9 problems and do it in a reflective manner, not with 10
10 minutes on each side, late at night, when the press has
11 already written their stories and everything has been put
12 to bed.

13 So I would oppose the amendment. I do not consider
14 that most people are exercising behavior when they go to
15 the doctor, I think they are exercising prudence in
16 trying to get care.

17 Certainly there are some who are exercising behavior,
18 but I think they are not the majority. I find it a very
19 interesting argument. Anyway, I would oppose the
20 amendment.

21 Senator Bradley. Mr. Chairman?

22 The Chairman. Senator Bradley.

23 Senator Bradley. Mr. Chairman, let the record show
24 that I saw some members of the press writing when Senator
25 Rockefeller was speaking. So it only shows that a cogent

1 argument even carries the day with the press late at
2 night.

3 My concern with the Senator's amendment is that we
4 already have a co-pay. We have a 20 percent co-pay now
5 for doctors' visits. The fact is, many senior citizens,
6 however, have Medigap policies, have separate
7 supplemental policies, that offset that.

8 There are about 18 percent of seniors who now do not
9 have supplemental insurance; they have to pay 20 percent
10 every time they go to the doctor. Those are obviously
11 those who do not and cannot afford supplemental
12 insurance.

13 My concern with the amendment is that those would be
14 the ones that would simply take it again with another
15 \$15. I think that the thrust of the Senator's amendment
16 is probably well-taken, but I would oppose it for this
17 reason.

18 Senator Conrad. Mr. Chairman.

19 The Chairman. All time has expired.

20 Senator Conrad. Could I just relate to my
21 colleagues, a witness that I had in North Dakota, a
22 doctor, who had practiced 10 years in India, 10 years in
23 England, and 10 years in this country.

24 He related an experience he had in India where they
25 had free prescriptions. He said they had long lines.

1 People were coming, getting their prescription, and going
2 out and selling it.

3 He said they instituted in that country a 25-cent
4 charge to get the prescription. All of a sudden, the
5 lines went a way, they had a much more efficient system,
6 abuse was dramatically reduced. I believe, frankly, that
7 Senator Simpson is on the right track. I think \$15 is
8 too much. That is a lot of money to some folks.

9 But I believe the underlying principle is right. I
10 think people do need to pay something, however modest.
11 Just a modest amount of money would make a difference. I
12 do think the underlying principle is correct.

13 Senator Simpson. May, I Mr. Chairman, because I
14 know the amendment will have a rocky road anyway, but I
15 would amend it to the figure of \$5. I am not doing my
16 work to impress the press; I do not ever get much of that
17 done in my line of work. In fact, I take them on. So
18 that is not why I am doing this.

19 But, I must say, I am fascinated by those who would
20 allow a system to go broke floating on a sea of hypocrisy
21 and babble. That is what I keep hearing, that we should
22 not do this, and we should not do that.

23 So, as the compassion and the milk of human kindness
24 flows over the edge of the dias here, we are going to let
25 the whole thing go broke in the year 2007. To me, that

1 is appalling, truly appalling.

2 So, I get offended by continual references to
3 meanness, and baseness, and venal behavior of those of us
4 on this side. Hopefully we can forget that, or else just
5 check the box that says I am going to do that on every
6 amendment, and then we can get that out of the way.
7 Check here and then move on.

8 The purpose of it is to see that people pay something
9 for the most extraordinary health care in the world. \$5.
10 It will not be covered by their Medigap policy, it will
11 not be covered by their co-payment, and every penny of it
12 will go into Part B health insurance, which will go
13 broke.

14 The Chairman. All time has expired. The question
15 is on the Simpson amendment. Those in favor, signify it
16 by saying aye.

17 [A chorus of ayes.]

18 The Chairman. Opposed, nay.

19 [A chorus of nays.]

20 The Chairman. The nays appear to have it. The nays
21 have it. The amendment is not carried.

22 Senator Simpson. Well, I will ask for a roll call
23 vote. I heard division, or whatever it may be. Let her
24 sink or swim. If we can raise hands, a division would be
25 fine. All those in favor of division? Roll call.

1 The Chairman. All those in favor, please raise
2 their hand.

3 [A showing of hands.]

4 The Chairman. Opposed?

5 [A showing of hands.]

6 Senator Nickles. He voted twice.

7 (Laughter)

8 Senator D'Amato. Mr. Chairman, I want you to record
9 that. You think I am going to vote for that \$5? No way.
10 My mother would string me up.

11 Senator Dole. Let us have a roll call.

12 The Clerk. Mr. Dole.

13 Senator Dole. Let me say before I vote, I think we
14 have reached a basic agreement on this and let us save
15 this long-term stuff for a commission. No.

16 The Clerk. Mr. Packwood.

17 The Chairman. No.

18 The Clerk. Mr. Chafee.

19 Senator Chafee. No.

20 The Clerk. Mr. Grassley.

21 Senator Grassley. No.

22 The Clerk. Mr. Hatch.

23 Senator Hatch. Aye.

24 The Clerk. Mr. Simpson.

25 Senator Simpson. Aye.

1 The Clerk. Mr. Pressler.
2 Senator Pressler. Aye.
3 The Clerk. Mr. D'Amato.
4 Senator D'Amato. No.
5 The Clerk. Mr. Murkowski.
6 The Chairman. Aye, by proxy.
7 The Clerk. Mr. Nickles.
8 Senator Nickles. Aye.
9 The Clerk. Mr. Moynihan.
10 Senator Moynihan. Aye.
11 The Clerk. Mr. Baucus.
12 Senator Baucus. Aye.
13 The Clerk. Mr. Bradley.
14 Senator Bradley. No.
15 The Clerk. Mr. Pryor.
16 Senator Pryor. No.
17 The Clerk. Mr. Rockefeller.
18 Senator Rockefeller. No.
19 The Clerk. Mr. Breaux.
20 Senator Breaux. Aye.
21 The Clerk. Mr. Conrad.
22 Senator Conrad. Aye.
23 The Clerk. Mr. Graham.
24 Senator Graham. No.
25 The Clerk. Ms. Moseley-Braun.

1 Senator Moseley-Braun. Aye.

2 The Clerk. Mr. Chairman.

3 The Chairman. No.

4 The Clerk. The nays are 11, the ayes 9.

5 The Chairman. The amendment does not carry.

6 Senator Rockefeller.

7 Senator Simpson. The amendment does carry, Mr.

8 Chairman, did you say? Ayes were 11; is that what I

9 heard?

10 The Clerk. The nays are 11, the ayes 9.

11 Senator Simpson. The nays. I did not hear that.

12 Senator Conrad. To win we have actually got to get

13 more votes, Alan, on the thing.

14 Senator Simpson. That is right.

15 (Laughter)

16 Senator Simpson. I learned that 30 years ago in

17 this game. You are right. But it was a nice try. Thank

18 you.

19 Senator Rockefeller. Mr. Chairman.

20 The Chairman. Senator Rockefeller.

21 Senator Rockefeller. Senator Graham and Senator

22 Moseley-Braun presented two amendments, both of which

23 failed on a 10-10 tie. One was in relation to infant

24 mortality rate, and the other had to do with the

25 uninsured rate, and I accept their defeat.

1 But I think it is important that we in the Congress
2 have a sense of why these things are happening and to
3 what extent they are happening and how they differ among
4 States. Behavior is different among States. Governors
5 are not always trying to do exactly the same thing, or
6 the right thing.

7 We need to know, particularly with relation to
8 children, the elderly, and disabled what the effects and
9 changes that we are not instigating on the Medicaid
10 program are on health insurance.

11 So I would put up an amendment, which I hope is being
12 passed around, simply that the Congressional Budget
13 Office will prepare an analysis of the changes in the
14 Medicaid program on the health insurance status of each
15 of the following populations: children, the elderly, and
16 the disabled.

17 This study will be made available to the Finance
18 Committee and to the House Commerce Committee on May 15th
19 of each year. If this becomes a problem, and I think it
20 does not need to be offset because it is done by CBO, I
21 think it will provide us, at the very least, with
22 valuable information. I propose the amendment.

23 The Chairman. I would say to my distinguished
24 colleague that I would be willing to accept the
25 amendment. I think it does provide some needed

1 information. For that reason, if there is no objection,
2 would go ahead and accept that amendment.

3 Senator Rockefeller. I thank the Chairman.

4 The Chairman. Senator D'Amato is next.

5 Senator D'Amato. Well, thank you, Mr. Chairman.

6 Mr. Chairman, on behalf of myself and Senator Moynihan, I
7 would like to attempt to address an inequity that has
8 been permitted to exist for a number of years.

9 Under the current law, match rates vary widely. For
10 a minimum of 50 percent--that means a State puts up 50
11 percent of the dollars, the Federal Government puts up 50
12 percent--to as much as 80 percent, where some States put
13 up 20 percent and there is a federal match of 80 percent.

14 The amendment I am proposing would provide that no
15 State would receive a federal Medicaid matching
16 percentage of less than 60 percent. This amendment has
17 no cost effect for the government and it will not change
18 the total federal expenditures.

19 What this amendment will do, though, is to remedy a
20 long-recognized inequity in the current Medicaid formula,
21 while providing greater incentive for the high-spending
22 States to become more efficient. The current matching
23 formula has been criticized by GAO as inequitable because
24 it takes into account only per capita income. I think
25 Senator Moynihan has spoken to this issue quite

1 eloquently.

2 So what it will do, again, is to give those high-cost
3 States an opportunity to maximize savings without costing
4 the Federal Government any additional funds.

5 I know Senator Moynihan would like to speak to the
6 inequity of that formula.

7 Senator Moynihan. I thank my esteemed colleague and
8 friend, and say with some vigor to this committee, is
9 this one Nation or what did we establish in Philadelphia?
10 Since the time of the New Deal, which began in New York,
11 there has been a serious effort by the Federal Government
12 to help the States of the Union with lower incomes.

13 The Hill-Burton Act of 1946 began this formula. It
14 puts algebra into our statutes. We share on the basis of
15 the square of the ratio of State per capita income to
16 National per capita income. For 17 years I have been
17 saying, why not square root?

18 Now, 50 years of this is enough. For example, there
19 are 14 States that pay 50 percent; everybody else gets
20 more. The high-cost States are the States that have
21 invested in medical science and medical care. New York
22 State has 14 medical schools, world-class institutions.
23 And, yes, they cost more because they do so much more.
24 In the end, you know, we are not going out of control on
25 medical care costs.

1 The press reports this morning that for the first
2 time since the records began costs of health care are
3 lower than the Consumer Price Index. They are lower
4 because of advances in medicine. Those advances in
5 medicine are made at the great medical centers of the
6 country. They help everybody, not just in this country,
7 but in the world. When we learn something we learn it
8 for the good of all.

9 The culture of the world changes, the knowledge of
10 the world changes. And if we want to sew it down, cut it
11 back, cut it off, this kind of legislation we are dealing
12 with tonight and tomorrow will do it. At minimum--at
13 minimum--a 60 percent.

14 I am astounded at Senator D'Amato's restraint. He is
15 not someone always known for restraint. Sixty percent
16 seems to me a modest proposal, and I would hope it would
17 have the support of this committee because it would mean
18 so much to the States where the medical education and
19 science in this country is taking place.

20 Senator Graham. Mr. Chairman.

21 The Chairman. Senator Graham.

22 Senator Graham. I would like to ask a mathematical
23 question. As I understand, under the current law if you
24 are a 50 percent State, that means that for every \$1,000
25 of federal funds that you receive you have to put up

1 \$1,000 of State funds so that there is a 50/50 match.

2 Senator D'Amato. Correct.

3 Senator Graham. Now, your amendment does not
4 propose to change the amount of federal funds which a
5 State would receive.

6 Senator D'Amato. That is correct.

7 Senator Graham. So if a State received \$1,000 of
8 federal funds, under your formula what would be the
9 required State match?

10 Senator D'Amato. Instead of it being \$1,000, it
11 would be 80 percent of that. It would be \$800.

12 Senator Graham. So this would have the effect of,
13 instead of ----

14 Senator D'Amato. Providing some incentives for
15 cost-consciousness on the part of the State. It does not
16 affect the allocation to any other State.

17 Senator Graham. I understand that. But would the
18 practical effect not be, first, that there would be
19 \$1,800 instead of \$2,000 available for health care in
20 that State?

21 Senator D'Amato. Let me say this to the Senator. I
22 am using an approximation, but given the amount of monies
23 that we would have received and will not receive, we are
24 facing about a \$23 billion less that we will have to
25 factor in. That is what our State will be looking at.

1 The 60/40 match will give not only New York but the
2 other high-cost States the kind of flexibility that
3 already exists by way of formula where you have a State
4 that gets \$80 and puts up only 20 on an 80/20 match.

5 Senator Graham. Next, would you propose to make a
6 similar 80 percent figure, for instance, let us say a
7 relatively poor State which today, under the formula ----

8 Senator D'Amato. They are protected. We do not
9 affect adversely any of those States that have a higher
10 match. We just simply bring into play a readjustment of
11 a formula that has been antiquated and which Senator
12 Moynihan has spoken so often to that is so out of kilter
13 so eloquently.

14 Senator Graham. The question I am trying to ask is,
15 if there is any rationale to the current matching
16 formula--and I recognize that there is little to defend
17 it--the GAO has criticized it repeatedly and I think that
18 it ought to be fundamentally reformed.

19 But what shred of rationale there is left, are you
20 not effectively saying that the wealthiest States would
21 be in a position of having to make a lessened
22 contribution to get the federal support, but the poorest
23 States would continue to have to make their same relative
24 amount of effort as they are today?

25 Would it not be fair to just say, cut 80 percent in

1 every category, so if you are a 70 percent State today
2 you could reduce your local share by 20 percent, just as
3 the most affluent could reduce theirs by 20 percent, if
4 that is the theory?

5 Senator D'Amato. I think what we are attempting to
6 address here is the formula, because if we were to take a
7 look at the relative wealth of States, we would find out
8 that, instead of being one of the wealthiest as
9 originally envisioned under the Hill-Burton, I think we
10 come out one of the poorest--the 6th poorest--as it
11 relates.

12 Senator Moynihan. Exactly. The 6th highest rate of
13 poverty in the Nation.

14 Senator D'Amato. Of poverty. So that while we have
15 certain areas and certain incomes, a small percentage
16 that has great incomes, we are, as it relates to masses
17 of poverty, 6th highest of the unenviable position, yet
18 we are still working at a 50/50 formula.

19 So all we are seeking here is to have a better
20 opportunity to deal with the fiscal belt-tightening and
21 sacrifices that the State will be called upon to make.

22 The Chairman. The time has expired on both sides.

23 Senator Chafee. Mr. Chairman.

24 Senator Baucus. Mr. Chairman.

25 The Chairman. First of all, Senator Chafee.

1 Senator Chafee. Mr. Chairman, if the method of
2 computing what the State share contribution should be,
3 percentage, then we ought to change it. But that is not
4 what this amendment does. This is a very far-reaching
5 amendment.

6 What it will do is, it will not decrease the Federal
7 Government's contribution, but very substantially
8 decrease the State's contribution and, thus, there will
9 be less money in these States--including my State, for
10 Medicaid, a program that we have already reduced by \$182
11 billion over seven years in this program.

12 Now, the interesting thing is, these objections to
13 the percentages that these States are contributing come
14 from the same States who have chosen to have the highest
15 expenditures via the adoption of the optional services.

16 In other words, in New York, I am quite confident,
17 they have chosen to adopt a whole series of optional
18 services. And if they do not want to do those, cut them
19 out.

20 But I do not think the right approach is here at 9:30
21 in the evening at something we have not spent time on, to
22 suddenly change the maximum formula. And what it is
23 going to do is just mean Medicaid is going to receive
24 less dollars.

25 Senator D'Amato. If I might, Mr. Chairman. I am

1 going to make it very brief. The fact that the Senator
2 would indicate that he is under the impression that this
3 in any way would impact on any other States is absolutely
4 not correct. It is not going to take one penny from your
5 State. And if we are going to give to the governors the
6 ability to manage these programs during tough times, you
7 had better give them the flexibility.

8 What we are saying is, take away that yoke, a yoke
9 that is killing us, that forces us to do dollar-for-
10 dollar, give us some flexibility. And if we do away with
11 the options, we will create some savings.

12 The Chairman. Senator Baucus.

13 Senator Baucus. Mr. Chairman, just a mechanical
14 question here. I am having a hard time seeing how it is
15 not going to affect other States. We have a sort of zero
16 sum game. We have a total amount we are going to be
17 distributing among States in a block grant formula, and
18 if, as a consequence of this amendment some States are
19 getting more, does that not necessarily mean that other
20 States are going to get less?

21 Senator Moseley-Braun. Mr. Chairman?

22 The Chairman. Yes.

23 Senator Baucus. Could the Senator answer my
24 question?

25 Senator D'Amato. This does not impact on any

1 allocable federal dollars that goes to any other States.
2 I would not attempt to do that, because then you would
3 say, look, you are making a way to enrich your State at
4 the expense of ours, and I would expect you to vote
5 against it.

6 What it does do, though, is it gives the governors
7 the flexibility just to effectuate savings. And if we do
8 not have that, we are going to have a crash. It is one
9 thing to ask someone to make a sacrifice, it is another
10 thing not to give them the ability to monitor and reduce
11 their cost expenditures effectively.

12 So if we do away, as the Senator said, with some of
13 these options, why should the State not be able to
14 husband its resources? It still will be required to make
15 contributions far in excess of some others on a
16 percentage basis given on the basis of wealth, but we are
17 saying, let up on this, this system is antiquated and
18 50/50 is not fair and reasonable.

19 The Chairman. Let me ask Roy to answer the
20 question. Does this in any way affect the allocation of
21 any State?

22 Mr. Ramthun. As I understand the amendment it would
23 not actually affect the amount of federal funds that any
24 State receives. It would affect the amount of State
25 funds that a State would have to put up in order to

1 receive the amount of federal funds under the allocation
2 formula.

3 Senator Baucus. And that is the point.

4 Senator Hatch. Mr. Chairman, could I ask a
5 question? Mr. Chairman? Just one question to Roy.

6 The Chairman. One question for you.

7 Senator Hatch. As I understand it, the problem here
8 is that the matching amount, that 60 percent that the
9 Senator would like, varies from State to State based upon
10 poverty. New York is at 50/50, as I understand it, and
11 other States may have higher percentages or lower
12 percentages based on poverty.

13 Mr. Ramthun. It does not vary directly by poverty
14 per se, it varies by the State's per capita income
15 relative to the National average. Certainly per capita
16 income is some measure of a State's poverty.

17 Senator Moynihan. Square of the ratio.

18 Mr. Ramthun. You are correct, Senator Moynihan.

19 Senator Moynihan. It exaggerates the difference.

20 Mr. Ramthun. I would point out that there is
21 already a 50 percent floor on the match rate, which does
22 bring the match rate up for 13 States from a level that
23 would be below 15 percent without that minimum. It also
24 puts an 83 percent ceiling on the upper end of the
25 matching rate, which would bring States down if they were

1 to exceed that under the mathematical calculation that
2 would occur.

3 My quick look at how many States would benefit under
4 the Senator's proposal would be, 25 States would receive
5 a higher matching rate, nine of which are represented on
6 the committee.

7 The Chairman. Senator Moseley-Braun, please.

8 Senator Moseley-Braun. Thank you, Mr. Chairman. I
9 am just trying to clarify and call to the sponsor's
10 attention, in the first instance, under the calculus that
11 was presented to us yesterday, there are essentially fire
12 walls between the States in terms of the amount that they
13 will receive under the formula nationwide. Is that
14 correct?

15 Senator D'Amato. That is correct, yes.

16 Senator Moseley-Braun. All right. So if a State
17 right now has a 50/50 match, under this amendment they
18 could reduce the amount that they pay in order to access
19 the federal share contribution. So if it is
20 \$1,000/\$1,000, a State could kick in \$800 to get that
21 \$1,000.

22 Senator D'Amato. That is correct.

23 Senator Moseley-Braun. But there is nothing to
24 preclude that State from going and spending \$1,200,
25 \$1,500 or \$2,000, they will have accessed their \$1,000

1 from the Federal Government by paying \$800.

2 Senator D'Amato. That is right.

3 Senator Moseley-Braun. So all this amendment does
4 is allow the States quicker, easier access to the federal
5 matching share.

6 Senator D'Amato. That is true, and it gives greater
7 flexibility to our States.

8 Senator Moseley-Braun. Thank you.

9 The Chairman. All time has expired hours ago.

10 (Laughter)

11 The Chairman. So we will proceed with the question
12 on the D'Amato amendment. The Clerk will please call the
13 roll.

14 The Clerk. Mr. Dole.

15

16 The Chairman. Aye, by proxy.

17 The Clerk. Mr. Packwood.

18 The Chairman. Aye, by proxy.

19 The Clerk. Mr. Chafee.

20 Senator Chafee. No.

21 The Clerk. Mr. Grassley.

22 Senator Grassley. Aye.

23 The Clerk. Mr. Hatch.

24 Senator Hatch. Aye.

25 The Clerk. Mr. Simpson.

1 Senator Simpson. Aye.
2 The Clerk. Mr. Pressler.
3 Senator Pressler. Aye.
4 The Clerk. Mr. D'Amato.
5 Senator D'Amato. Aye.
6 The Clerk. Mr. Murkowski.
7 Senator Murkowski. Aye.
8 The Clerk. Mr. Nickles.
9 Senator Nickles. Aye.
10 The Clerk. Mr. Moynihan.
11 Senator Moynihan. Aye.
12 The Clerk. Mr. Baucus.
13 Senator Baucus. No.
14 The Clerk. Mr. Bradley.
15 Senator Moynihan. Aye, by proxy.
16 The Clerk. Mr. Pryor.
17 Senator Pryor. No.
18 The Clerk. Mr. Rockefeller.
19 Senator Rockefeller. No.
20 The Clerk. Mr. Breaux.
21 Senator Breaux. No.
22 The Clerk. Mr. Conrad.
23 Senator Conrad. No.
24 The Clerk. Mr. Graham.
25 Senator Graham. No.

1 The Clerk. Ms. Moseley-Braun.

2 Senator Moseley-Braun. Aye.

3 The Clerk. Mr. Chairman.

4 The Chairman. Aye.

5 The Clerk. The ayes are 13, the nays, 7.

6 The Chairman. The amendment carries.

7 Senator Breaux?

8 Senator Breaux. Mr. Chairman and colleagues, I wish
9 the staff would pass out my amendment. My amendment
10 deals with the Earned Income Tax Credit, which you have
11 all heard a great deal about. I am not sure we all
12 understand it; I know that I do not understand how it
13 affects people as much as we should.

14 My amendment is very simple. It is just the sense of
15 the Senate. It is not legislation, but it is a sense of
16 the Senate that the \$40 billion that this committee is
17 proposing to cut in the Earned Income Tax Credit should
18 not take effect if they increase the number of American
19 families living before the poverty line.

20 Mr. Chairman, I ask all of our colleagues, if they
21 could, to look at the chart. We are all elected
22 officials, and we are all politicians. If you look at
23 the chart, imagine this as an ad in your next campaign,
24 imagine this as a political handout, or imagine your TV
25 screen in your respective States having this on the

1 screen for 30 seconds, or imagine every family in your
2 State that earns \$20,000 or less getting a copy of this
3 chart with an explanation attached to it, because that is
4 what we are really looking at. I think if we think of it
5 in these terms, we are likely to understand what I am
6 trying to express to my colleagues more clearly.

7 This chart says that if you are a single parent,
8 typically a female mother with two children, with an
9 income of \$20,000 in 1996, under the current law you are
10 going to pay about \$400 of tax in a year. That would
11 estimate that that single mother with two children has
12 about \$200 a month in child care expenses and \$250 a
13 month that she is getting in child support from
14 somewhere. She would pay about \$400 a year in taxes.

15 With this committee's cut in the Earned Income Tax
16 Credit, that single mother is going to pay about \$800 in
17 taxes. That is a 100 percent tax increase that we are
18 recommending to that single mother with two children.

19 Take it out for six years to the year 2002. That
20 same single mother with two children, who has only kept
21 up with inflation in her wages, without what we are
22 getting ready to do to her, she would pay \$533 that year
23 in taxes, in income tax and payroll.

24 With what this committee is about to do to her, she
25 is going to pay \$1,580 in taxes. That is a 300 percent

1 tax increase on a single mother with two children. That
2 is also assuming that we enact the \$500 per child tax
3 credit. Why are we doing it to this person? Well, the
4 real answer is so we can pass \$245 billion in tax cuts
5 for people making up to \$250,000 a year.

6 I would suggest we all do a quick survey of our
7 States and find out how many single parents that we have
8 that make about \$20,000 in our States and how many make
9 \$250,000, and imagine this being on a television screen
10 or in a post office box of every family in the State that
11 we all represent?

12 Over the seven years, the last column is very clear.
13 That family, that single mother, would pay \$5,000 more in
14 taxes with what this committee is about to do with the
15 Earned Income Tax Credit.

16 Now, we all have said in speeches time and time again
17 that work is better than welfare, and we have argued
18 about the minimum wage being increased to try to
19 encourage people to work instead of going on welfare.
20 The Earned Income Tax Credit is the best alternative to a
21 minimum wage increase that I can ever imagine.

22 But I think this graphically caught my attention,
23 because I never understood what we were really doing to
24 families by taking away the Earned Income Tax Credit to
25 the tune of \$40 billion over seven years.

1 I think we all had a single mother in our State that
2 makes about \$20,000 a year, maybe as a sales clerk, who
3 wants to work, and we are telling her that we are getting
4 ready to hit her with a 300 percent tax increase in the
5 year 2002, we are increasing it by 100 percent the first
6 year.

7 Is that what we are really all about? Does that
8 encourage work or does that encourage that person to quit
9 the job and jump on the welfare program where she gets
10 Medicaid, food stamps, and other assistance?

11 We are concerned about responsibility and trying to
12 teach people that work is better than welfare. What we
13 are doing in this committee with the Earned Income Tax
14 Credit sends the wrong message.

15 Bear in mind, finally, it is only a sense of the
16 Senate, but I think it is a pretty important sense of the
17 Senate and I think we should all support it. Otherwise,
18 we are all going to be looking at this on a TV screen
19 just as sure as we are sitting here tonight.

20 Senator Conrad. Mr. Chairman?

21 The Chairman. Senator Conrad.

22 Senator Conrad. Mr. Chairman, in preparation for
23 the offering of this amendment by Senator Breaux I asked
24 the Catholic diocese back home for an example of what
25 this means in real life. We talked to the Roman Catholic

1 diocese of Bismarck, which is my hometown.

2 One of the people there told us of one family in
3 particular that lives in Burley County. They have three
4 children, aged five, seven, and nine. It is a two-parent
5 family, where the mother stays home with the children and
6 the father works and earns about \$15,000 a year. The
7 only assistance this family gets is heating assistance,
8 and in the State of North Dakota, I think you can
9 understand that.

10 These people do not want their names known because
11 they are too proud to let anyone know that they rely on
12 the Earned Income Tax Credit. The fact is, these people
13 are working, they are a two-parent family, they are
14 taking care of their kids, and they are proud and they
15 are not getting any public assistance except heating
16 assistance. With the change that we are about to put
17 into effect, they would be cut \$3,070 over the next seven
18 years.

19 Mr. Chairman, as Ronald Reagan said, Earned Income
20 Tax Credit is the best anti-poverty, pro-family program
21 that has come out of Congress, and we ought to support
22 the Breaux amendment.

23 Senator Bradley. Mr. Chairman?

24 The Chairman. Yes, Senator Bradley.

25 Senator Bradley. Mr. Chairman, just so that there

1 would be no misunderstanding, this is not an idea, the
2 Earned Income Tax Credit, that is supported only by
3 people who are interested in individuals making less than
4 \$28,000 a year on kind of humanitarian or moral grounds.

5 I received a letter today from the New Jersey
6 Business and Industry Association and I would like to
7 share with the committee just two sentences. They say,
8 "On behalf of the New Jersey Business and Industry
9 Association, representing 13,850 employers, we urge you
10 to keep the Earned Income Tax Credit as an incentive to
11 help families stay on the job and off welfare.

12 Not only does the EITC help individual families, but
13 it helps the National and State economies by keeping
14 people employed and by helping to prop up the demand for
15 goods and services so by our businesses."

16 So let us make no mistake about this being some kind
17 of welfare policy, this is the opposite of a welfare
18 policy. This is putting people to work so they earn
19 money, buy goods, and employ more Americans.

20 Senator Nickles. Mr. Chairman.

21 The Chairman. The Senator from Oklahoma.

22 Senator Nickles. Mr. Chairman, I wish to say a few
23 things in opposition to this amendment.

24 The Chairman. Sure.

25 Senator Nickles. First, I would just mention to my

1 colleague from Louisiana that Senator Moseley-Braun and
2 myself will probably have an amendment some time that
3 will probably be exempting the first \$6,000 in child
4 support. So, in the information that he has, he should
5 know that.

6 But Mr. Chairman, if we are ever going to balance the
7 budget we have to curtail the growth of entitlement
8 programs, especially those that are growing at a
9 remarkable pace.

10 The Earned Income Tax Credit, in 1990, cost the
11 taxpayers \$6.9 billion, and this year it cost \$23.3
12 billion. It has more than tripled in five years. The
13 maximum benefit in 1990 was \$953. The maximum benefit
14 today is \$3,110.

15 I might mention, under our proposal the maximum
16 benefit next year is \$3,200. In other words, it
17 increases. Present law takes the credit from 36 percent
18 to 40 percent. We keep it at 36 percent, but we do allow
19 it to increase the maximum benefit every year.

20 Under our draconian proposal, where somebody said we
21 were making all these remarkable cuts, we allow the
22 maximum Earned Income Tax Credit to increase every single
23 year. Right now it is \$3,110.

24 I might mention, about 80 percent of that is a direct
25 cash outlay where Uncle Sam is writing a check at the end

1 of the year. It is not reducing somebody's taxes, it is
2 a refundable negative tax credit. It is a check that
3 Uncle Sam is writing.

4 Under our proposal, we allow that to increase up to
5 \$3,800. Present law would allow it to go to \$4,300. I
6 do not think we can find it. That means in the State of
7 Arkansas, probably some 40 percent of the people would be
8 eligible for this credit; in the District of Columbia it
9 is over 40 percent, and in some States it is over that.
10 So, we are talking about a program where Uncle Sam is
11 writing a check.

12 We have to reduce the rate of growth of this program,
13 and that is what we have done. We allow the base to
14 increase, we allow the maximum benefit to increase. It
15 increases at a slower rate than proposed under present
16 law. So, I would urge my colleagues to not approve the
17 amendment.

18 I might mention, we also say that we should count
19 more income. We should count tax-exempt interest. Right
20 now, somebody could have income of \$50,000, have some of
21 it tax-exempt, not count, and still qualify for the
22 Earned Income Tax Credit. It does not make sense.

23 The Chairman. Time has expired on both sides. The
24 Clerk will please call the roll.

25 Senator Simpson. May I ask a question, Mr.

1 Chairman?

2 The Chairman. Yes, Senator Simpson.

3 Senator Simpson. Was the Earned Income Tax Credit
4 ever intended for people without children?

5 The Chairman. No, it was not. It has always been
6 only for those families with children, at least one. The
7 maximum pay is based on two children. It was only last
8 year or two years ago, I think, as part of the budget,
9 that President Clinton proposed, and Congress adopted
10 this proposal, extending it to families with no children.

11 Senator Simpson. I see our resource is not there.
12 But my records show me that the present law credit rate
13 for two or more qualifying children is 40 percent, that
14 we will go to 36 percent this year, and go right back to
15 40 percent next year and then keep going up.

16 The Chairman. It does go up to 40 percent next
17 year.

18 Senator Simpson. And if you have one qualifying
19 child it is 34 percent credit rate, present law, and the
20 proposal is 34 percent, exactly the same. Is that not
21 correct?

22 The Chairman. That is correct.

23 Senator Simpson. Then what we are doing is taking
24 off the rolls people who have no children who are
25 students, sometimes, who are lawyers, who are not fry-

1 cooks and people suffering, and that is whom we are
2 trying to direct our attention to; is that not correct?

3 The Chairman. That is correct.

4 Senator Nickles. Mr. Chairman, could I clarify a
5 couple of those responses?

6 The Chairman. Yes.

7 Senator Nickles. In the proposal that we have there
8 is basically no change in the credit amount for
9 individuals with one child. For individuals with two or
10 more children, the credit rate right now is 36 percent.
11 We keep it under our proposal at 36 percent, and present
12 law would allow that to increase to 40 percent.

13 The Chairman. All time has expired.

14 Senator Breaux. Mr. Chairman. They asked questions
15 and I am not sure of the answers. I agree with them from
16 a technical standpoint. Could I not ask Secretary
17 Samuels to come up and respond to the same question,
18 because I do not think the answers were consistent.

19 The Chairman. The time has expired.

20 Senator Breaux. Mr. Chairman, let me ask unanimous
21 consent. They had an opportunity to respond to
22 questions. I do not think the answers are the correct
23 answers. I would ask unanimous consent that the
24 Secretary would have a chance to also give an answer
25 which may differ from the answer which we just heard.

1 The Chairman. Well, I would ask that we keep it
2 relatively brief, but I would be pleased to let you ask
3 some questions.

4 Secretary Samuels. Mr. Chairman, just for
5 historical note, the Ways and Means Committee reported
6 out a bill which provided the Earned Income Tax Credit to
7 workers without children in 1975. It was not ultimately
8 adopted, but it was at the very beginning of the program
9 that that was considered.

10 The Chairman. But when did it become effective?

11 Secretary Samuels. In 1975.

12 The Chairman. No.

13 Senator Nickles. No.

14 Secretary Samuels. The EITC started in 1975.

15 The Chairman. The family with no children came in
16 in 1993.

17 Secretary Samuels. In 1994. But Congress, in terms
18 of the Ways and Means Committee, considered the issue and
19 reported out a bill in 1975. With respect to the types
20 of workers who are receiving the credit--these are
21 workers who do not live with qualifying children--over
22 half are over the age of 35. There seems to be some idea
23 that these are for young people who are in school. You
24 have to be over 25, under 65, and, according to our
25 statistics, half of the recipients are over the age of

1 35.

2 The Chairman. Is it not correct that a student, 24
3 or older, could be eligible?

4 Secretary Samuels. If they are working. This is
5 only a program for people who are working.

6 The Chairman. But in the summer, if they worked for
7 three months, they would be eligible?

8 Senator Bradley. If they make under \$28,000 a year.
9 Actually, it is less for a single worker. I do not see
10 anything wrong with giving a tax break to somebody that
11 makes \$20,000 a year. I mean, what is the matter with
12 giving a tax break to somebody who makes \$20,000 a year?

13 The Chairman. Time has expired. The question is on
14 the Breaux amendment. The Clerk will call the role.

15 The Clerk. Mr. Dole.

16 The Chairman. No, by proxy.

17 The Clerk. Mr. Packwood.

18 The Chairman. No, by proxy.

19 The Clerk. Mr. Chafee.

20 Senator Chafee. No.

21 The Clerk. Mr. Grassley.

22 Senator Grassley. No.

23 The Clerk. Mr. Hatch.

24 Senator Hatch. No.

25 The Clerk. Mr. Simpson.

1 Senator Simpson. No.
2 The Clerk. Mr. Pressler.
3 Senator Pressler. No.
4 The Clerk. Mr. D'Amato.
5 Senator D'Amato. No.
6 The Clerk. Mr. Murkowski.
7 Senator Murkowski. No.
8 The Clerk. Mr. Nickles.
9 Senator Nickles. No.
10 The Clerk. Mr. Moynihan.
11 Senator Moynihan. Aye.
12 The Clerk. Mr. Baucus.
13 Senator Baucus. Aye.
14 The Clerk. Mr. Bradley.
15 Senator Bradley. Aye.
16 The Clerk. Mr. Pryor.
17 Senator Pryor. Aye.
18 The Clerk. Mr. Rockefeller.
19 Senator Rockefeller. Aye.
20 The Clerk. Mr. Breaux.
21 Senator Breaux. Aye.
22 The Clerk. Mr. Conrad.
23 Senator Conrad. Aye.
24 The Clerk. Mr. Graham.
25 Senator Graham. Aye.

1 The Clerk. Ms. Moseley-Braun.

2 Senator Moseley-Braun. Aye. And, for the record,
3 for a single person the cut-off is \$9,230 total annual
4 income. The Clerk. Mr. Chairman.

5 The Chairman. No.

6 The Clerk. The ayes are 9, the nays, 11.

7 The Chairman. The amendment does not carry.

8 Senator Breaux. Can we not apply the Simpson rule,
9 Mr. Chairman?

10 The Chairman. Tomorrow.

11 Senator Chafee. Mr. Chairman?

12 The Chairman. Senator Chafee.

13 Senator Chafee. This is an amendment dealing with
14 the benefit package. Mr. Chairman, let me just say this,
15 that what we have done here under the Chairman's mark is
16 to not require any benefit. I mean, it is totally up to
17 whatever the State wants. Yes, I will correct that. You
18 do require an immunization shot, but outside of that,
19 nothing. The States do not have to do anything.

20 When you think that, now, what is provided for these
21 low-income children, who are we talking about, anyway?
22 We are talking about children who are 11 years down to
23 the age of six years, at 100 percent of the poverty
24 level. They now currently get certain benefits, in-
25 patient, out-patient hospital services, physician

1 services, lab and X-ray, early periodic screening,
2 diagnosis, and so forth. But all of that is wiped out
3 under the Chairman's mark.

4 Now, I believe that for those who are served, there
5 ought to be some minimum benefits, but no one likes to
6 mandate anything on top of the States. So what I have
7 done is said, what the minimum benefit package is for
8 these low-income children is exactly the same benefits
9 that the State requires that insurance companies provide
10 to those private individuals they insure.

11 In other words, if the State says that private
12 insurers must cover children of employees of a factory
13 and those children must receive services A, B, C, or D,
14 and that is what the legislature or the governor has
15 required out of these insurance companies voluntarily,
16 then that is exactly the same type of services that
17 should be made available for poor children in the State.

18 I think it is a very reasonable proposal. It is not
19 mandating anything on top of the States, it is just
20 saying that you saw fit to require the private insurers
21 provide this coverage for children in your State. So,
22 therefore, that is the standard we should apply for low-
23 income children that we are lifting all the other
24 requirements from. So I think it is a very reasonable
25 package. It actually extends beyond just children, it

1 goes to low-income individuals. It is just a mandate.

2 Now, many States have a whole series of mandates, and
3 other States do not have any at all. But for those who
4 do not have any at all, then there would not be any
5 requirement that the State provide such and such coverage
6 for low-income individuals.

7 If the State had a whole series, they saw fit to
8 require the companies to have all these mandated
9 services, then those are exactly the type of services
10 that are provided for low-income individuals. If the
11 State finds they do not like that, then they can change
12 their law.

13 Senator Breaux. Mr. Chairman?

14 The Chairman. Senator Moseley-Braun, first.

15 Senator Moseley-Braun. Thank you, Mr. Chairman. I
16 want to commend Senator Chafee on this amendment. It
17 certainly looks to me as though it is intended to make
18 sure we do not develop a two-tier health care system in
19 this country, health care for poor people and health care
20 for everybody else. It is an eminently reasonable
21 general prescription, and it is not a mandate, as the
22 Senator said. I would support it, and commend him for
23 his effort.

24 Senator Moynihan. Mr. Chairman, I very much agree.
25 The State requirements of the minimum package for

1 insurance are a judgment of what is the minimum health
2 care needed. It is needed for individuals regardless of
3 their condition in life, and Senator Chafee ensures that
4 it will be required and provided for the poor children as
5 well.

6 Senator Breaux. Mr. Chairman?

7 The Chairman. Senator Breaux.

8 Senator Breaux. Mr. Chairman, I am rising in
9 support of the amendment. I think there have been a lot
10 of arguments from some of our Republican colleagues that
11 we ought to block grant everything to the States. If you
12 block grant everything to the States, well, let them do
13 whatever they want.

14 But you have to bear in mind, we spend \$90 billion a
15 year of federal dollars; dollars that are raised in my
16 State that go to New York, New York dollars go to
17 Florida. \$90 billion of federal dollars are going to the
18 States.

19 If the States want to have no minimum standards,
20 well, let them raise all the money by themselves and then
21 they could do whatever they want. They could spend as
22 much, or as little.

23 But do we not have at least a minimum responsibility
24 as federal legislators that sends \$90 billion out to the
25 States, to say, look, States, at least have some minimum

1 standard? You are not saying what you have to do from a
2 maximum standpoint.

3 We do not want to have any standards that the States
4 have to follow. We will let the States raise all the
5 money for the program, and make it 100 percent block
6 grant, 100 percent do what you want to do, 100 percent
7 raise your own money.

8 If we are going to give them \$90 billion, do we not
9 have at least a minimum amount of responsibility that we
10 should require the States to make? That is what the
11 Chafee amendment does, and that is why it should pass.

12 Senator Chafee. Mr. Chairman, I would just like to
13 say that I do not think many of us realize what currently
14 the States are required to do. This is not optional
15 services, this is what we require them to do. The State
16 must cover children five or under, low-income children,
17 up to 133 percent of the poverty level. Now, we are
18 wiping that right out; that is gone.

19 Furthermore, the current law is that children between
20 the ages of 5-11 below 100 percent of the poverty level,
21 we also must cover. It is not optional, we must cover
22 them. Furthermore, we provide, this is a law that has
23 been written by us here that each year the age that you
24 cover goes up by one year until, as I mentioned before,
25 you reach coverage of all children 18 and under. That

1 will be the law in the year 2002. We have wiped that
2 out, out it goes.

3 So I am saying, just like Senator Breaux indicated,
4 we are putting a lot of money into this and we have a
5 right to ask for something. But what I am saying is, we
6 are really not asking anything more than you, the State,
7 require yourselves of private insurers.

8 I think the Senator from Illinois was right; if it is
9 good enough for everybody else, why is it not good enough
10 for these low-income individuals that we are putting
11 money out to, no more than 60 percent, we just voted, of
12 what they have? To me, it is a very fair amendment.

13 Many States do not have any requirements that they
14 make insurance companies cover. Fine. Then they do not
15 have to do that, they do not have to have any coverage
16 for the low-income individuals.

17 Senator Conrad. Mr. Chairman?

18 Senator Rockefeller. Mr. Chairman?

19 The Chairman. Yes, Senator Conrad.

20 Senator Conrad. I would defer to my colleague,
21 Senator Rockefeller, who is seeking recognition.

22 The Chairman. Senator Rockefeller.

23 Senator Rockefeller. Mr. Chairman, I think it is a
24 very good amendment. Again, I think my colleagues make a
25 very fundamental mistake in their lust to see federal

1 responsibility and federal money go to the States.

2 There follows implicitly, without, in fact, any proof
3 whatsoever, that States can do what they want, and in
4 that somehow is implied that States will do the right
5 thing just by nature of having been freed up, to be away
6 from our strictures so that they will do the right thing.

7 I would just simply return to the point I made
8 earlier about six years ago when I looked at one State,
9 where the governor and the legislature decided what
10 eligibility was required for AFDC.

11 The answer was, in that particular State, 17 percent.
12 AFDC is part of Medicaid, part of the Social Security
13 Act. The answer was, you have to be at 17 percent of
14 poverty, which I think is \$13,400 for a family of four;
15 \$700.

16 So let us say, roughly, if you make in that State
17 \$2,400 a year, you would not qualify for Medicaid. Do
18 not tell me that States and legislatures always do the
19 right thing. Do not tell me that governors and
20 legislatures always do the right thing. Some of them do
21 not give a hoot about the Medicaid population because
22 they say they do not vote, or whatever.

23 Then I went back last year and I looked at this
24 State, because obviously this State would have improved
25 its performance. Its performance has gotten worse. It

1 was down to 16 percent of poverty before a family could
2 qualify for AFDC, which is part of Medicaid, which is
3 part of the Social Security Act.

4 So this concept that somehow that States, by
5 definition--I have been a governor--do the right thing,
6 legislatures do the right thing, set the right standards,
7 is wrong. Many of them will not.

8 Many of them will take advantage of you and will
9 embarrass you and your vote, which is not really very
10 consequential, but it surely is in terms of the effect on
11 people in some of your States. So, I think the amendment
12 is an excellent one, and I hope it passes.

13 Senator Conrad. Mr. Chairman?

14 The Chairman. I think the time on your side is
15 almost out. Senator Conrad?

16 Senator Conrad. I would just say, at some point
17 block grant becomes a blank check. We crossed the line
18 on a principle that I think is fundamental, that is, the
19 obligation for raising money goes with the responsibility
20 for spending money.

21 If the Federal Government is going to raise the money
22 and just flush it out there and let the States spend it
23 any way they want, then sign me up for the Breaux
24 principle. If that is the way the States want to
25 operate, let them raise the money.

1 But I think it is just fundamentally wrong to have
2 the Federal Government raise money and turn it over to
3 the States and let them spend it any way they want. We
4 have seen the results of that in the LEAA program, which
5 turned out to be a profound embarrassment. I hope we
6 support the Chafee amendment.

7 Senator Chafee. I just want to make one thing
8 clear.

9 The Chairman. All right. Go ahead.

10 Senator Chafee. That is, I am not mandating
11 anything to every State to do something uniform; not at
12 all. I am leaving it up to each State to do as it wants.
13 All I am saying is, if the State sees fit to mandate
14 itself that insurance policies must cover--not can, but
15 must--A, B, C services for children, then those are the
16 same services that the State will provide, must provide,
17 under those individuals that they choose to cover under
18 Medicaid.

19 Senator Bradley. Mr. Chairman, I have not heard
20 anybody argue the other side of this. Is anybody against
21 this, or should we just move to adopt it?

22 The Chairman. No. I think the same arguments that
23 were made against the earlier Chafee amendment are
24 appropriate in respect to this one. What this proposed
25 amendment does is to establish a mandate on the States.

1 It is a reversal of the reform we are trying to bring
2 about, giving flexibility to the States. The governors
3 have come to Washington and assured us that, with
4 flexibility, they can do a better job with less money.

5 The problem today is that there are so many rules,
6 regulations and mandates that vast amounts of money are
7 wasted. What we are seeking to give is flexibility. It
8 is key to the reform. For that reason, I urge defeat of
9 this amendment and I would ask the Clerk to call the
10 roll.

11 Senator Simpson. May I ask a question, Mr.
12 Chairman?

13 The Chairman. Yes, Senator Simpson.

14 Senator Simpson. Just so I understand it, are you
15 really saying that whatever the State has mandated under
16 its Medicare activities will be the same minimum level of
17 benefits for Medicaid?

18 Senator Chafee. No, no. What I am saying is, the
19 States mandate certain services must be provided under
20 insurance policies in the State for health care.

21 Senator Simpson. For Medicare.

22 Senator Chafee. No, no. It has nothing to do with
23 Medicare, just health care policies. They say in our
24 State, for example, the podiatrist will come in, Blue
25 Cross and all health care plans in the State must cover

1 podiatry services, and everybody votes for it.

2 All I am saying is, if it is good enough to be
3 mandated in the State to apply to all health insurance
4 policies, then those same services should be provided.
5 We are trying to get some idea of what services should be
6 provided to the Medicaid population. If the State does
7 not want to do that, fine, they can change that.

8 The Chairman. The Clerk will call the roll.

9 The Clerk. Mr. Dole.

10 The Chairman. No, by proxy.

11 The Clerk. Mr. Packwood.

12 The Chairman. No, by proxy.

13 The Clerk. Mr. Chafee.

14 Senator Chafee. Aye.

15 The Clerk. Mr. Grassley.

16 Senator Grassley. No.

17 The Clerk. Mr. Hatch.

18 Senator Hatch. No.

19 The Clerk. Mr. Simpson.

20 Senator Simpson. No.

21 The Clerk. Mr. Pressler.

22 Senator Pressler. No.

23 The Clerk. Mr. D'Amato.

24 Senator D'Amato. No.

25 The Clerk. Mr. Murkowski.

1 Senator Murkowski. No.
2 The Clerk. Mr. Nickles.
3 Senator Nickles. No.
4 The Clerk. Mr. Moynihan.
5 Senator Moynihan. Aye.
6 The Clerk. Mr. Baucus.
7 Senator Baucus. Aye.
8 The Clerk. Mr. Bradley.
9 Senator Bradley. Aye.
10 The Clerk. Mr. Pryor.
11 Senator Pryor. Aye.
12 The Clerk. Mr. Rockefeller.
13 Senator Rockefeller. Aye.
14 The Clerk. Mr. Breaux.
15 Senator Breaux. Aye.
16 The Clerk. Mr. Conrad.
17 Senator Conrad. Aye.
18 The Clerk. Mr. Graham.
19 Senator Graham. Aye.
20 The Clerk. Ms. Moseley-Braun.
21 Senator Moseley-Braun. Aye.
22 The Clerk. Mr. Chairman.
23 The Chairman. No.
24 The Clerk. The ayes are 10, the nays are 10.
25 The Chairman. The amendment does not carry.

1 The committee will recess for 10 minutes.

2 [Whereupon, at 10:08 p.m., the meeting was recessed.]

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10 AFTER RECESS

11 (10:29

12 p.m.)

13 The Chairman. The committee will please come to
14 order. After meeting with Senator Moynihan, we have
15 decided to recess tonight until 11:00 in the morning.

16 We are asking that the staff stay here to try to work
17 out some more of the amendments. I would point out that,
18 while we have been working steadily, we have only
19 disposed of 12 amendments so far and we have another 40-
20 50 to consider tomorrow, and perhaps Saturday.

21 So we do hope that staff will stay and some progress
22 can be made. As I say, the committee will come back
23 tomorrow roughly at 11:00.

24 Senator Moynihan. Mr. Chairman, all the members of
25 the committee agree; the staff has, necessarily, other

1 views. We will try to have a list for you, as much as we
2 can, of amendments on our side in some sequence we would
3 like to take them up.

4 I think it is possible that we will have a
5 considerable number of amendments that will have
6 basically been agreed to, and the members will have seen
7 what the staff has done, and there will be a lot of
8 progress.

9 The Chairman. I hope so. Thank you for your
10 cooperation.

11 The committee is in recess.

12 [Whereupon, at 10:30 p.m., the meeting was recessed,
13 to reconvene at 11:00 a.m. on Friday, September 29,
14 1995.]

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