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EXECUTIVE SESSION

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TUESDAY, MARCH 25, 1980

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United States Senate,

Committee on Finance,

Washington, D. C.

The Committee met, pursuant to notice, at 10:20 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long, Chairman of the Subcommittee, presiding.

Present: Senators Long, Talmadge, Ribicoff, Baucus, Dole Packwood, Chafee, and Durenberger.

The Chairman: The Committee will come to order.

Let me see now. The first item on the agenda is the implementation of the Sugar Agreement. The Chair calls on the Senator from Hawaii, Mr. Matsunaga.

Senator Matsunaga: Thank you, Mr. Chairman.

As the Chairman of the Subcommittee on Sugar and Tourism, I move that we report H.R. 6029 without amendments favorably to the floor. In support, Mr. Chairman, may I make a brief statement?

The Chairman: Yes, sir.

Senator Matsunaga: The expiration of the Sugar Act of 1948 as it had been amended over the years on December 31, 1974, marked the end of an era of more than 40 years during

which the sugar producers and refiners enjoyed a period of relative stability, the Industrial users and consumers enjoyed adequate supplies of sugar at reasonable prices, employment was secure for more than 100,000 members of our labor force and developing countries received revenues for their own development and security from their sugar exports to the United States.

Sugar, under some form of control and support in every foreign sugar producing country, has been under our governments' regulation since 1979 when the First Congress enacted the first tariff on sugar imports principally as a source of revenue. We needed the money at that time.

The depression of 1929 drove home the point that tariffs alone could not be the sole tool to regulate sugar supplies. In 1934, the Jones-Costigan Act amended the Agricultural Adjustment Act to include sugar as a basic commodity under the general farm program; and the U.S. Sugar Act of 1937, which embodied the basic principles of the Jones-Costigan Act, was signed into law in that year and it served the needs of our country until the Sugar Act of 1948 came into being.

After the expiration of the Sugasr Act of 1948, efforts to restore some stability for sugar were included in the de la Garza amendment to the Food and Agriculture Act of 1977 (P.L. 95-113) with respect to price objective and a loans program; but this was applicable only for the 1977 and 1978 crop years.

We now have no positive program to provide stability for domestic sugar production and use.

The International Sugar Agreement -- ISA -- which became effective on January 1, 1978 was signed by Ambassador Young on December 9, 1977 on behalf of the United States. In the words of Secretary of State Vance, "The 1977 International Sugar Agreement is a significant step forward in the cooperation of sugar producing and consuming countries and represents a fair balance of U.S. producer and consumer interests."

H.R. 6029 which the House passed by a vote of 367 to 30 on March 11, 1980 does not, in any way, involve a domestic sugar program. It is merely an implementing bill that permits the President to carry out our obligations under the ISA, the ratification authority of which was passed by the Senate on November 30, 1979 by a vote of 80 to 11. With recent rising prices, reserve sugar stocks have been released by the exporting countries resulting in some lowering and a leveling off of prices. With this first test it appears that the agreement can and will function as expected.

Sugar is the only major commodity in the United States without some domestic stabilization program. Something must be done about this in the future; but in the meantime, the ISA is the only measure we have which will provide interim stability for both domestic producers and consumers.

I strongly urge the reporting of H.R. 6029 for these

reasons.

The Chairman: Is there any further discussion?

Senator Baucus: Mr. Chairman?

The Chairman: Yes, sir.

Senator Baucus: Mr. Chairman, I would like to ask the administration what the present administration view is on whether or not it is going to support other sugar producing countries as to minimum and maximum prices.

This bill does not affect the domestic industry directly, bu the present minimum and maximum was set in 1977.

Most producing nations are advocating the 2 percent increase minimum up to 13 cents, maximum 23 cents. It is my understanding that the administration at first agreed to that position but now is backing off.

I am curious as to what the present position is. They are currently in London trying to negotiate new agreements now.

I am curious, since the U.S. is both a producing and a consuming nation, whether or not the U.S. is going to support other producers at the 2 cent increase.

Mr. Truran: Yes, sir.

My name is James Truran. I am on the staff of the United Stats Trade Representative's office and I work with sugar and other agricultural commodities. Regarding the 2 cent price increase, the administration feels it is too high. We

feel it is out of line and we will not support it.

Senator Baucus: Since 1977, you do not think a 2 cent increase makes sense?

Mr. Truran: The International Sugar Agreement does contain several provisions that call for review of the prices including world economic conditions, inflation, exchange rate changes, cost of production and cost of alternative sweeteners, and also as you mentioned, here in the United States we are both a major producer and consumer of sugar.

Putting all of these factors together, we feel that 2 cents is not in the best interests at this time.

Senator Baucus: Mr. Chairman, I am not going to oppose the bill at this point, but I am going to be watching this very closely because I think the administration can do more, frankly, to protect American producers.

When the bill reaches the Floor, I may take a contrary position.

Thank you.

The Chairman: Any further discussion?

All in favor say aye.

(A chorus of ayes.)

The Chairman: Opposed, no?

(No response)

The Chairman: The ayes have it. The bill will be reported.

Now we will continue with the health legislation.

Mr. Constantine, what decisions do you need from the committee now as to how this bill can be written?

Mr. Constantine: Mr. Chairman, you have essentially finished work on the catastrophic portion of the bill. We would suggest at this time you go into the low income segments to discuss and understand a variety of the possible alternatives available to you and, following that, after you have decided what, if any, benefits are to be provided and to when and by whom, you will then go into various cost control alternatives which would be applicable to the provision or payment for those benefits.

That way you get the package in order.

The Chairman: All right.

Let me make it clear that my thought about this is when we decide what type of program we would like to have, we will then have to decide and take a look at what it would cost and then we would have to decide at that point whether to make it voluntary or not, because obviously if it is a voluntary program it does not cost near as much as if it is involuntary.

We do not need to cross that at the moment. We could take a look at the low-income provisions with the understanding that with regard to this, we are only going to provide such part of it that we can find the money to pay for it. The money is not in the budget.

We could push matters off into future years, but whatever we do it is going to have to take the chances along with other spending items to see how much we can afford to do.

I think in some of these low income areas there are definitely areas that we have to act on, no matter what we do about the catastrophic end of it.

Why do you not go ahead and then tell us?

Mr. Constantine: I should also point out, Mr. Chairman, that Senators Ribicoff, Bradley, and I know I am missing someone in there, have developed -- and Moynihan and Senator Baucus as well -- have developed another low income alternative approach which is not dissimilar in thrust to the administration's approach, or to a possible option that the staff has outlined in terms of defining the people who are in need, the gaps in the low income area and a phased in approach.

I think all of the approaches have a phasing in of various population segments.

Regardless of what you do in that area, once you determine the order of priorities, if you want to do that, you would then have the question of how much does it cost and who should be covered and when, and at what point in time.

I think Dr. Mongan probably rewired this just a few minutes ago. Jim can give you a good description of the gaps in the present coverage in the low-income basis on a

nonpartisan, reasonably objective basis.

Mr. Chairman, if that is satisfactory, we could do that.

The Chairman: All right.

Dr. Mongan: As Jay indicated, there is a fair amount of consensus on the definition of the problem, if you will, at least between ourselves and Senators Moynihan, Ribicoff, and some of Jay's own thinking. As we look at the low income population there are really three major gaps that have geen identified.

One is the fact that the current Medicaid program only covers welfare type families so it does not cover whole chunks of the poor, the noncategorically linked, singles, childless couples and intact, working poor families who do not qualify for AFDC.

So that the first gap if you will, is the categorical link. The fact that there are whole groups that are uncovered.

The second problem is that about half the states do not have what we call a spin-down. That means whatever your eligibility level above that -- say the eligibility level in a state is $3,000. If an eligible family has $3,100 of income, if you have a spin-down after you spend that $100, you are eligible for coverage.

If you do not have a spin-down, a very bad situation ensues. If you get income that puts you right over the

eligibility level to $3,400 you could have $2,000 in medical expenses and not be eligible.

So we are faced with this horrible situation where people get an increase in some other kind of benefit or payment and they just go over the eligibility level and lose their Medicaid.

So the second major problem is the lack of a spin-down throughout the country.

Then the third problem is the fact that the eligibility levels vary quite dramatically from state to state in terms of what is defined as poor. We have proposed, for example, putting a minimum eligibility level of 50 percent of the poverty line, 55 percent of the poverty line. Senators Ribicoff and Moynihan want to go a little higher than that to 75 percent of the poverty line.

Basically you have these three holes, that whole chunks are covered by the categorical link and half the states do not have a spin-down and the fact that you do not have any minimum eligibility standard.

I might say one other word. We might as well get the magnitude of this problem out in front right at the outset. Basically to fill all of those three holes we estimate you are looking at expenditure. Again, you could phase it in over time. To fill those three holes, you are looking at an expenditure, probably of somewhere from $9 billion to $12

billion -- $9 billion if you really define it more tightly, 50 percent of poverty instead of 70 percent, and that is the major difference, I think.

Those are the three holes. That is a rough order of magnitude.

The childless couples have a price. The intact families have a price. The mothers have a price. The spin-down has a price.

Mr. Constantine: I should point out that there is a disagreement as to cost estimates. We think virtually all the estimates are understated. The inflation rates are somewhat unrealistic based upon what has occurred.

The estimates that the administration has for its proposal are based on 1980 dollars and 1980 population, I believe, or coverage that would be phased in 1983, 1984, or 1985.

We think realistically those have to be adjusted.

The Chairman: We had them here and I guess we could go back and get them. I think it would be good if we had available for reference some of those charts that the Secretary of HEW, Mr. Califano had, when he started out, showing how much money in medical care was being paid by the government, how much is being paid by private enterprise, and so forth.

Can you tell us, for example, how much is being paid for

Medicare and how much -- do you have that somewhere?

Mr. Constantine: Yes, sir. We have a chart here.

The Chairman: Where is it?

Mr. Constantine: It is called Medicare and Medicaid program data.

The Chairman: Is it in this folder?

Mr. Constantine: Yes, sir.

The Chairman: What is it?

Mr. Constantine: Unfortunately it does not have a letter number or anything else. It has information over a four-year period on Medicare costs and Medicaid costs and number of people and benefits.

The Chairman: That thing on page 6, costs of possible phased-on low-cost alternatives?

Mr. Constantine: It is a separate two-pager.

Senator Ribicoff: What is it called?

Senator Baucus: Medicare and Medicaid program data.

The Chairman: This is cost of Medicare.

Mr. Constantine: Page 3 has Medicaid.

The Chairman: Page 3? Well, Secretary Califano, in the beginning, had some charts. He showed how much the government was spending on medical programs, the Federal government. Could you tell me how much that is?

Dr. Mongan: We are trying to find a copy of that chart, Senator. I recall having carted it around the Hill for some

weeks there.

The Chairman: He showed us the Federal government is paying $70 billion.

Mr. Constantine: $75 billion, something like that.

Dr. Mongan: On that order.

The Chairman: The Federal government is spending $70 billion. Do you recall how much money -- that is all government. Do you recall how much the states were paying?

Does that $70 billion include what the states are spending?

Dr. Mongan: No, sir.

The state spending is in addition, of course, to what the states have for Medicaid. They have very substantial amounts that are not state and local governments, public payments, which are not meant to go with Federal funds -- that is, county hospital systems, state hospitals, mental hospitals in the main are run with state funds. Many of the Health Department programs are run with public money. They spend a fair amount.

Dr. Mongan: Senator, we have the numbers now. I am sorry it took us awhile.

The Chairman: Can you give us that chart you had?

Dr. Mongan: In fact, the most recent would be the total health expenditures. This would be for '78, but I will give you the proportion -- $192 billion total, $114 private, $78

billion public expenditures and of the $78 public, it broke down $53 billion Federal and $24 billion state and local.

The Chairman: $53 billion Federal and how much, $24 billion?

Dr. Mongan: $24 billion state and local.

The Chairman: $24 billion state and local.

Dr. Mongan: That is '78.

Mr. Constantine: Yes, sir. That has increased substantially since then.

The Chairman: The percentages should remain pretty much the same.

Dr. Mongan: Yes.

The Chairman: That $114 billion private, how much of that is paid by insurance companies?

Dr. Mongan: About $59 billion of that is paid for by private insurance.

The Chairman: $59 billion private insurance.

So just by my arithmetic, that leaves you $55 billion then, fee for service?

Dr. Mongan: Out-of-pocket direct payments.

The Chairman: Fee for service type thing.

Does that include prescriptions, cold pills that people buy?

Mr. Constantine: Aspirin and everything.

The Chairman: Aspirin tablets and all the rest of it.

Mr. Constantine: Yes.

The Chairman: With these figures we are talking about, if you take this $9 billion to $12 billion, does that come out of the $55 billion or is that something that they are just not getting?

Dr. Mongan: Senator, that comes out of three places. A portion of that is services they are not getting; a portion of it comes out of current local expenditures, people going to county hospital and it is in the local property tax base, and a portion of that comes out of hospital bad debt. They are being picked up as bad debts in private facilities.

So it comes out of really those three places.

The entire $9 billion to $12 billion is not additional expenditures.

Senator Ribicoff: Could you give us an idea of how much of this would be additional expenditures that are not now being made by some agency or another?

Dr. Mongan: Senator, there are not very well-refined numbers in that area. A rough guess would be one-third, one-third, one-third from the three sources I mentioned.

The Chairman: A third of it they are not receiving?

Dr. Mongan: Services people are not getting.

Senator Ribicoff: They are not getting.

The Chairman: Another third of it you estimate is bad debts?

Dr. Mongan: That is correct. In regular community hospitals, charity.

The Chairman: The other third would be state and local?

Dr. Mongan: Local government. They go to D.C. General or something of that sort.

The Chairman: Well now, in the earlier figure, you had the $24 billion state and local. That is in addition to that $24 billion?

Dr. Mongan: That is included within that $24 billion.

The Chairman: I see. It sounds like it is a half and a half then. If that one-third is being paid by local government, you count that up in the $24 billion that the state and local government is supposed to be paying.

Dr. Mongan: That is correct. That portion will be an offset against current state and local expenditures.

The Chairman: All right, then.

It sounds then like half of it, what you have out there, that $9 billion to $12 billion you are talking about, either service or not getting their bad debt, and I guess the bad debts are being picked up somewhere. They are being picked up by private hospitals as well as public hospitals -- charity and stuff like that.

It has to be something that is going to be paid by somebody.

Dr. Mongan: By and large it is going to be loaded in the

private insurance policies, Blue Cross, Aetna, Prudential pay the hospital. A portion of that payment goes to pick up bad debt.

The Chairman: It is already being covered, that part is already being covered then?

Dr. Mongan: That part is already being financed, that is correct, yes.

The Chairman: In the last analysis, it seems to me if we find somewhere to pay for the bad debt part of it, we are just taking it out of one pocket and putting it in the other pocket. Apparently the service is being provided and the cost is being put on the other patients.

So we are just finding a way to pay for something which would reduce the cost of the insurance policies and the solvent fee for service customers.

Apparently it is only this part you are talking about where the people are not getting the service. That is the only area where apparently we are trying to get help to the people.

That is the only area where they are not getting it. It is natural for people going in, having some dignity, asking for it that it is going to be paid for, then putting it on the cuff and never paying it.

Dr. Mongan: That is correct. The most direct impact is the services they are not getting. The second most direct

impact, as you pointed out, is being able to get it with some dignity rather than on the cuff.

Of course, the third is many of the -- unfortunately all too often, many of the local hospitals, public hospitals, are not at quite the same standard as many of the community hospitals are, so there is a certain amount of second-class care, shall we say, that you would alleviate if it were spread more evenly.

Mr. Constantine: Mr. Chairman, it cuts a little bit. There is a lot of first-class care being provided, for example, in hospitals which are not medical centers. And a number of the states, for example, have pointed out the problem with the freedom of choice under Medicaid, for relatively simple procedures -- minor surgery which could be performed anywhere -- and where in the Medical Center they have to pay because of the freedom of choice provision two and three times what they pay in another fully accredited hospital in that same area.

Now, we are not talking about a substandard institution, so what you would in effect is also have some shifting. If people, for example, who would get care in the county hospital, in a county hospital today which may or may not meet standards, in many cases it should be shifting over to perhaps more costly facilities because of that, so there is an additional cost factor involved as well there. That is one

that you have assumed in Medicaid.

I am simply pointing out that that is a problem that a number of states have raised with us today.

While these people are receiving the care today, they probably would receive at least some substantial proportion of that in higher cost settings if it were paid for.

The Chairman: All right. I think I have that straight in my mind.

So the question is, how much of that do we want to try to pay for by providing additional service on the low income, right?

Mr. Constantine: Yes, sir.

Mr. Chairman, there is another basic issue that I suspect that you would have to address in the question of defining low income and eligibility. One approach, which the administration takes, is a national standard of 55 percent of poverty. The Ribicoff-Moynihan-Baucus-Bradley or Bradley-Baucus bills use 70 percent of poverty as a national standard as opposed to one option that we had -- I am not going to belabor it -- using the state standards of eligibility rather than a national standard.

The other issue is in both the Ribicoff and the administration proposals, the poverty levels are indexed so that -- Jim, correct me if I misstate -- they are indexed so they adjust automatically, presumably annually with changes in

levels, and using the state standards approach, the levels of eligibility may or may not change in accordance with what the state determines is feasible and appropriate under its Medicaid program.

Those are issues. We are not taking a position one way or the other. We are simply pointing out those are distinctions between the approaches which the Committee should be aware of.

One point we also should make with respect to the proposal which Senators Ribicoff and others have offered is that in fact it eliminates the assets test that now applies in Medicaid at least for the new eligibles -- that is the people who are not categorically related. The aged, blind, disabled, broken families -- they would not have to meet an assets test. They would meet an income test.

However, there is no discussion as to whether the people who are categorically eligible for Medicaid would still have to continue meeting an assets test. So that would be another decision as to whether you want to eliminate the assets test for Medicaid generally or under certain circumstances.

Senator Ribicoff: To me, Mr. Chairman, I think that we have a basic problem and the basic problem that maybe we ought to be deciding first is how far can we go before we decide how far do we want to go. There may be restriction on us far beyond our ability to deliver -- in other words, with the

budget restraints, what are we going to be allowed to work with, if anything, then really you are going to have to cut the program to fit whatever costs we have, Mr. Chairman. All of us would have to be flexible, considering what the restraints there will be upon us.

The Chairman: We definitely are going to have to try to adjust the dates, cut the costs to fit the pattern, and see how much we have to work with.

I would think that some states, I guess there are a lot of examples. You have had a programs for many many years in my state, as an example, long before the Federal government got in the field at all. The state had a program where they took care of the poor and they did not have a very tight eligibility standard for people to get service.

Now if you have a limit on how much you can spend, Louisiana would probably say, let us have our share of the money and we will take care of it based on what we have to work with. If that would be the case, they probably would say, unless you want to pay for it, do not pick some standard that we do not have the money to pay for. If we have the money, we will take care of it. We will look after people. But we do not want you fixing a standard unless you are ready to pay for it.

In any event, we certainly do not have the money to pay for it this year. So whatever we do in that area -- I guess

what we are going to have to do is just think in terms of how much more do you want to provide and where do you want to put it?

For example, one of the most meritorious situations had to do with these elderly people when they have exhausted their 60 days. After that, they pay one quarter -- for how much?

Mr. Constantine: For an additional 30 days.

The Chairman: An additional 30 days.

After that, they do not get any help, is that right?

Mr. Constantine: Other than that they have 60 lifetime preserve days for which they pay 50 percent, which is $90 a day for those 60. Once those are gone, that is it.

The Chairman: Right.

Senator Ribicoff: Mr. Chairman, are we going to face up to the question of whether we are gong to provide the money or whatever we need to start this up? Honestly, if we do not do that, we are spending an awful lot of valuable time -- you especially, Mr. Chairman. You have got a couple of big fights on your hands that are going to keep you on the Floor and a lot of the other of us, too. If we do not provide the money it is a cinch the Budget Committee is going to knock you down.

Senator Packwood? Is there any question in your mind that there is any chance to go through the Budget Committee with anything if we do not provide the money for it?

Senator Packwood: Yes. In the Budget Committee we heard

the discussion. What the Budget Committee is talking about is spending the budget cuts.

By hundreds, we are talking about $25 billion in spending cuts. You recall the problem we went through last year trying to trim here and there on the budgets that were in the Finance Committee's jurisdiction. Last year is not going to hold a candle to this year.

I do not know what, because the Budget Committee is not a line item committee, what they are going to recommend in that little footnote that they have on what we cut, but I will make you a bet that we come back someplace having to trim $1 billion to $1.5 billion out of the jurisdiction of the Finance Committee spending.

If we do not have any new monies earmarked for this program, this surely has to be one of the first things that goes. Any new program has to be one of the first things that goes.

Even if we have some money earmarked, we are going to be hardpressed within this committee to decide among ourselves which priorities you want to cut back, which ones you do not want to start.

The Chairman: Well, I am satisfied that we could balance the budget by reducing existing programs. If we had to, I think that we could do our part towards balancing the budget in the areas inside this committee.

But as far as this particular program is concerned, I find no problem voting for a tax if we have to do it that way.

To pay for the kinds of things that we are talking about here with the catastrophic and in the area where you are trying to provide for some additional care of these old people who are not being provided for adequately.

In other words, there was a tradition with the Social Security bill -- we did it with Medicare, we did it with the disability. We have a disability program that is way beyond what we ought to have. We ought to have disability as a more effective program to take care of the handicapped.

You could save enough money out of that to get off and moving in good shape with this program if you substitute a program to encourage employers to hire the handicapped and moved back in the direction of what you had in mind when you passed that disability bill to begin with.

But as far as this part of it is concerned, it does not bother this Senator to vote to pay a tax if we have to. I would be willing to tax something.

For example, cigarettes have been suggested, whiskey. I would not mind suggesting those. I would not mind putting a further health tax on them.

Mr. Constantine: Senator Ribicoff asked us to go back and see what else the staff could suggest. The staff suggests a possibility of a 5 cent increase in the cigarette tax which

would yield $1.5 billion. We also thought that you might want to consider, without the honor attach a 25 percent increase in the Federal tax on distilled spirits which would -- whiskey, in effect -- which would yield another billion.

The Chairman: How much tax would that be?

How much of an increase?

Mr. Constantine: 25 percent.

The effect of that, essentially ---that tax, as I understand it, is on a proof gallon basis. The Federal tax is now $1.60 a fifth without regard to whether you have 80 proof or 86 proof or something and it would bring that up about 40 cents a bottle to $2.00.

Both of those taxes, the cigarette and the alcohol, have not been increased since the 50's. That is what we have been advised.

The Chairman: How much would that bring in?

Mr. Constantine: Close to $1 billion.

The Chairman: All right. So you could find $2.5 billion if you wanted to just on those two items?

Mr. Constantine: The reason that we suggested it was not with great enthusiasm because we recognize the politics of the situation is if you are going to fund with some new revenues you can make a real correlation between cigarette smoking and health care costs and alcohol and health care costs. There is some direct relationship.

Senator Dole: Do you mean it is not good for you?

Mr. Constantine: It depends on the point in time. Are you referring to the tax?

Senator Dole: I know the tax is not good for you.

The Chairman: If you assume, for the sake of argument, that the tax causes you to smoke less cigarettes and drink less whiskey --

Senator Dole: It would do more. You would get nervous about the tax.

The Chairman: If you assume as a result of the tax you drink less whiskey and consume fewer cigarettes, then you are a winner on both ends. You would have better health on the one hand and your illnesses better provided for on the other.

What is wrong with that? You are a gainer.

So we do not produce much tobacco in Louisiana, so I do not have much difficulty explaining my vote on the tobacco issue, if we got around to that.

But it seems to me that we are talking about people dying for lack of care and we are talking about poor people, pitiful cases who are not being paid for, and it does not bother me to vote whatever it takes to pay for it.

I think that we cannot do it all immediately. It would have to be done by degrees, anyway, but to vote for something that would help -- if worse comes to worse, if we cannot do it by economizing on other things, it seems to me as though it

would not bother me to vote for that.

Mr. Constantine: I think Dr. Mongan, Mr. Chairman, has indicated to us that the administration is opposed to an increase in the cigarette tax. Is that correct, Jim?

Dr. Mongan: Thank you for asking, Jay.

Speaking as a physician and somebody with a long-time interest in health issues, I guess I personally can see a good deal of merit in it but at the same time, I must say it is the Treasury Department which has the final say on the administration position and it is my understanding that they do not favor the cigarette and alcohol tax.

Senator Ribicoff: I really think that the least important part of what we are going through is what the administration thinks about it. Consequently my feeling is, Mr. Chairman, that respectfully you might suggest to the membership that on Wednesday or Thursday, whatever date you see fit, that we are going to vote here on various tax items in order to earmark it for catastrophic health insurance.

Then find out whether there is a majority on this committee willing to pay for a tax earmarked for health insurance. If that is voted on, depending on what it is, then we ask the staff to give us alternatives on what we can do within that range of earmarked funds.

Then we go to the Budget Committee and say here is what we are going to do and this is how we are going to pay for it.

We are not going to do anything to damage the budget objective and then I think we are on sound ground as a committee.

Senator Packwood is on the Budget Committee. I see he is nodding his head, that that is how he thinks we ought to go about it. I do not know.

Senator Packwood: I even agree with your timetable. The Budget Committee starts its mark-up tomorrow and hopes to finish in a week. I hate to sound like a prophet of gloom and doom but I do not see any new program likely to start when we are looking at $22 billion to $25 billion in budget cuts, unless there is some specific new method of financing it.

Senator Ribicoff: Senator Moynihan and Senator Bradley are deeply interested in this subject. Neither one can be here today.

Senator Roth, we know, is on the Floor wit his proposal. He will not be here today. I do not know about the others.

I think that then we are on really sound ground. If we vote that, we could do a constructive job.

I mean I personally, once I know what it was, I would be flexible on many of these alternatives, on alternatives on phasing it. Then we could really do a job.

I think that what you are trying to achieve, Mr. Chairman, is very worthwhile. You are trying to get a commitment that this country will do something about health insurance.

You recognize the financial restrictions and that we cannot go against the absolute necessity for doing something about inflationary pressures.

We want to cooperate, if we are going to be responsible and vote for some tax revenues to be earmarked for that. Then when we know what we can get out of this committee, we will then try to fashion a program within those limitations. I think that is acting responsibly.

The Chairman: Well, my thought would be to vote for what we think we would like to do and say that we will do as much of it as we can fund. Then just about the way people offer amendments on the Floor that we have to contend with -- I know I have to contend with them -- when someone comes out with an amendment to cut taxes we will say, how are we going to fund it? It is not that they have it pushed off into a future year.

What that means is, when that time comes, at that point we have to find a way to make it fit inside the budget.

If I can have, if the individual Senators -- it does not take but 51 votes to do it out there on the Senate Floor. Individual Senators can do that to us. I do not see why we, as a committee, cannot do it -- say here is something that we would like to do and we want to authorize it.

We will have to find a way to pay for it. Part of that is going to have to be squeezing it inside the budget,

especially the part you are talking about doing in future years.

I do not see that we have to have the money to pay for it in the beginning. We could vote for the part.

It is fine with me to say let's try to pay for the part that we are going to do the first budget year, but after that I am inclined to think it is a matter of what you are voting here ought to take its place in line with all the rest of them.

For example, you have all kinds of things in these spending programs that I think would not take precedence to catastrophic illness and care. If that were being provided for as long as you do not have a program for catastrohpic. Then it cannot take its place in line with foreign aid and all of the rest of this stuff.

To say which one of these against the revenue sharing, whatever, to say which one of these things would claim the higher priority, but you have Medicare, you have Medicaid, and we know areas where we think we can make some economies and we are going to vote that.

As far as the essential part of that program that is not being cut back and the same thing is true even with the cost of living increase with social security. My impression is that the committees are going to say go ahead with the cost of living, are you not?

That is the way it is right now.

Senator Packwood: If you mean is there going to be any change in that Consumer Price Index, to reduce the Social Security benefits, if I was guessing, I would say no. We have, however, as I recall, a $300 million request to the Budget Commitee now for catastrophic, do we not?

The Chairman: That makes me think of what Mr. George Schultz told us back at the time when he was pushing the family assistance plan. Apparently there was no budget problem whatever. I could not understand why that would be the case. And Mr. Schultz's attitude, back at the time when he had that responsibility, when Mr. Nixon was with us, we will just put that one in first, to balance the budget. Those were the other items you worry about.

This would go in first and the other things would be subject to the squeezing process later on.

So we are not creating a problem at all as far as balancing the budget was concerned.

Senator Packwood: I think we may have that option because the Budget Committee does not earmark. They give us back a $600 million or $700 million cut. As the Chairman of the Committee pleases, you can reduce Social Security and put it in the catastrophic. We are not limited as to how we do that.

I just think the realities are that is very unlikely to

happen.

The Chairman: The Budget Committee could take a look at some other things, like Food Stamps, for example.

Senator Packwood: All I can say, Mr. Chairman, I have only been on the Budget Committee a year -- last year and this year. Last year was tough. This year is going to be incredible.

What we went through last year to squeeze and pare -- look at the fight we had on the Floor on that reconciliation battle over $1 billion or $2 billion. And then the House would not go along with the reconciliation.

Everybody was talking about balancing the budget by spending cuts, and the present estimate is $22 billion and my guess is that is going to be $25 billion or $26 billion when we are done with our projection on what the deficit is.

We are talking about cuts from the President's January 1981 budget. The budget presented in January, the present Congressional Budget Office estimated budget deficit is $22 billion. If you are going to balance it from what he presented ---not the cuts he presented a week ago but from the January budget -- we are going to have to cut $22 billion someplace, assuming that that budget deficit does not widen, our estimate does not widen as we look at it through the year.

That is your initial starting place. $22 billion in budget cuts and that does not presume any tax increases, no

oil import fee, no taxation on withholding that they are suggesting, no cigarette taxes, no alcohol taxes, but spending cuts.

Senator Baucus: Mr. Chairman?

The Chairman: Yes, sir.

Senator Baucus: May I add it is more than $22 billion for those of us in the Senate -- I am not included -- who would vote for the Roth resolution. That is going to come to $46 billion in cuts.

Senator Packwood: It depends on how big the gross national product is at the time. It depends on inflation.

Senator Baucus: It is in that category.

Senator Packwood: If you are going with the Roth resolution on 21 percent of gross national product, you are talking just about somewhere between a 70 and a 100 percent increase over the $22 billion in cuts.

The Chairman: Let us just -- I do not think we ought to try to vote on the tax right now. It seems to me as though we ought to proceed on the basis of the moment to see if this is something we want to put in here.

In terms of these low-income things, what do you think claims the best priority?

Mr. Constantine: Mr. Chairman, what you might be able to decide, make some decisions in terms of, again, remembering that all the decisions are tentative. That whatever you do in

the low-income area would be phased in.

That would be the first decision that you would have to make and there seems to be a consensus on that in almost all of the proposals.

The Chairman: We can agree that this does have to be phased in. That is easy enough. Without objection, agreed.

All right now. Nobody objects to that, I know.

All right.

Mr. Constantine: Mr. Chairman, without getting into whether to use Federal standards of eligibility or state standards of eligibility or what those levels are, you could agree that you are going to give priority to certain noncategorical poor people in terms of care.

That is, I think there is a consensus that the first group that should be covered would be the two parent intact families who are poor. You can have a broken family with the same number of family members and the same income today who are eligible for Medicaid and an intact family without income is ineligible.

The Chairman: Basically the first item of business is to say that you would phase in. The next item of business is to say that people who presently are not covered, who presently have no health care available to them, are those whom you are going to look at first.

Mr. Constantine: The intact families are low-income

ineligible because sof their noncategorical relationship.

The next phase, I guess the next phase here, the single parent families and childless couples.

The Chairman: Is not the single parent -- I see. That is next in order.

Mr. Constantine: Yes, sir.

The Chairman: All right.

Senator Chafee: Your single parent family, are they not covered by AFDC?

Mr. Constantine: Singles and childless couples.

Senator Chafee: Are they not under Medicaid now?

Senator Ribicoff: Single people and childless couples?

Mr. Constantine: Yes, sir.

Senator Ribicoff: Third would be aged people who, for some reason, are not covered. Do they not fall under those basic categories?

Dr. Mongan: Yes. Those are the three groups of people and the remaining element is if you want to phase in the spin-down at some point after that.

Mr. Constantine: Now there is a little difference there, Mr. Chairman, because so far so good. Then you get into the question of whether the eligibility categories that you have approved are in terms of people who are not medically indigent who meet the state standards for assistance today except for the categorical requirement. That is one decision. That is

the first decision that I think you have to make.

Number one, you are going to cover people who meet the state standards of eligibility for categorical assistance except that they are intact families and so on.

The next decision is, why do we not shift over -- the paper entitled "Remaining Issues," Mr. Chairman, on page 6 -- remaining issues for committee consideration.

Senator Ribicoff: Page what?

Mr. Constantine: Page 6.

Page 6 indicates the types and projected costs in current dollars as developed by HEW. I do not think that anyone would quarrel at a minimum with covering people to meet the income standards for categorical eligibility, meet the tests for categorical eligibility.

Then the next issue is whether you want to mandate a medically indigent program.

Jim, I hope you will correct me if you disagree.

Dr. Mongan: Basically, I think what Jay has put together on page 6 is a table which fills those gaps that I describe, with the exception of one of them. What he has done in the second phase is brought in the two parent families who are not now covered and then the major item in the third phase would be to bring in, then, the singles and childless couples.

And then what he would do, coming up a step, would be to say that we would bring people who are slightly above whatever

low income stanard you pick and then ultimately you would put a spin-down on top.

That is the kind of priority that he has put them in, basically bringing in the very poorest first and then the people after that level. And then if that is the priority you are going to face, it would be difficult to argue with.

Mr. Constantine: Next to that, Mr. Chairman, I think in all of the proposals on the phased-in basis, they get at the medical needy in one guise or another. All of the proposals deal with the medically needy. They deal with them differently.

As a concept, you can make a decision as to whether you want to cover medically indigent persons, the medically needy whose incomes are above the standard or mean for cash assistance and so on on some basis or another.

You can agree to the principle without agreeing as to the elements at this point. And in all of the proposls in one form or another have a spin-down for people to spin-down to the eligibility level in Medicaid today where a state has a medically indigent program, where the eligibility level, for example, for a family of four might be $5,000 if that family has medical expenses of $6,000 after they have incurred expenses of $1,000, they trigger in.

They have spin-down to that level.

The proposals differ somewhat as to whether it should be

one for two, $1 fo $2 and what level -- or, as Senator Ribicoff's proposal has it -- a percentage spin-down from an income level.

The point is that all of the proposals have a spin-down in one manner, shape or form.

The issue, then, would be whether you would have a spin-down as a part of your program.

Senator Ribicoff: Mr. Chairman, without being specific, I would be for a spin-down, depending on what we can afford to pay. The principle is there, but what formula we use depends upon how much money we have got.

The Chairman: Well, it seems to me that we can think that we ought to do all five items but I think in terms of phasing in you ought to follow that schedule you have got there, that you go to.

The spin-down would be your last item. You take care of your medically needy before you get down to the spin-down.

Mr. Constantine: You would not affect the spin-down essentially. In those states that now have it, the spin-down would be significant. In those states that do not have medically indigent programs today.

The Chairman: This thought occurs to me. The kind of things that we are putting in here, generally speaking, I think, would claim a priority over most of the additional tax cuts that are being considered.

Furthermore, at the moment we are concentrating on balancing the budget. I can recall when Gerald Ford was thinking in those same terms in that program "to whip inflation now," got us into such a significant downward spiral.

He called me and I guess he must have called on others on the other side first and said, "I'm going to have to ask you to come in here and vote for some tax cuts and vote for some different things that will have the effect of giving us a big deficit. Because we have to turn this thing around and we would be better off with a deficit than we would be to have the country continue this downward spiral and what could be a real depression."

At that point, the decision was made yes, we would go ahead and reduce taxes. The same general effect as far as the economy is concerned is achieved by spending in an area like this and saying well, rather than reduce taxes that much, let's just implement a program of this sort, what you are going to do anyhow.

In terms of money, I think you are going to have all kinds of opportunities if you can agree on what you want to do. Once you get started, by what yo can do with a minimal program, you are going to have all kinds of opportunity to implement it, I would think. Whenever the Congress and the President agree on going forward.

Mr. Constantine: What we would like to do, with the Committee's permission, is go back to the drawing board today and line up the various proposals and their costs with these various options. I think we will have a consensus as to the phasing and approach and see what those costs look like over, say, a five-year period using different standards -- for example, the 70 percent standard that Senator Ribicoff has proposed, the 55 percent standard of teh Carter administration using state eligibility standards.

So you can see them side by side and see what the cost effects would be on phasing them in in different years.

The Chairman: Let me make one further point.

We are going to vote today on this Roth proposal which suggests not only should we have a balanced budget but that we ought to have a further cut in spending and that we ought to have a tax cut to accompany that.

In the low-income area, the tax cut does not help, but on the catastrophic insurance part, part of that we are planning to do as a tax credit and that could fall in the tax cut.

Even the Muskie substitute, as I understand it, is saying let's give you a proposal for a balanced budget and then set forth the kind of item that you will have to vote for in the future if you want to vote for the tax cut and you want to cut spending in order to do it.

But again either approach would leave open the

possibility that you could use a tax credit without adding an additional tax, just by virtue of the economies that are being called for by those two resolutions we are going to put up.

Mr. Constantine: If it is agreeable, Mr. Chairman, we will go back to the drawing board on those.

Senator Ribicoff: While you are going back to the drawing board, I would like you to also present to the committee the catastrophic drug coverage, you know, for drug use in the treatment of long-term chronic illness, a separate deductible for a smaller amount for necessary drugs that are not abused just to see -- I think you know what we are talking about.

The Chairman: If you try to figure that out, with the purpose of not trying to make the drug companies rich, but give the patient the drugs. For example, I do not want to make any enemies I do not already have because I am running for office this year. I have faced this issue enough to know when they take the person over there, or his wife, over to Walter Reed and they provide them with drugs, like they did for President Eisenhower or Mrs. Gerald Ford or whatever, when they can provide those people, the top people in the land, with the very best of medical care and they use those drugs on them I cannot see that the President's health is suffering from those generic drugs.

That being the case, whatever we do in that area ought to

be done in a way that you are going to hold the costs down.

Senator Ribicoff: That would be fine.

Mr. Constantine: Sir, you have tentatively approved a catastrophic add-on, separate drugs deductible under Medicare as a part of an earlier decision. What Senator Ribicoff is asking us to do as I understand it is to see if there are possible separate approaches for the general population where high costs and continued usage of drugs, amounting to a specific dollar amount, would trigger you into a benefit with controls and costs.

Senator Ribicoff: Added on to the deductible before you trigger in.

The Chairman: Do you have something else to submit to us here now?

Mr. Constantine: Well, Mr. Chairman, as I say, we will come back with a table showing the costs and we did get new administration cost estimates this morning which we have not had a chance to distribute as to the costs of the decisions that you have already made with respect to the catastrophic coverage.

That we will have for you tomorrow as well.

You also asked us, Mr. Chairman, to see whether a possible interim approach might be developed during fiscal '81. That obviously depends on what revenues you raise, but at a minimum, a minimum program might consist of the

following. You asked us to come back to something at the budget briefing.

One, the improvements in Medicare we described. By the way, we also took into account ease of administration. We do have a problem in terms of getting something off the boards in 1981.

In Medicare, what you might do is provide unlimited hospitalization instead, as we described the present situation of paying 25 percent, now $45 a day -- $45 a day. That 25 percent for the 61st through the 90th day, for 60 lifetime reserve days, which the older person now pays $90 a day towards, in favor of unlimited coverage from the 61st day on, paying the 25 percent for each of those days, $45 a day for each day from the 61st on.

In all fairness to Medicare, I should point out that many of the people, the 90 days is not a lifetime thing. You can have a spell of illness broken and go back into the hospital and be eligible for another 90 days. But there are people who are continuously hospitalized. Assuming that it is appropriate, the present situation is a very heavy burden on them.

The cost of doing that would, I believe the estimate is $400 million in the first full year. Additionally, for skilled nursing facility care under Medicare, Medicare provides, following discharge from the hospital, 100 days. We

pay in full for the first 20 days and then the older person pays $22.50 a day for each of the next 80 days. That copayment could be dropped at a cost of $100 million a year. I believe that is right. $100 million a year.

Additionally the health insurers, I believe that they can start on the pools, which are no cost to the Federal government. The state pools would not only make catastrophic coverage available to many people today, but they would also make basic coverage available. That is underlying the catastrophic available to many people who cannot otherwise get it at a reasonable premium today because of health history and what have you.

A third approach, a third part -- let me see. And Mr. Chairman, the third approach would be to implement CHAP. That the committee has previously approved as a low-income effort that could begin at some point in fiscal '81 -- July 1 of '81.

But we must tell the committee that Senator Packwood and others are very much concerned about what the House did, tacking on anti-abortion amendments to CHAP as it progressed as it went through teh Hosue. The bill that the Finance Committee reported out did not include any anti-abortion provisions. It was nowhere near as big in scope as the House bill.

The House bill is almost two and a half times, more than

double -- something like double the cost -- and much broader in scope, but the Senate bill did not deal with that.

Presumably the Committee's decision -- I know Senator Talmadge is writing people, pointing out that he felt that the abortion issue was one really that was not pertinent to a program of the screening and diagnosis of children, should be faced on a more substantive basis at a different point in time.

The Chairman: I think you are going to have to face the abortion amendment. Each person is going to have to decide for himself how he is going to vote on that.

Mr. Constantine: Mr. Chairman, the other thing, however, the probability is if you took some approach like this, anything that you do here would not reach the Floor of the Senate until June or later.

Is that a fair guess, Mike?

The reason I am pointing that out, the Supreme Court is expected to rule by then on the appeal of the decision holding the anti-abortion provision unconstitutional, so the matter may be very alive, or moot, at that point.

The Chairman: My guess is that if the Supreme Court decides against the anti-abortion amendment, the anti-abortionists will have another amendment. We will still be hearing about it. There will be no end to it. We will just have to vote on it.

Mr. Constantine: We just wanted to cheer you up with that. Yes, sir.

That is an interim approach. That is one interim approach, Mr. Chairman, that might be done if the financing were available and so on.

Senator Ribicoff: What does that total, Jay?

Mr. Constantine: Including CHAP, Mr. Chairman, including CHAP -- oh, I am sorry. I left out a very key element on it. That was the greatest gap in the catastrophic health insurance area is with the small business among the employed populations and their dependents. The barbers, the farmers who have farmworkers, the cab companies, the restaurants, dry cleaners and so on.

There is, and Senator Roth has raised what appears to be a real problem with small businesses who have low wage employees. The effect on their payrolls.

What the staff suggested as a possibility for committee consideration is a tax credit of somewhere between 50 and 75 percent for small businesses including professional corporations, defined appropriately, where the small businesses come in on a voluntary basis until such time as the mandatory program became effective.

At such point in time, so that you would have an incentive for many of those businesses which do not have coverage today for those people to voluntarily come in. That

bypasses the mandatory problem and some of the concerns expressed by Senator Roth and others and a fairly heavy influx of mail from small businesses across the country.

A 50 percent tax credit for small businesses ---we will get a firm estimate on that for people who are not covered today. It might be on the order of $400 to $500 million.

Senator Dole: A refundable credit?

Mr. Constantine: We did not get that far, Senator, but probably it would be refundable at this point.

Senator Ribicoff: Assuming that ---what does it add up to?

Mr. Constantine: The package would be up to $1.3 billion.

Senator Ribicoff: $1.3 billion and a 5 cent cigarette tax would bring in how much?

Mr. Constantine: $1.5 billion.

Senator Ribicoff: Does that include catastrophic drug, which my figures here show $150 million and the Federal government $50 million, $130 million.

I think Senator Dole's staff feels those figures are rather low, but they are the HEW estimates, I believe.

Mr. Constantine: We have not seen those, Senator.

By the way, I gave you a high figure that assumes CHAP would have been in effect for the total of 1981. If it started in July '81, that would bring it down to $250 million.

Senator Ribicoff: I think you have a pretty good package.

The Chairman: Well, why do you not bring that back to us?

Mr. Constantine: Yes, sir.

The Chairman: We will take a look at it. If we can start with that much --

Senator Chafee: Mr. Chairman?

The Chairman: Yes, sir.

Senator Chafee: When you bring it back, you will show the figures that you are talking in the small businesses, the tax on the employer plus the contribution by the employee?

Mr. Constantine: Yes, sir. We have that separately indicated, yes, sir. The cost estimates, and we have new numbers.

Senator Ribicoff: On that, I think Senator Durenberger has a proposal with Senator Boren that is worthy of consideration. I am just curious. I think Senator Durenberger has a good idea that would fit in here. I do not like it, you know, nationwide. It deserves to be piloted out.

Personally, I am just curious if you would not sit down with Senator Durenberger's staff to see what the cost of a pilot program would be, to try that out.

You know I do not know how he feels about it, but you know, I think the Committee should take a look at it anyway.

How do you feel, Senator Durenberger, your thought to try to pilot it out instead of seeing what the cost of a pilot program might be?

Senator Durenberger: Mr. Chairman and Senator Ribicoff, my only concern with piloting anything, it takes forever, particularly in this kind of situation, to demonstrate utility.

The testimony we had last week in the hearings from the people from Minnesota who, in effect, have been piloting something that is fairly close to this now for five or six years demonstrates the best how it works. And the fact that those who are a part of making it work believe that it is working.

But probably it lacks the specificity of proof that might be required to overcome some of the doubting Thomases. That is about a five, six year experiment that comes fairly close to this bill. It has the basic intent of competition, but does not conform in totality.

I sure would like to work with the staff on an analysis of some kind that will show us the direction that we ought to be going in and eliminate some of the concern about competition.

I am not sure whether the traditional concept of a pilot is the most appropriate.

Senator Ribicoff: I think what is evolving in this

committee is really a pilot program for health insurance. That is what we are really doing right here now. We may not be calling it that, but that is exactly what we are doing by phasing it in, going slowly on an incremental basis, which in many ways is the soundest thing.

The money constraints, I think, causes us to be very sound in how we are working this out, to see how it works in a country such as the United States and the magnitude of the problem as a whole, so we really have a pilot program that we are talking about, even though we do not call it that.

The Chairman: One other thing that the pilot approach would help us. My understanding is -- I have not been able to attend the most recent hearings, but my understanding is that the insurers came in and testified that in their judgment, this approach, the Durenberger amendment will increase the cost. It will cost more, not less.

It seems to me that the logic of the amendment is that it will save money by increasing competition. Ordinarily when you increase competition you do save money. You get better costs.

A proper test ought to resolve that. Is this something that is going to save us a lot of money? The insurance business says it is going to cost you money. You will not save anything. You will wind up spending more.

Frankly, how I would want to vote on the matter depends,

in large measure, not so much on who is for it and who is against it as the question, is this going to save us money and give us a better return for our dollar or not, and that is what I think a proper test would show you.

I have been around here for years suggesting -- and my problem has not been with those on the committee but those not on the committee who keep us from getting together and I have been here for hears. I am willing to offer you the chance to prove that you are right, provided you give me the opportunity to prove that I am right.

My problem has never been on the committee. The people on the committee have not been so unreasonable as to turn down my proposition. I have just had people in the Department constantly -- exactly who, I never have been sure -- saying oh, no, above all we must not do that. And my thought is if you get a proper test of something, it ought to show who is right. If it is right, we ought to do it.

Basically I think it is really the answer. The answer is really in the cost.

If you provide this service and do what you have in mind. When I heard Mr. Enthoven claim this matter the first time and testify for it, and my first impression was I was sold. Then when I heard the insurance companies come in and tell the other side of the argument, well I was unsold.

I have been currently sold and unsold on this proposition

for quite a while. But they both cannot be right. It cannot be that this is going to increase the cost on the one hand and reduce it on the other.

One or the other has to be right about this, Senator. That is what I have to know by a proper test, who is really right about this?

If we could get that, I think we would be on a lot better basis. Let me remind you, this is something that is going to move forward.

It seems to me it should not take all that much time to find out whether it is doing good.

Senator Durenberger: I do not know whether at the present time you are on the unsold side or the sold side. I do hope you get re-elected so we get you on the sold side next year.

I think it was only the insurers, and not all of them, who indicated additional costs. The great bulk of the testimony was on the other side of the cost issue. The issue that was raised by more people than any other, who bears the burden of implementing the program?

As far as I am concerned, demonstrations or studies of what is going on all around the country, if we want to call that a pilot or a study or a demonstration of proof, whatever is appropriate, I would like to work out something that would satisfy your own feelings of ambivalence about this and that

of the rest of the members of the committee.

Senator Baucus: While we are on the subject of costs, I wanted to, when the staff presents its proposals in the future, it also include estimated costs for each of the next several years and without indexing. I think a lot of programs are indexed these days and, frankly, the Congress has not sufficiently addressed the question of indexing, the burden of indexing in the budget in out years.

For example, it is my understanding as an example, in the military pension today of $25,000 will, under present law and without a change for the next 20 years, will result in assuming 14 percent interest rate which is high. The military pension will be $370,000 annually.

So if you retire at 55, when you are 80 you will get a $370,000 military pension in 20 years. That is under present indexing.

If we pay for whatever we provide here through cigarette and gas taxes, we have to ask ourselves, are we going to index those taxes? How are we going to pay out in future years. To some degree we cannot nail down the future, but I think in some respects it is the indexing formulas in present law which have put this additional pressure on the budget that we are facing today and some of the chickens have gone home to roost today and unless we address this general problem, more chickens are going to come home to roost in future years.

The Chairman: Let me just say about these programs, you know, it is awfully hard to cut back on spending programs. You go out there -- for example, I think this committee deserves high hog. We went out there with a proposal for the hospital cost containment in terms of what actually it would save. It would save more than the administration's proposal that they came up here with.

When you actually cost it out, and get the books out and see what you are really going to save, then we went out there with a program which was far more than we could sell the Senate by way of saving money on the disability program and the Senate turned that around and they turned around the bill that was supposed to save $1 billion a year and made a bill that spent more money.

We can have another try later on.

I think with the pressure being what it is, our views on that matter will prevail. There are a lot of areas where there is a huge amount of spending that ought to be cut back. Some of it is in our area. I am willing to vote to make reductions in our area, but in the other area I just think that if we can think in terms of eliminating some of these programs that make less sense and have a low priority generally speaking, some of these new programs have not proved out all that well.

CETA has not done nearly as well as the work incentive

program in trying to get people to work, for example. Getting rid of some of these programs, cut drastically back on some of these programs that are not doing much good, then I would think that we could find the money in the budget without raising taxes to take care of this.

If we get this economy moving the way it should move, we will increase ---the economy will expand by 3 percent a year and because the economy is expanding, there will be more money available to do things that you would like to do.

3 percent a year over a period of 3 years is 9 percent. If you are running your country right, you are going to be able to do these things. If you are not running your country right you cannot afford anything, unless you take something else out that you have already got to raise taxes.

I think what we have here has enough priority. The American people have to be willing to go along with it, even if it did not. If you can give people catastrophic health protection, most people would go along with it, even if it did require a tax, but that is something we can pass on later on.

Mr. Constantine: Later on we will indicate to the extent that we can, Senator, the index eligibility changes and we have asked the administration in the cost estimates which we have prepared. For us to project them is difficult to do.

We have asked CBO in then-current years and current population to give us as best an estimate that they can get.

The Chairman: Well, I should think that that would be all for now, unless you have got something else.

Senator Dole: Did you pass out the sugar agreement?

The Chairman: We passed it out.

Senator Dole: Without any amendments?

The Chairman: With no amendments.

Thank you very much, gentlemen.

(Thereupon, at 11:45 a.m. the Committee recessed, to reconvene at 10:00 a.m. on Wednesday, March 26, 1980.)

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