

ORIGINAL

Book

Executive Session

Thursday, April 30, 1981

U. S. Senate,
Committee on Finance,
Washington, D. C.

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The Committee met, pursuant to adjournment, at 10:20 a.m., in room 2221, Dirksen Senate Office Building, Hon. Robert J. Dole, (Chairman of the Committee), presiding.

Present: Senator Dole, Chafee, Durenberger, Roth, Grassley, Heinz, Roth, Long, Matsunaga, Boren, Bradley, Moynihan and Baucus.

The Chairman. The committee will come to order.

When the second bell rang we were just about at the completion of page 3, of the Blue Book, and I think we were right at the tail end of the AFDC provisions. If there are any others we did not finish, we might run through those and we will finish the Blue Book.

Then, we will distribute to members of the Committee the so-called Chairman's proposal which will show modifications in many of these, and a few additions, I am certain we will have that there will be an interest in.

Senator Long. We might save tons of money, but might not reflect a savings, but in the long run, it is that I -- where is Senator Grassley. He can disappear faster than any

1 man I have seen.

2 The Chairman. He is on the telephone. He is for it.

3 Senator Long. I want to offer an amendment to this
4 measure to say that the state can pay welfare money to people
5 to work.

6 Now, I have always thought that that was implicit in
7 the program. Let me just give you the simplest example.
8 When we authorized the payment for the mother as well as the
9 child under the AFDC program, the logic to support the payment
10 to the mother was that someone needed to stay home to look
11 after that child.

12 Now, subsequently, someone in the Department of HEW
13 came up with the bright idea that all of this must be a gift,
14 none of it must be given under conditions that required any-
15 body to do even the first decent act.

16 You could not, for example, pay the mother to wash the
17 diapers. You could not require that she do anything for the
18 money, that this was a gift program. It had to be a giveaway.
19 It could not be a payment for any service. You could not
20 require that the people do anything at all that would be good
21 for society as a condition of -- you couldn't pay it for
22 services.

23 So, the Department then proceeded to undertake the
24 states to try to get around that provision by saying that
25 people had to do some work as a condition of being eligible

1 for the program. They undertook to try to have a work program
2 where in effect the people are working for nothing. It sets
3 the stage for people to contend that this is slave labor.

4 These people are being required to work for nothing
5 as a condition of being on the welfare roll. Now, it is far
6 more dignified, and it makes better sense to say that we will
7 pay people to do something that is good for society.

8 Let us take the first simple example. Here is a
9 mother who has three children. Let us say she has five. It
10 is a lot of work to look after five children, but she has that
11 chore because the good Lord gave her those five children.

12 But here is someone next door who only has one.
13 Logically, you would think, why can't that mother with the
14 five children be paid to look after this other little child
15 while the mother with one child goes out and gets herself a
16 job and improves the condition of herself and her family. It
17 is happening anyway.

18 I was born and reared in a poor neighborhood. We were
19 poor and just didn't know it. We weren't in poverty, just
20 didn't know we were in poverty.

21 So, I can recall the experience of spending more time
22 around somebody else's home than I did my own because these
23 people had a large family. We would play in the back yard.
24 There is a big barn yard you might say with lots of chickens
25 wandering around and chasing to take an interest in.

1 So, we would play in the back yard and this Mama would
2 look after us, not only her children, but half the neighbors'
3 children, because we would all come over there to play.

4 Now, if you paid this mother to look after the
5 neighbor's children, she wouldn't have to be on the welfare
6 rolls. She would be earning enough to where her family would
7 do quite well.

8 I am just saying we ought to be -- the state ought to
9 be permitted to pay somebody to do something far more digni-
10 fied than giving them a grant for doing nothing and then
11 ordering them to work for nothing.

12 So, we ought to give the state that option.

13 Now, it is perfectly all right with me if the state
14 wants to have other options. For example, if they want to
15 say, look, we will pay everybody up to a certain amount, but
16 after that, if you want more money you work for it. So, we
17 will pay you for the work that you do.

18 I personally prefer the approach of saying that you can
19 have your choice, you can be on one program or the other. You
20 can be on the something for nothing program. In that event,
21 we will pay you to lay there or sit there, as the case may be
22 and vegetate.

23 Or, you can be on the something for something program,
24 in that event, we will pay you for doing something. You can
25 work in a day care center and help look after your own

1 children, along with all these other little children or you
2 could work in a hospital or in a nursing home or just do
3 anything to improve the environment and to improve the quality
4 of life for yourself and for society. You just would be paid
5 to do something rather than be given a gift or a grant by
6 society, rather than, so that you can be paid in effect to be
7 a useful member of society, rather than paying you to be a
8 drone.

9 I think the states ought to have an option. I am
10 not going to ask to have it made mandatory as the Administra-
11 tion has suggested, for one simple reason. It looks to me
12 that any state that doesn't work the program to work, if they
13 have an administrator who is allergic to work and who has
14 scruples that just absolutely make him feel that work is
15 shameful and unworthy of a human being, he can find ways to
16 keep it from working anyway.

17 The administrator, if he wants to make a program work,
18 he can make it work. If he doesn't want to make it work, he
19 can find a thousand different ways to see to it that it does
20 not work, to make it flop.

21 But, I am satisfied that any good administrator who
22 wants a work program to succeed can make it succeed. I think
23 we ought to have that option.

24 The Chairman. I might just say -- you offer that as
25 an amendment to the package we will be presenting?

1 Senator Long. Yes. I would like to suggest that be
2 a part of the package.

3 The Chairman. Fine.

4 Senator Grassley.

5 Senator Grassley. Thank you, Mr. Chairman.

6 I have introduced legislation along that line. I
7 presume it is before this committee for consideration. My
8 feeling was -- did not extend quite as far as Senator Long's
9 did; because he has given considerable thought about how it
10 ought to work and philosophies behind it.

11 But, my thinking was more intermediary, but not in
12 opposition to his in which we ought to wipe off the books,
13 any indication within the law, any indication within the
14 regulations, and even what is implicit in court decisions
15 that would prevent an individual state from this small amount
16 of discretion if they want to, to fit the needs of their
17 society and their population, or even their conditions of
18 their treasury, to have such programs if they want it,
19 regardless of their motive.

20 I think that they ought to have that discretion. I
21 think at one time it was probably implied and has been
22 gradually wiped off the books. I want to wipe that slate
23 clean so that the states can have an option like Senator Long
24 suggests or any other option that they might want to be
25 encouraged, or of their own volition do.

1 Senator Long. Well, I would suggest that all these
2 regulations that have been promulgated and put into effect
3 by HEW, as well as any laws we might have been passed in
4 that area, ought to be regarded as purely optional. If
5 somebody wants to do business the way the folks over at HEW
6 would like to think that they ought to be doing business,
7 then that would be their privilege.

8 But, if they prefer to put somebody to work, be
9 privileged to have a work program and to draft their own
10 regulations. Do it their own way if that is what they prefer
11 to do.

12 The Chairman. I will thank Senator Long. We have
13 discussed that amendment. I think Senator Schweiken supports
14 this. So, I don't see any problem having it made a part of
15 the package when the package is distributed.

16 I might -- well, let us finish page 3.

17 Mr. Lighthizer. Mr. Chairman, there are two AFDC
18 items and then we can go to child support.

19 Ms. Olson. Yes.

20 Mr. Lighthizer. The AFDC items are on pages 41, at
21 the bottom.

22 Ms. Olson. The President's proposal --

23 The Chairman. Get the microphone very close.

24 Ms. Olson. Yes, sir.

25 The Chairman. That might be modified in the package?

1 Ms. Olson. That's correct.

2 Senator Long. What page are we on?

3 The Chairman. Page 41.

4 Senator Long. Thank you.

5 The Chairman. That will disappear in the package.

6 Senator Long. That will be left out?

7 The Chairman. Yes.

8 Ms. Olson. The final AFDC proposal would reduce the
9 Federal match for training cost from 75 to 50 percent, would
10 bring it in line with the Federal match for all other adminis-
11 trative costs.

12 The Chairman. That is on the bottom of page 41?

13 Ms. Olson. Right.

14 Finally, administrative savings listed by the Adminis-
15 tration for 1982. of \$105 million, and '83, of \$111 million.

16 Mr. Lighthizer. The next series of --

17 Senator Chafee. Mr. Chairman.

18 The Chairman. Senator Chafee.

19 Senator Chafee. Thank you, Mr. Chairman.

20 The states would certainly, under the provisions
21 proposed or that will be proposed, will have the option to
22 place that on.

23 The Chairman. The Federal law does not address the
24 issue at all now. This would require the states to do that.
25 We are going to eliminate it from the proposal.

1 Senator Chafee. You mean they would have the option?

2 The Chairman. Right. Some states may do it now.

3 This would be a requirement. Eliminate it for the time being.

4 Senator Long. This doesn't show any savings down
5 here. I assume the reason it doesn't show any savings is
6 because under the President's program, you would have a
7 certain amount made available as in a block grant. Is that
8 the size of it?

9 That being the case, the states only have a certain
10 amount of money. It doesn't make any difference whether you
11 use it or not, they still would have the same amount of
12 money available, and you would assume they would use it for
13 some other purpose if they used the lend.

14 The Chairman. It seems to some of us that it conjured
15 up a lot of positions, that we were taking phones away from
16 the poor. We thought with the negligible benefit savings,
17 plus the fact it would better fit into a general welfare
18 reform package, hopefully we get on some time later this
19 year.

20 Senator Long. I would strongly urge that you leave
21 that particular proposal out, Mr. Chairman. If you do not
22 watch out, you have something, you have good intentions, but
23 someone tries to make it as though your package is cruel and
24 inhuman.

25 If the states want to do this, I assume they would

1 have the power to do it. If they don't want to do it, I
2 don't know, in view of the fact under the new proposal they
3 don't have -- they would only have a certain amount of money
4 available to them. I would leave it out. Let them decide
5 for themselves whether they want to ask for a lend.

6 Mr. Lighthizer. Mr. Chairman, the next series of
7 savings the Administration proposed begin on page 43, and
8 they are in the area of child support enforcement.

9 The first item provides for additional use of the
10 IRS to collect child support payments. Essentially, it
11 requires the Secretary of the Treasury to withhold from any
12 tax refund due to an individual, an amount equal to a post
13 due support payment.

14 The second item in this area would make state child
15 support agencies responsible for collecting support payments
16 for a child's parent if the child is living with the parent
17 as well as for the child himself.

18 The third item is under the heading "Modify collection
19 fee for non-AFDC families." This is one of the items that
20 there is a modification to in the Chairman's package.

21 The Chairman. What page is that on?

22 Mr. Lighthizer. On page 44.

23 The President's proposal would require states to
24 retain a fee for non-AFDC families equal to ten percent of
25 the child support collected.

1 The fourth item, "Financing Incentive Payments,"
2 under present law, a 15 percent incentive payment is paid to
3 states that collect support on behalf of other states to the
4 political subdivision where the state collects support on
5 behalf of its own state and to states that collect support
6 within the state on their own behalf.

7 The proposal of the Administration is that the finance
8 incentives from both the state and Federal share of child
9 support collection be offset.

10 The fifth item, under the fifth item, child support
11 obligations not discharged by bankruptcy, essentially the
12 Administration would reinstate the provision that had been in
13 the Social Security Act that in effect the declaring of the
14 child support obligation assigned to a state as a condition
15 of AFDC eligibility not be discharged in bankruptcy. Currently
16 it is discharged.

17 Senator Chafee. Let me just interrupt. In the proposal
18 are there widespread objections in any way? They seem to
19 make sense, but just take the bankruptcy one. Why did we
20 pass that in '78, to take that out from under the discharge
21 bankruptcy?

22 Mr. Sterns. Senator Chafee, I believe that was
23 done by the Judiciary Committee as part of an overall
24 bankruptcy revision and really never did go to the Finance
25 Committee.

1 Senator Chafee. And, would we have the ability to
2 reinstate it, under the bankruptcy laws?

3 Mr. Stern. Yes, sir, you would reinstate it under the
4 Social Security Act, where it was originally.

5 Senator Chafee. Now how about that collection fee?
6 That sounds kind of intriguing. The collector gets 15 percent.
7 That is now going to be divided between the -- oh, I guess it
8 comes from the Federal Government pays the collection fee.

9 Mr. Stern. When you originally set that up in order
10 to provide a strong incentive for states to undertake these
11 programs, you allowed them to take the full collections in
12 effect out of the Federal share. You do not have to re-
13 imburse the Federal Government for the Federal share of the
14 collection. That was intended as an incentive.

15 As I understand it, in the modification that is going
16 to be offered, this provision would be dropped to keep that
17 strong incentive.

18 Senator Chafee. The provision would be kept?

19 Mr. Stern. As I understand it.

20 Mr. Lighthizer. Going back to sharing the incentive
21 would be dropped would be the Administration proposal. We
22 would stay with current law in the modification.

23 Senator Chafee. Go ahead.

24 Mr. Lighthizer. The social services block grant is
25 described on page 47. Essentially, the Administration

1 proposes blocking a number of programs, several of which
2 are within the jurisdiction of our committee, and several
3 of which are within the jurisdiction of the Labor Committee
4 into a social services block grant, and defunded at 75 percent
5 of the 1981 funding level.

6 We have a modification of this in the Chairman's
7 proposal, also.

8 I might say that the first seven items listed there
9 are the ones with the footnote one, that was in the juris-
10 diction of the Finance Committee.

11 The remainder, from rehabilitation services on down
12 are not within the jurisdiction of this committee.

13 Senator Boren. Just a question on that, Mr. Chairman.
14 When we talk about combining all these, do we get rid of all
15 of the mandates? Are there any kind of auditing procedures
16 that are going to be imposed upon the states again? Are they
17 going to come in and say, "You haven't provided this and you
18 haven't provided that."

19 What I am trying to get at, is this a genuine block
20 grant or is this, which means, "Here is the money. Here are
21 all the functions. You decide which ones you want to offer
22 and which ones you don't want to offer and how much you want
23 to spend on each one." Or is this going to have all sorts of
24 guidelines, because if you keep all those and you call it a
25 block grant, you don't have a block grant, you give the states

1 less money.

2 Mr. Lighthizer. Senator, there was an attempt by the
3 Administration to make it a real block grant and not to have
4 the restrictions. They do require that it be used in this
5 area..

6 Senator Boren. In all of this area?

7 Senator Long. You would have the option, you would
8 have the block grant and you would have the option within the
9 area, the states would have the option to shift funds within
10 those categories. Isn't that right?

11 Mr. Lighthizer. Yes, sir.

12 Senator Long. In other words, if you want to put more
13 or less into social services, you could do so.

14 Mr. Stern. There is an opportunity, Senator, to move
15 ten percent among the block grants. The authorizations will
16 provide that all of the services that could have been
17 performed under the programs that are now being amalgamated
18 into the block grant, can now be performed under this block
19 grant.

20 Within any given block grant, they can be shifted
21 among those particular programs.

22 Senator Long. In line with what Senator Boren said,
23 I would hope that those Federal regulations in connection
24 with all that would be permissive rather than mandatory.

25 Mr. Stern. That is correct, Senator.

1 Senator Boren. The Federal regulations would all be
2 permissive?

3 Therefor, the states may implement any of that that
4 they choose. The choice is at the state level. Certainly,
5 the regulations will not be opposed from the Federal level,
6 because the repealers which you see within the construct of
7 the block grants will in fact take the Federal Government out
8 of imposing those specific regulations.

9 But, I think as the Secretary has said, on a number of
10 occasions, in testimony, the knowledge does not go away and
11 the knowledge of the existence of certain guidelines and
12 regulations that the states have had to work with doesn't
13 go away. Those who advocate various positions don't go away,
14 they simply begin to move that at the state level.

15 Senator Boren. Well, suppose, for example, let's just
16 take this to the level of current services here, I see you
17 have \$10 million for runaway youth, for instance. Suppose
18 the state comes along and says, I am not suggesting this by
19 any means, it is a program I support, but let's suppose the
20 state comes along and says, "Well, we feel we have a pressing
21 need in some of these other areas. We are not going to spend
22 anything on that."

23 Now, can a state do that?

24 VOICE: Yes, sir. Under this concept the state could
25 do that. I simply share with you what the Secretary has said

1 when asked that very same question, and that is, he feels
2 it would be, and the Administration feels it would be unlikely
3 for a state to take that course of action, because the
4 advocates of those issues, where those needs exist in the
5 states certainly are as vocal and as active at the state
6 level as they are at the Federal level.

7 Senator Boren. Yes.

8 Senator Long. Well, I just think that it is about
9 time that we recognize that the same people whom we represent,
10 are also represented by these governors and state legislatures,
11 and those people have a modicum of sense themselves.

12 I mean, in Washington, it might be heresy to say that,
13 but those people have good intentions. They have a conscience
14 and a desire to further human beings, just like we do.

15 One would think they could look to all these Federal
16 regulations we have been using here and so far as they find
17 them wise, they will continue to do business that way.

18 But, insofar as they find them inexpedient or unwise,
19 or inappropriate, they would be privileged to make changes
20 like we would do where we don't think they make much sense.

21 VOICE: Senator, I think that is exactly the Adminis-
22 tration's view.

23 Senator Long. Basically, it just carries out the
24 philosophy of the new President that all wisdom is not
25 necessarily located in Washington, D. C.

1 VOICE: Yes, sir.

2 Senator Chafee. Let me ask a question about on the
3 adoption assistance. Now, we went through some and the foster
4 care, which we did last year. What would happen under this
5 proposal to that, those actions we took last year?

6 Mr. Lighthizer. Under adoption assistance?

7 Senator Chafee. Yes, in the foster care.

8 Mr. Lighthizer. Those programs would be permissible
9 uses for this block grant. Those programs would disappear as
10 individual programs.

11 Senator Chafee. But, there is a host of legislation
12 we enacted in connection with those, the rights of the adopted
13 child and of the foster care child and so forth. That would
14 remain in effect, would it not?

15 Mr. Lighthizer. Yes, sir.

16 Senator Bradley. Would the Senator yeild?

17 Senator Chafee. Yes.

18 Senator Bradley. Are you talking about the legislation
19 that tried to rectify the problem where somebody got into
20 foster care, they basically got stuck there?

21 Senator Chafee. That is right.

22 Senator Bradley. They didn't find themselves to be
23 in positions to be adopted, and there was no incentive for
24 adoption.

25 Senator Chafee. That's right.

1 Senator Bradley. Yes.

2 Senator Chafee. That package.

3 VOICE: Senator, I believe you are referring to public
4 law 96272. It is one of the provisions that has been
5 proposed for inclusion in the block grant.

6 At the Committee's request we have provided some
7 additional guidance. The Committee has requested some in-
8 formation of a technical assistance nature concerning ways in
9 which language might be included in the law to assure that
10 certain of these activities were specifically identified in a
11 more precise way than they were in the original proposal.
12 That language was provided for the Committee's staff yester-
13 day.

14 But, the Secretary and the Administration firmly
15 believes that this particular program or set of programs are
16 very much the kind of things that should be included in the
17 block grant.

18 Senator Bradley. Well, are you saying that if a
19 state chose to spend money on foster care that they would
20 have to spend it consistent with the law that was passed last
21 year?

22 VOICE: That is the net effect, Senator, of the
23 language that was provided for the Committee yesterday.

24 Senator Chafee. Well, where is this language? I
25 haven't seen it.

1 Mr. Lighthizer. Yes.

2 Senator Chafee. You don't have to give it now. I
3 would be interest in looking at it as soon as you could make
4 it available, because -- as I understand the program here,
5 this we are just going to discuss here today, and then we
6 are going to get into actual mark-up on Tuesday.

7 Mr. Lighthizer. Senator Chafee, under the Chairman's
8 proposal as it is drafted right now, we could go a step
9 further than this modification that the Administration
10 suggests and just maintain these three programs as independent
11 programs. We don't put them in the block grant and we keep
12 them separate.

13 Senator Bradley. That is the Committee's suggestion?

14 Mr. Lighthizer. That is the Chairman's suggestion is,
15 we just keep those three programs, foster care, adoption
16 assistance and child welfare services as independent programs
17 the way we passed them last year and not include them in the
18 block grant, but we reduce the funding.

19 Senator Bradley. A good idea, Mr. Chairman.

20 Senator Chafee. We do what?

21 Mr. Lighthizer. The funding is reduced so if there
22 is the same budget savings, we have the same 25 percent
23 budget savings in this category, as the President requests,
24 but we keep those as an independent programs, the way they
25 are now in current law. We just don't repeal that.

1 Senator Chafee. So they won't be -- they will be
2 categorical block grants.

3 The Chairman. Targeted block grants.

4 Senator Chafee. Targeted block grants.

5 The Chairman. Right.

6 Mr. Lighthizer. Well, I guess I would say they would
7 be what they are right now, for the most part.

8 Senator Bradley. Thank you..

9 Senator Long. They would remain categorical programs?

10 Mr. Lighthizer. Yes, sir.

11 Senator Chafee. The three, adoption, foster care and
12 the other one is what?

13 Mr. Stern. Child welfare services. All three were
14 linked in the legislation last year. They are basically in
15 the nature of maintenance payments. They are not like any
16 program under social services now because you explicitly
17 excluded maintenance payments from the social services
18 program.

19 There is a programmatic reason for treating these as
20 separate. They are not social services.

21 Senator Bradley. That will be in the package, Mr.
22 Chairman.

23 The Chairman. I think we can vote on the package.

24 Senator Baucus. It sounds good to say it will be a
25 block grant and states have the freedom to decide which among

1 these various programs to allocate the funds.

2 It seems to me that there is always going to be
3 some problem still of definition. My question really is,
4 what if the state decides it wants to shift say day care or
5 social services and has an expansive view of what constitutes
6 day care, social services.

7 I am wondering what regulations are going to accompany
8 these kinds of block grants and what provisions in the law to
9 restrict or define what constitutes a day care and what
10 constitutes social services.

11 What if a state wants to spend money in day care? I
12 don't know, they could build schools or who knows what. I am
13 just curious, as a practical matter is this really going to
14 give states much freedom, or as a practical matter are our
15 states going to be --

16 VOICE: Well, Senator, the Administration's view on
17 that is that many of these initiatives are well in place in
18 the states and they are in fact moving forward. They have
19 been in place for some time, day care and other specific
20 social services.

21 It is our view that by moving to a block grant which
22 allows the savings that are of critical importance to the
23 country, these programs just aren't going to vanish. They
24 are going to move along in much the same way that they do
25 now with much the same kind of Imprimatur and much the same

1 kind of regulations. They will not be regulations that are
2 imposed from the Federal level, however.

3 Senator Baucus. That doesn't answer my question. My
4 question is, what is going to prevent, if anything, a state
5 from shifting money from day care to some kind of schools,
6 some kind of educational programs which go way beyond the
7 present conception of day care.

8 I am just trying to find out, as a practical matter,
9 is the block grant program going to give states freedom of
10 flexibility, or as a practical matter, will there still be
11 Federal regulations which will restrict the scope and the
12 definition of the programs.

13 Mr. Lighthizer. As I understand it, Senator, the
14 legislation lists the permissible uses. If your question is
15 will the question ever arise as to whether or not a specific
16 way that a certain amount of money is being spent is really
17 a permissible use, I think that is a matter that will
18 ultimately have to be resolved between the state and the
19 Department and I guess, could potentially lead to litigation.

20 Senator Baucus. What is the Administration proposal,
21 then?

22 Oh, I see.

23 Mr. Lighthizer. Yes, Senator.

24 Senator Baucus. Thank you very much.

25 Mr. Lighthizer. Yes, sir.

1 Mr. Lighthizer. The President proposed eliminating
2 student benefits, you will recall, basically by not including
3 any Freshmen, next year, and reducing everyone else by 25
4 percent until the program is completely phased out.

5 The Chairman's proposal is to include college Freshmen
6 next year, that means seniors who are in high school, right
7 now, on the theory that they are only a few months away from
8 college, but to make the rest of the college population
9 absorb some of the difference.

10 Therefore, we cut, instead of a 25 percent cut, we
11 have a 33 percent cut. The savings are less than the
12 President's savings by about \$380 million.

13 The Chairman. That is in '82; right?

14 Mr. Lighthizer. Yes, sir.

15 The Chairman. How much in '83?

16 Mr. Lighthizer. About \$240 million.

17 I might also say that the way the Chairman's proposal
18 works, instead of cutting everybody's benefits for 12 months
19 by 25 or 30 percent, what they do is give full benefits
20 through the school year and then reduced benefits to zero
21 during the four summer months.

22 The next change the President proposes eliminating
23 the minimum benefit for both current and future recipients.
24 The Chairman's proposal does that also, but it is modified
25 by permitting people who are above the age of 60 to qualify

1 for SSI, not to have their minimum benefit reduced, in
2 addition to the safety net feature.

3 There are no other changes until we get to --

4 The Chairman. Wait a minute. What does that do to
5 the Administration's savings? It reduces.

6 Mr. Lighthizer. It reduces savings by \$100 in each
7 year in both '82 and '83, Mr. Chairman. It costs about
8 \$100 million to do that.

9 Senator Grassley. Explain what the difference was.

10 Mr. Lighthizer. The difference is that under the
11 Administration's proposal someone who is between 60 and 65
12 and has their minimum benefit cut is not eligible for SSI
13 even if they are poor.

14 If they are above 65, they are eligible for SSI, and
15 therefore will have no real reduction as a result of this if
16 they can qualify on the needs test basis of SSI.

17 Senator Heinz. Mr. Chairman, if you will yield.

18 The Chairman. Senator Heinz.

19 Senator Heinz. This flows out of hearings we held in
20 the Aging Committee. We determined that there was one
21 particular group at risk consisting of up to some 300,000
22 people who fell into that age 60 to age 65 category.

23 They could very well be poor and in every respect
24 -- every income respect be qualified for SSI except they
25 would not have attained age 65.

1 Therefore, they would not be qualified for SSI. If
2 they were blind or disabled, they would be qualified.

3 Mr. Lighthizer. This is not a permanent expansion of
4 the SSI program. It is just for people who are currently
5 eligible, currently getting the minimum benefit. It is not
6 a five-year expansion of the SSI program. That would cost
7 substantially more than \$100 million, obviously.

8 The next change is the President recommended the
9 elimination of the end stage renal disease network. The
10 Chairman has eliminated that elimination. So, that proposal
11 is not in there.

12 The Chairman. You are under Medicare now.

13 Mr. Lighthizer. Yes, sir.

14 The Chairman. We can follow you.

15 Mr. Lighthizer. On page 2, I am under Medicare now.
16 That has been excluded from the President's package in the
17 Chairman's proposal.

18 The next item where there is change is that the
19 President proposed repeal of certain coverage enacting the
20 reconciliation bill.

21 Under the Chairman's proposal those same items would
22 be repealed with the exception of the removal of the home
23 limitation -- I am sorry, the removal of the limitation on
24 home visits, the provision that provides that when a dentist
25 performs a covered service, it is not covered, but it is if

1 a physician does.

2 The physical therapist provision, and there is a
3 change in the effective date of the vaccine provision.
4 Instead of it being repealed as the President proposed, the
5 effective date would be changed to January 1, 1984.

6 Senator Bradley. Go over that again. What is the
7 effect? What did you do?

8 Where is this?

9 The Chairman. Pages 8 and 9.

10 Mr. Lighthizer. if you look at pages 8 and 9,
11 Senator.

12 The Chairman. It has a list of eight items the
13 President's proposal would repeal that was enacted last
14 year.

15 What we have done is modified four of those. The
16 one we are discussing right now is the pneumococcal vaccine.

17 Mr. Lighthizer. The Chairman would not repeal the
18 first one, Senator.

19 Senator Bradley. The first one being?

20 The Chairman. Being home health visits.

21 Mr. Lighthizer. He would not repeal. He would also
22 not repeal number 5.

23 Senator Long. Let me ask about a long drawn out
24 operation, in item number 6.

25 Mr. Lighthizer. There are two sides to item number

1 six. One is the question of whether the service is paid
2 for. If it is a covered service and it is provided by a
3 dentist as opposed to a physician.

4 The second one is the question of whether the hospital
5 care is paid for where the person is hospitalized not for a
6 medical procedure, but for because of the severity of the
7 dental condition.

8 The Chairman would not change the second item, but he
9 would change the so-called equity item. But, if it is a
10 covered service and it is performed by a physician, it would
11 be the same as if it were performed by a dentist, it would
12 be the same as if performed by a physician.

13 Senator Long. If the oral surgeon puts him in the
14 hospital to perform a service for which he would be eligible
15 if performed by a surgeon, but not an oral surgeon, that is
16 not right. It ought to be covered in either event.

17 At least that would be taken care of, right?

18 Mr. Lighthizer. The service would be taken care of.

19 Senator Long. Thank you.

20 Mr. Lighthizer. The final item, on page 9, Senator
21 Bradley, number 8, the pneumococcal vaccine, the President
22 would repeal that.

23 The Chairman's proposal would change the effective
24 date from July 1, 1981, to January 1, 1984.

25 Senator Bradley. What is the rationale for the

1 repeal of that coverage?

2 The Chairman. We didn't repeal it, we just delayed
3 -- you are talking about the pneumococcal vaccine?

4 Senator Bradley. You are simply saying that you will
5 be covered for pneumococcal vaccine, but you won't be covered
6 until January 1, right?

7 The Chairman. I think the rationale was hopefully we
8 can figure out some way to handle it in the meantime. I know
9 Senator Baucus had a interest in that. I know former
10 Congressman Ullman has an interest in that, and many others
11 on this side.

12 It is not a big item, but we thought at least we
13 could defer the effective date and maybe come up with some
14 compromise before that time.

15 Senator Bradley. You mean some compromise to keep
16 the coverage?

17 VOICE: Mr. Chairman.

18 The Chairman. Yes.

19 VOICE: The Administration's proposal for repeal I
20 think was based primarily on the fact that although there are
21 general statistics indicating the efficacy of pneumococcal,
22 there are no statistics dealing with a specific age group
23 we are talking about.

24 With a \$55 million investment, the Administration did
25 think it prudent to hold off until we have that kind of data

1 that shows efficacy for that particular age group.

2 Senator Bradley. This age group is what?

3 VOICE: The Medicare beneficiary, 65 and older, sir.

4 Senator Baucus. Is there any information that this
5 particular age group is less efficacious? You say there
6 are general statistics showing it is efficacious.

7 VOICE: On neither side, Senator. What we have is
8 general studies which deal with the broad stratum population,
9 but nothing dealing with the Medicare age group.

10 Senator Bradley. Well, when do people normally get
11 their pneumonia shot?

12 VOICE: I am afraid I can't answer that, sir.

13 Senator Bradley. My point is, if this is delayed
14 until January, I remember you used to get the flu shots,
15 you would get them in the fall, anticipating a bad winter.

16 Mr. Lighthizer. Senator Bradley, it is January,
17 1984.

18 Senator Bradley. Oh, January, '84.

19 The Chairman. Yes.

20 (Laughter.)

21 The Chairman. They will still be in the ball game.

22 (Laughter.)

23 Senator Long. I would think, and I would hope we are
24 going to do something about pneumococcal vaccine, we would
25 do it, provide it to people now or at least before the next

1 winter sets in.

2 I am told by a doctor more of these old people die
3 from pneumonia than any single thing. That is the number one
4 killer. I would hope we could find the money to have that
5 in there. I would rather reduce something else. I under-
6 stand the budget procedure. There must be something else
7 we could reduce to try to make it fit.

8 The Chairman. We haven't given up on that. I think
9 that is the reason we changed the effective date. We would
10 like the information from the Administration. I am not
11 certain how soon that will be available.

12 Do you have any estimate?

13 VOICE: I am afraid I don't. That would be in a
14 different part of the department. We can get that to you
15 quickly.

16 Senator Bradley. So, as it is now, let me try to
17 understand it again.

18 The Chairman. It is still alive, but postponed.

19 Senator Bradley. It is not going to -- you will be
20 able to get coverage for pneumococcal vaccine until January
21 1, 1984.

22 Mr. Lighthizer. That is right. It will not be paid
23 for by Medicare until after January 1, 1984.

24 Senator Bradley. So, in other words, it is repealed
25 until now and the old folks are not covered --

1 The Chairman. We do not repeal it, we just delay the
2 effective date.

3 Senator Bradley. The effect is there is no coverage
4 for old folks to get their flu shot.

5 Mr. Lighthizer. Not the flu shot, Senator.

6 Senator Bradley. The pneumococcal vaccine.

7 Mr. Lighthizer. The pneumococcal vaccine.

8 Senator Bradley. What is the incidence over 60, of
9 the pneumococcal virus under under 60?

10 VOICE: I can provide that to you afterwards, Senator.

11 (Material to be provided.)

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1 Senator Bradley. I think you will find that it is
2 significantly higher over 60 as opposed to under 60. So
3 the argument that they don't really need it is, as Senator
4 Heinz would know, because of the Aging Committee, is totally
5 wrong.

6 I would like for you to provide those numbers for the
7 record.

8 Mr. Lighthizer. The next --

9 The Chairman. We were generous compared to the House
10 action on this section. I think they did that.

11 Mr. Lighthizer. The next item where there is a
12 change is to, in the provision that the President has to
13 authorize Medicare contractors to process Railroad Retirement
14 Board claims. That is eliminated.

15 The Chairman does not have that package, that element
16 in his package.

17 I am just going down the list on page 2.

18 The Chairman. Right.

19 Mr. Lighthizer. The next provision under Medicare,
20 elimination of utilization review requirement that the
21 President proposed is also not in the Chairman's list.

22 Senator Bradley. Where are you?

23 Mr. Lighthizer. Page 2.

24 What you have here is the Chairman's proposal.

25 Senator Bradley. Right.

1 Mr. Lighthizer. What is not included in the Chairman's
2 proposal are items that he dropped out of the President's
3 package. You really have to have pages 2 and 3, of the
4 Blue Book which has the whole President's package, and the
5 Chairman's proposal.

6 The Xerox sheets just give what the Chairman's
7 proposal is.

8 I am also highlighting for you items that were
9 dropped out and therefore, are not on this.

10 The Chairman. I think it might be well, when they
11 are not on this list, point out where they are in the Blue
12 Book so they will know precisely.

13 Mr. Lighthizer. Yes.

14 The Chairman. In other words, you touched on the
15 elimination of utilization review requirements of the
16 President's proposal. It is not in our proposal. We have
17 eliminated it.

18 Mr. Lighthizer. That's correct.

19 The Chairman. We dropped that.

20 We have eliminated the elimination.

21 Medicare contractors.

22 Mr. Lighthizer. That is also not in the Chairman's
23 package, although it was recommended by the President.

24 The next item is the Medicaid cap.

25 Senator Heinz. Mr. Chairman, before we go to

1 Medicaid.

2 The Chairman. Senator Heinz.

3 Senator Heinz. Thank you, Mr. Chairman.

4 I don't see it on the sheet handed out, the item on
5 page 12, number 7, elimination of PSRO.

6 The Chairman. That is on page 4.

7 Mr. Lighthizer. That is on page 4, under authorization.
8 This is just direct spending. But that provision, the
9 elimination or phase out of PSRO's is also not in the
10 Chairman's package.

11 Senator Heinz. That's not.

12 Mr. Lighthizer. Correct, Senator.

13 Senator Heinz. That is what I wanted to be clear on.

14 Senator Boren. Are the totals of the Chairman's
15 proposal less than the totals of the President's recommendation?

16 Mr. Lighthizer. No, sir.

17 Senator Boren. Where do you essentially recoup?

18 The Chairman. You will get that good news quickly.

19 (Laughter.)

20 Mr. Lighthizer. On page 3, there are -- which I will
21 get to in a second, there are other alternatives which raise
22 the difference, and plus a little bit.

23 The Chairman proposes a modification in the Medicaid
24 cap, basically, instead of -- Ms. Olson, do you want to just
25 briefly.

1 Ms. Olson. The Chairman's proposal would basically
2 cap Medicaid expenditures beginning in 1982, at 9 percent
3 rather than 5 percent, as suggested by the Administration.

4 We would also not reduce the 1981 expenditures by
5 \$100 million as the President had recommended.

6 So, basically, the cap begins in '82. It is consistent
7 with the Administration's package in the out year in that it
8 uses the GNP deflator for increases after 1982.

9 So, there are two modifications.

10 One, is it increases the amount to 9 percent.

11 Two, it does not reduce 1981.

12 Mr. Lighthizer. The next provision is under the
13 repeal, it is called here, Repeal of Title 5.

14 The President proposed putting that into the Health
15 Services block grant which merged programs between juris-
16 diction of our Committee and the Labor Committee.

17 What the Chairman proposes is having a separate Title
18 5, maternal and child health block grant with the reduced
19 funding, but a separate program, not part of a health services
20 block grant.

21 Senator Bradley. That would go down to 25 percent
22 though? Would it?

23 The Chairman. Right.

24 Mr. Lighthizer. Yes, sir.

25 Senator Bradley. Thank you..

1 Mr. Lighthizer. The next item under the heading
2 Unemployment Compensation, the President recommended the
3 13 week requirement --

4 Senator Matsunaga. Before we proceed on unemployment,
5 Mr. Chairman, we are merely comparing your proposal and the
6 President's proposal.

7 The Chairman. Yes.

8 Mr. Lighthizer. The Chairman proposed eliminating
9 that 13 week requirement.

10 Under public assistance --

11 The Chairman. Wait a minute. Touch on that again.

12 Mr. Lighthizer. The President proposed redefining
13 suitable employment after 13 weeks for regular unemployment
14 benefits.

15 The Chairman. That was the Federal Standard?

16 Mr. Lighthizer. The argument was that was the Federal
17 standard imposed on the state program.

18 The Chairman. Do you agree with that, Senator Boren?

19 Senator Boren. I do. I think we have always held to
20 only requirements on the extended benefits for Federal funds
21 involved. This would set a precedent of the Federal Government
22 coming in and mandating the purely state portion. I would
23 support the Chairman's recommendation that we not get in to
24 that first 26 weeks of basic benefits, we leave that up to the
25 state..

1 The Chairman. Everything else is the same, Bob;
2 right?

3 Mr. Lighthizer. That is correct. Yes, sir.

4 The next change, under AFDC, the first item is limit
5 earnings disregard.

6 The Chairman would modify that to raise the child
7 care deduction from \$50 per child, per month, to \$160 per
8 child, per month.

9 The next items are the same down through count step
10 parents income. We would limit that just to step parents,
11 not to others living in the house.

12 The next item, national recipients information
13 service or system, was recommended by the President and is
14 not in the Chairman's proposal. Access to information was
15 also included in the President's package and is not in the
16 Chairman's proposal.

17 Require community work programs, presumably will be
18 modified, as suggested by Senator Grassley and Senator Long.
19 Basically, it is made optional in this.

20 Senator Heinz. Bob, could you -- on the things that
21 are excluded, it is hard to follow with the Blue Book. Could
22 you go just a little more slowly? I am sorry.

23 Mr. Lighthizer. Yes, sir.

24 Senator Heinz. Could you go through the things that
25 are excluded from the Chairman's proposal?

1 Mr. Lighthizer. Under AFDC, we modified the first
2 item which is limit earnings disregard.

3 Senator Heinz. Yes.

4 Mr. Lighthizer. The next change is under count step
5 parents income. We modified that. It is a little broader
6 than just step parents.

7 Senator Heinz. Yes. Item 8.

8 Mr. Lighthizer. Yes, sir.

9 The next item is National Recipients Information
10 System recommended by the President and --

11 Senator Heinz. I am just trying to follow you. That
12 is on page 10, page 36, item 10.

13 Mr. Lighthizer. I am going down the summary sheet,
14 on pages 2 and 3.

15 The Chairman. Give him the other pages.

16 Mr. Lighthizer. Yes.

17 Senator Heinz. You are doing fine, Bob.

18 Mr. Lighthizer. The access to information is not
19 included.

20 Senator Heinz. Page 36, item 10.

21 Mr. Lighthizer. Thank you, Senator.

22 (Laughter)

23 Mr. Lighthizer. The require community work program
24 would be modified on page 36, as Senator Long and Senator
25 Grassley have suggested.

1 Senator Long. I made the point and we agreed to it at
2 the time, and I think the Chairman agreed he would modify his
3 amendment to include it, that under the proposal the state
4 should have the option to pay people to perform work or
5 services rather than merely all of it being required to be a
6 gift.

7 That being the case, there should be complete
8 flexibility in regard to that. You could pay them to do
9 work rather than -- we could pay them to do all kinds of
10 things. Part of it could be a grant and part of it a
11 payment for work. You could pay it all if you wanted to
12 pay people to do work rather than service. But that the
13 states ought to have the flexibility to work it out how they
14 wanted to work it out.

15 That was what we agreed to. Those who were not here
16 ought to know about it.

17 Mr. Stern. Senator Long one element of it is if the
18 state does use that option, they would have to achieve an
19 overall reduction in the cost of the welfare program.

20 The purpose of this is not to raise the cost of the
21 welfare program.

22 Senator Long. It would not cost -- the suggestion is
23 that it would not cost one additional cent. They have X
24 amount of money available in the block grant. Out of the
25 money that is available to them they could use some of that

1 money to pay people to do something rather than paying them
2 for doing nothing. That is the thought.

3 But, there are a variety of ways that they could pay
4 people to do something. Now, obviously, the more money they
5 use to pay people to do something, less is available to pay
6 people for doing nothing.

7 But, within those there are a lot of variations they
8 could work out to suit their best judgment.

9 Senator Boren. Mr. Chairman, I certainly want to
10 agree with Senator Long's proposal and commend him for it.
11 This is exactly what we tried to do in Oklahoma.

12 For example, we tried to take some of the recipients
13 and allow them to work so many hours a day. It was a
14 voluntary program. Some of our state institutions, for
15 example, for juveniles, and mentally retarded, and these
16 people had the greatest response to that.

17 I went through one of the institutions. I was stopped
18 again and again by people saying, "Thank you for giving me a
19 job. I love my work. I am feeling useful."

20 Ever since we put that program into effect we have
21 been hounded by the Feds saying, even though you say this is
22 voluntary, this is a back-door approach toward paying welfare
23 recipients to do something, as if we had committed a crime.

24 I am very glad, and I hope we can spell that out
25 very clearly.

1 Senator Long. The point is that never in history
2 so far as I have been able to determine, has the Congress
3 ever gone on record as being opposed to paying people to do
4 something that is good for themselves and for society.

5 It is only some of those who are just adamantly
6 opposed to paying people to work, who managed to win a
7 lawsuit somewhere, probably financed by somebody down the
8 bureaucracy or by a grant somewhere to say that you can't
9 pay anybody to do anything, you can only give the money
10 away.

11 The Chairman. Go ahead.

12 Mr. Lighthizer. The next change between the President's
13 proposal and the Chairman's -- the President's package and
14 the Chairman's package is the item entitled "Eliminate
15 payments for pregnant women before six months." That is on
16 page 38.

17 The change is that tax payments would still be
18 prohibited, but that these people could be eligible for
19 Medicaid before their six months of pregnancy.

20 Senator Boren. They would be eligible for it right
21 from the beginning of the pregnancy, right?

22 Mr. Lighthizer. Depending on the states regulations,
23 that's correct. There would be no prohibition.

24 The next item is on page 41, next item where there
25 is a change and that is allow liens on recipient's homes.

1 The Chairman has dropped that.

2 Under child support enforcement, modify collection
3 fee for non-AFDC cases, which is on page 44, the Chairman
4 would modify that to read that in cases where there is a
5 child support collection in non-AFDC cases, the parents who
6 owes the child support would have to pay.

7 In other words, you could not put the fee on the person
8 who is requesting, in most cases presumably the mother who
9 is using the service would not have to pay, but the father
10 who owed the collection would have to pay.

11 The next item on the next page, change financing of
12 incentive payments. That has been dropped out of the
13 Chairman's package.

14 Now turn to page 47, of the Blue Book. The Chairman
15 proposes that we have a social services block grant which
16 excludes the three foster care, adoption assistance proposals
17 which we discussed earlier, and the child welfare, adoption
18 assistance and foster care. Leave those as independent
19 programs, as they are under current law, and take the rest
20 of the social services programs within the jurisdiction of
21 the Finance Committee, and block them together, and then,
22 reduce the funding for both by 25 percent, so that we meet
23 the same funding total as the President proposed.

24 On the next page, the proposal to phase out PSRO's,
25 as I said before, is not in the Chairman's package.

1 If you turn now to the third page of the package that
2 was handed out today, we have the other alternative to raise
3 the money that was not raised, because of changes in the
4 President's proposal.

5 The first one is entitled "Unemployment Compensation,
6 loan package." Rod will describe that.

7 Mr. DeArment. This is sort of a multi-part program
8 to reform the unemployment compensation, sort of loan and
9 repayment system, to institute some cost saving reform
10 mechanism by which the states borrow unemployment compensation
11 funds from the Federal unemployment account.

12 It was thought that this was a useful addition to the
13 cost savings reforms in extended benefits and includes some
14 of the ideas or included in a bill introduced by Senator
15 Boren and Senator Heinz, S. 507.

16 Under current law, there is a Federal unemployment
17 tax of 3.4 percent on a particular wage base. That Federal
18 tax is, in most cases, credited with a Federal tax credit of
19 2.7 percent.

20 So, the net amount that the Federal Government
21 collects is only .7.

22 Under this system, states that have deficiencies in
23 their own trust funds can borrow from the Federal Government
24 interest free. If the state then becomes in default, the
25 Federal Government starts collecting money back from the

1 state by a penalty tax which essentially reduces by .3 of
2 one percent, that 2.7 percent Federal tax credit. So that
3 it is essentially .3 of one percent Federal penalty for each
4 year that the state in default doesn't cure its default.

5 Our loan reform package, to address the problem that
6 there are a number of states that have substantial loans out-
7 standing, has both sort of a carrot and a stick in it.

8 Let me get to the stick first. We would propose that
9 we impose, that the Federal Government charge interest on
10 new borrowing the state makes from the Federal unemployment
11 account at a ten percent annual, I think it is compounded
12 annual rate.

13 This new borrowing would begin when the state had not
14 repaid its advances by September 30.

15 So, under this new borrowing, the state would have
16 some ability to have up and down cash balance borrowing in
17 the course of a year.

18 However, if it went over a year of borrowing, it would
19 begin to pay interest on it.

20 There is some concern expressed that maybe states
21 would come up to the end of the year, fund sources of funds
22 from other states, and pay it off and then borrow it two days
23 later. This has occurred under the current system, this kind
24 of jimming, and I think we could address that by an amendment
25 to this. That the Department of Labor, under regulations,

1 would certify that the state is in a position that they
2 wouldn't need to borrow for an additional six months, so
3 that people couldn't game play this -- its interests.

4 So, essentially you would on new loans after a year
5 you would be charged a ten percent interest rate. Under the
6 present system now, of course, they pay no interest at all
7 and these states have no real incentive to worry about that
8 amount, because they have no cost.

9 A second feature of this package would allow states
10 the option of repaying outstanding loans directly from state
11 trust funds.

12 The state trust funds are financed by experienced rate
13 of taxes. So that this would be in lieu of requiring the
14 penalty tax that they would pay the same amount out of the
15 state trust funds.

16 This would allow the states to use the experience
17 rating system to recover the tax rather than just a flat .3
18 or .6 or .9 or whatever the penalty tax is on all of employers.

19 Senator Boren. Give them the option of avoiding that
20 additional penalty.

21 Mr. DeArment. Avoiding the penalty tax and better
22 target for the tax those employers who have had the highest
23 unemployment experience.

24 Senator Chafee. Mr. Chairman.

25 The Chairman. Senator Chafee.

1 Senator Chafee. But this protection would not come
2 on until they reached the .6 percent costs. Is that capped?

3 Mr. DeArment. No. I think that a state at any
4 point that would be subject to the penalty could avoid that
5 penalty by paying an equivalent amount from the trust fund
6 if they chose to do so.

7 Senator Heinz. Rod, as I understand it, provision
8 number two is independent of a freeze?

9 Mr. DeArment. That's correct.

10 Senator Heinz. We are just saying we will allow states
11 that are paying back whether they qualify for a freeze or not.
12 You will allow them the option, if they want, of paying back
13 through their trust funds of that is how they want to do it.

14 Mr. DeArment. That's correct. It is an independent
15 feature.

16 Senator Matsunaga. How is the ten percent interest
17 arrived at?

18 Mr. DeArment. How is the ten percent interest arrived
19 at?

20 Senator Matsunaga. Yes.

21 Mr. DeArment. You mean how did we arrive at the ten
22 percent figure?

23 Senator Matsunaga. Yes.

24 Mr. DeArment. It was --

25 The Chairman. It could get higher.

1 Mr. DeArment. Yes.

2 Senator Heinz and Boren's bill has a 12 percent
3 interest which is the interest figure --

4 Senator Heinz. I can't -- Senator Dole wanted to be
5 generous to the states on this. In Senator Boren's and my
6 bill, we provide for tying it to the IRS penalty interest
7 rate.

8 Senator Dole, being much more generous, must less
9 hard hearted than Senator Boren and myself, has decided, and
10 his staff, has decided on this particular formulation.

11 Senator Matsunaga. It is good to know.

12 (Laughter.)

13 Mr. DeArment. The third component of this package
14 would provide a further incentive for state unemployment
15 fund solvency by allowing employers in debtor states, through
16 these unemployment funds restored to solvency, and who do not
17 relax their tax effort and who do not liberalize benefits,
18 to receive a freeze on this penalty at .6 percent or higher.

19 So that to the extent that states in a default
20 situation now subject to the penalty tax, would have that
21 penalty frozen at .6 percent, provided that they meet these
22 solvency requirements.

23 They would nevertheless be subject, of course, to the
24 interest on new borrowing, and then there is a provision
25 where the solvency requirements might be waived if there was

1 an unexpected recession.

2 So, there is a recessionary waiver included.

3 Senator Bradley. That is the question I want to ask.
4 Because in the bill last year, passed in the Senate, there
5 was a provision that, as I recall, that if the state were
6 already in a serious debtor position, and had an economy that
7 had a higher than normal insured unemployment rate, and had
8 that over a long period of time, that that state would be
9 allowed to go to the fund to get further loans.

10 Now, what in this package governs the situation where
11 a state is already in rather serious debt, but if there is
12 a national recession, there will clearly be a need to borrow
13 more funds because the unemployment will go up.

14 Is that state prevented from borrowing from the Federal
15 funds?

16 Mr. DeArment. No, nothing would preclude the state from
17 borrowing from the Federal fund.

18 Senator Bradley. You are saying that now they have to
19 pay a ten percent --

20 Mr. DeArment. That's correct.

21 Well, states, whether they are in serious trouble or
22 not previously, will have to pay this.

23 Senator Heinz. Rod, may I make a distinction? This is
24 one of the more complicated procedures of law I have ever
25 been involved with. Interest on new borrowing is separate and

1 distinct from issues having to do with the recessionary
2 waiver.

3 The recessionary waiver simply has to do with the
4 discrete issue of whether a state will qualify for the
5 freeze or a continuation of the freeze.

6 Senator Bradley: Even if they haven't made repayment?

7 Senator Heinz: Well, the only reason you would be
8 interested in a recessionary waiver is if a state was in
9 arrears, if their borrowing had exceeded what they borrowed
10 the previous year.

11 If a state has borrowed more than their aggregate
12 borrowing the previous year, then the question becomes, do
13 they qualify for the recessionary waiver as a condition of
14 maintaining whatever freeze they have settled in at, .3, .6,
15 excuse me, .6 or whatever it is they are frozen at.

16 The recessionary waiver I think I will let Mr. DeArment
17 describe, because I don't have the exact language in front of
18 me. As I recollect, it says that if a state has an unemploy-
19 ment, insured unemployment rate of 150 percent of the
20 national average, then this is not all of it, but that is the
21 basic -- but then a state will qualify for the discretionary
22 waiver.

23 Senator Bradley: Where in our document --

24 Mr. DeArment: If you look at attachment E, Senator
25 Bradley.

1 Senator Bradley. I see it, yes.

2 Mr. DeArment. The proposal is set out in some detail
3 and it indicates -- one feature that I did not mention of
4 this package is that to assess its viability in achieving the
5 goals of both cost saving and an incentive for reform, we
6 have sunsetted this entire package so that on January 1, 1984--
7 it would expire and then could be renewed in light of the
8 experience.

9 Senator Bradley. We sunset both -- the entire package?

10 Mr. DeArment. Yes.

11 Senator Heinz. The benefits of the penalty tax freeze
12 to the debtor states and the interest provision at the same
13 time.

14 Mr. DeArment. The total savings of the whole package
15 would be in 1982, about \$299 million, and in 1983, about
16 \$414.

17 Senator Bradley. Is this the only written information
18 you have on it, attachment E?

19 Mr. Lighthizer. That's correct.

20 Senator Bradley. As far as anybody else on the
21 Committee knows, there is nothing else on paper that explains
22 this proposal?

23 Mr. DeArment. Well, if you would like to look at
24 S. 507 star print, that is a bill that Senator Heinz and
25 Senator Boren have introduced. It was introduced in star

1 print form on Monday. It is on Monday's record, at least.
2 There is statutory language that implement most of these
3 features.

4 Senator Bradley. So, in other words, this is a
5 description of S. 507?

6 Mr. DeArment. No, it is not. This is a description of
7 some of the provisions of S. 507.

8 Senator Heinz. Some of the provisions, Senator Bradley,
9 in 507, aren't relevant to this. There are certain unemploy-
10 ment compensation reforms having to do with the National
11 trigger and so forth.

12 Senator Bradley. Yes.

13 Senator Heinz. Some of which the Committee has
14 adopted and some of which the Committee will not adopt.

15 Senator Bradley. Yes.

16 Senator Heinz. You take away those particular reform
17 provisions and what you have in star print, S. 507, I believe
18 is the legislative language we are talking about.

19 Mr. DeArment. That is right here.

20 Senator Heinz. Plus one additional feature which is
21 the sunset provision is not in the bill, but is described
22 here.

23 Mr. DeArment. S. 507 includes a number of the cost
24 saving items that are in the President's package.

25 Senator Bradley. This is one of those things, one of

1 reasons why I would prefer not to vote for --

2 Senator Boren. On the cost saving items, are they
3 sunseted as well?

4 Mr. DeArment. Yes, the entire package would be.

5 Senator Boren. You mean like the National trigger and
6 the --

7 Mr. DeArment. No. No. No. No, not those.

8 Senator Boren. You are talking strictly the interest
9 feature, penalty and the cap and those things?

10 Mr. DeArment. That's correct.

11 Senator Boren. The rest of them are permanent?

12 Mr. DeArment. The rest of them are permanent that
13 are not in this package, just this package is.

14 Senator Heinz. The President did not propose interest
15 on borrowing, new borrowing. That is why we can treat it
16 differently, and the additional reason is the additional
17 savings.

18 Let me ask this one question. I am sorry to take this
19 time, but on the President's estimate on the 20 weeks he
20 only estimates saving \$11 million in 1983, I notice. Our
21 provision, in S. 507, we defined attachment to the labor
22 force in terms of earning 40 times the weekly benefit you
23 would be eligible for in terms of unemployment and the
24 savings were massively higher, \$200 million or something.

25 Mr. DeArment. Your proposal in S. 507, that 40 weeks

1 equivalent wages does not provide the states the same degree
2 of flexibility that the President's package does. The
3 President's package has that formula in it as one of the ways
4 that a state can determine the 20 weeks of work force detach-
5 ment.

6 Senator Boren. Correct.

7 Mr. DeArment. But they also allow, in some of the
8 heavy debtor states, they already have a 20 week standard.

9 Senator Boren. Well, basically, what I am wondering
10 is the President's proposal, the principle that I have always
11 felt is that someone shouldn't be able to go out and draw
12 unemployment compensation more than they ever earned when
13 they were working.

14 That, to me, seems to be a little bit unreasonable.
15 You apply, you qualify for 26 weeks, the first basic 26
16 weeks, and then to go in and get extended benefits, it would
17 mean you would have collected more unemployment than you ever
18 earned.

19 Does the President -- I have heard of these cases in
20 California where people could go out and maybe work for three
21 days in the movie industry and lump sum that together and
22 then draw unemployment benefits of three or four times that
23 amount, spread over a period of time, work maybe three days
24 a year and draw benefits 39 weeks.

25 Are we tying this down enough where we prohibit that

1 sort of a thing from going on?

2 Mr. DeArment. I think we do. Senator Boren, in terms
3 of the relative cost savings of the provision that you have
4 on 20 weeks of work, in S. 507, and the President's proposal,
5 the difference may relate to the order of the estimate.
6 There may be some interaction.

7 VOICE: Mr. Boren, when we made the estimates for the
8 President's proposals, we took the proposals in sequence. So
9 the savings shown for 20 weeks of work reflect a National
10 trigger already being eliminated, calculation change being
11 eliminated, etcetera.

12 The estimates for your bill were made independently.
13 Senator Boren. Made independently, I see.

14 I would like to just ask if they could go back over
15 that just to make sure we are not creating a situation where
16 we allow people -- the fundamental principle that I believe
17 in is that you shouldn't be able to draw more benefits than
18 you ever earned before you became unemployed.

19 I think that is a little bit unfair. So, if we could
20 just make sure --

21 Mr. Lighthizer. We will review that, Senator.

22 Mr. Chairman, continuing down page 3, the next item
23 is --

24 The Chairman. I might say, for the benefit of Senator
25 Moynihan, what we are doing now is just going through and

1 identifying changes between the President's recommendations
2 and a series of modifications we made. There are some, the
3 first couple of pages, I know that Bob would be happy to go
4 over with you, when we finish.

5 Senator Moynihan. Thank you, Mr. Chairman.

6 The Chairman. We would be happy, at your convenience,
7 to go over the entire document.

8 Senator Moynihan. Thank you.

9 The Chairman. We are not going to have any votes
10 until Tuesday. That will give everyone enough time, tomorrow
11 and Monday.

12 We do hope to visit with you on the one matter you
13 called to my attention, Puerto Rico.

14 Senator Moynihan. Puerto Rico. I wish to thank you,
15 Mr. Chairman.

16 Mr. Lighthizer. The next item, under social security
17 is round social security benefits to the next lower dollar.
18 The savings on that are \$92 million and \$162 million --

19 The Chairman. We can't hear you, Bob.

20 Mr. Lighthizer. The next series of provisions are
21 under Medicare and Shiela will describe them, Mr. Chairman.

22 Senator Durenberger. Mr. Chairman, before we head
23 into the response to Senator Boren's earlier question, let
24 me try to put this -- some of your recommendations in some
25 perspective.

1 Dave asked earlier where we are going to make up for
2 some off the things that weren't included earlier. I think
3 we are at the point where the Chairman's recommendation is to
4 make up about \$1.64 billion. I think it is appropriate to
5 put that in some perspective.

6 We probably had more hearings at the Committee level
7 on the whole health function issue than probably everything
8 else combined.

9 The purpose of the hearings, and I think what came out
10 of the hearings told us two things about our approach to
11 using the budget as part of a public policy process.

12 One very clear, and I think we all know that and that
13 is of all the human needs that this Committee has programmatic
14 responsibility over, the provision of health care or the cost
15 of providing health care is increasing about twice as fast as
16 anything else that we are dealing with here.

17 That leads to the second, which is if we are going to
18 use the budget process here to some way impact on that cost,
19 we are about the business of defining some minimum changes
20 in the payment system which will move us in some way towards
21 cost effectiveness.

22 Any other rationale is inappropriate when you are
23 dealing with the health of people.

24 So, we have been concerned all the way through this
25 process about cost changes at the Federal level, the state
level

1 level, the provider level and the beneficiary level and how
2 all those can relate one to the other.

3 The part we covered earlier, the President's
4 recommendations, you saw about half of them stay in and half
5 of them go out, and that is because we used, I think, those
6 of us who are involved in this process, used basically a
7 measurement of cost effectiveness in deciding where he was
8 right and where he was wrong.

9 We hung on to the incentives for home health care.
10 We hung on to the incentives to lower the cost of VSRD,
11 because of the uncontrollable costs in kidney dialysis.

12 We hung on to PSRO, and you are, not because we think
13 the way it is presently running is the best way to run it,
14 but because it is the only kind of tools out there that we
15 have now that work toward some cost effectiveness.

16 I made a commitment to the Chairman, that I will make
17 to you publicly, that in the next couple of months, I will
18 find a better way and a cost saving way to handle these PSRO
19 UR issues.

20 The same thing is true of pneumococcal. That hasn't
21 gone into effect yet. It wouldn't go into effect until July
22 1. We have agreed to a postponement of the effective date
23 for some of the reasons that were articulated here, but it
24 has to be cost effective.

25 It is just a question of when we do it.

1 As far as the Medicaid CAP is concerned, there is the
2 big advantage to going along with the CAP. All the testimony
3 was against it from those who have to administer it at the
4 state level.

5 But, the big advantage to going along with it is
6 that we can get rid of freedom of choice and some of the --
7 hour statutory requirements on the service deliverers and the
8 financers down at the local level.

9 But, we are recommending to increase that CAP from
10 five percent to nine percent, because even if you free them
11 up and you only increase it by five percent, when health care
12 costs are going up 18 percent, they can't even put their
13 own cost effective measurements into effect because they
14 haven't enough money to do it.

15 So, I at least, have been convinced that some larger
16 figure, I had hoped it might be at least ten percent, but
17 nine percent may do it, with a deflater in it, combined with
18 freeing up the states to do some of the things they would
19 like to do, might be effective.

20 Senator Durenberger. The other consensus, from all
21 of the testimony, coming to us from the state level, in
22 particular, was the biggest impetus and increase in the cost
23 of Medicaid is Medicare.

24 We look at the explanation of some of the recommended
25 changes in the Medicare program. We have not come to the

1 millennium. We have not had time to come to the millennium
2 with regard to the Medicare. But, you will see a lot of
3 changes in here with respect to the role the state plays,
4 the provider plays, beneficiaries play in financing the
5 whole system.

6 You come up with \$3 billion, a little over that, if
7 you total it all up. I don't agree with that figure. I
8 think that is too great a contribution for the health care
9 function to make to the overall.

10 I feel particularly strongly, and this is just for
11 consumption between now and Tuesday. I think it is ridicul-
12 ous to keep, to eliminate all the efforts that went into
13 defining the extra cost of caring for the elderly.

14 I have not been on this Committee long enough to
15 participate in all those discussions, but everybody here has
16 agreed on the fact that the care of the elderly, particularly
17 in the hospital setting is just a whole heck of a lot more
18 expensive than anybody else.

19 You just never had any HHS or HEW or anybody else,
20 you know, proof of that fact, so you all settled, or I guess
21 we did, last year, on eight and a half percent.

22 Nobody knows whether eight and a half percent is an
23 accurate measurement or not. I think it is silly to abandon
24 it, having put all of that effort into trying to build what
25 is not a reward to hospitals for taking care of the elderly,

1 but in effect an incentive to those hospitals to provide
2 adequate care to the elderly under the Medicare program.

3 I think too, there is one other item we will talk
4 about here called Part B carry over provision. It is a \$55
5 million item. That, in effect, is one in which we deal with
6 the deductible. You start with a new deductible on January
7 1, of every year, or if you are carrying over treatment for
8 a particular disease or illness, should your deductible from
9 the previous year take effect.

10 The third thing, just for the benefit of everybody
11 that I am sympathetic to is the issue that Senator Chafee
12 raised earlier and this deals with the health function, and
13 that is the matter of Title XX.

14 If there is a blocked set of categorical right now,
15 it is Title XX. You cannot compare either the money or the
16 programs that are in Title XX, with the fuel assistance
17 program or the emergency assistance program or even MCH.

18 We are not getting 25 percent administrative savings
19 by in effect keeping Title XX going.

20 So, I would be prepared to argue that the contribution
21 of the health function to this total package. I like the
22 idea coming in over where we were before, ought to be
23 reduced by some factor, particularly with regard to that
24 Title XX. I would frankly, like to see it cut in half.

25 So, Mr. Chairman, I appreciate the opportunity to put

1 some of these things in perspective, because there are some
2 big dollars coming up in this presentation and some major
3 impacts on people. But, I want to say that is the objective,
4 the set of objectives we had in approaching this bugetary
5 process

6 The Chairman. Right. Well, as the Senator points
7 out, it is not easy. None of it is very easy. It is very
8 difficult. I doubt if anyone would agree that we make some
9 of the cuts. But, if you have a better alternative, we will
10 have time to consider those.

11 We have made a number of changes to the President's
12 recommendations. We tried to offset those losses with
13 savings in other areas that may also be, probably are
14 controversial. We are about to go through those.

15 What we are doing, I might add for the benefit of
16 Senator Moynihan, we are just highlighting those changes,
17 Senator, and then, on Tuesday, we will consider them.

18 I might also state that during the course of the
19 morning, it doesn't relate to this package, but Ambassador
20 Brock called me from Tokyo. I am not certain whether it was
21 collect or not --

22 (Laughter.)

23 The Chairman. To report on his progress in the auto
24 imports area. He just said it was very difficult, but there
25 were some signs of encouragement. Beyond that, well, there

1 are other things he said, but I can't reveal any specifics.
2 I think he will report to Senator Bentsen and Senator
3 Danforth next Monday.

4 Senator Moynihan. Mr. Chairman, in that regard, we
5 will get a chance to discuss the proposed trade adjustment?

6 The Chairman. Yes. Oh, yes. We will have ample
7 time to discuss it, hopefully and not change it.

8 (Laughter.)

9 The Chairman. Go ahead.

10 Ms. Olson. Senator, the provisions included in the
11 Chairman's alternative package are those which were included
12 in reconciliation last year, by this Committee.

13 The first provision deals with payments to promote
14 closing and conversion of underutilized facilities and would
15 basically authorize the Secretary to provide reimbursement for
16 capital related expenses and increased operating costs
17 associated with those closures or conversions. It is to assist
18 in better use of underutilized facilities in communities.

19 The second provision which is a criteria for deter-
20 mining reasonable charge for physician services was again,
21 included in last year's package and has two provisions.

22 The first would allow new physicians located in low
23 fee or shortage areas to come in at a higher percentile of
24 fees. That is to provide some encouragement for the location
25 in that area.

1 The second provision would alter the method of
2 determining the increase in prevailing charges in a state
3 and would basically work off of a state-wide median charge.

4 The third provision is a limitation on reasonable cost
5 and reasonable charge for out-patient services and was again
6 included in last year's package.

7 Basically, the Secretary would be required to establish
8 by regulation, limits on the reasonableness of costs or
9 charges in facilities that relate in some way to physician
10 charges in their offices for the same procedures.

11 The fourth provision deals with the coordination of
12 benefits with private coverage for Medicare and stage renal
13 disease patients.

14 Under current law, Medicare covers patients that have
15 end stage renal disease and are under dialysis. Basically,
16 after the third month, after the first month that they begin
17 dialysis.

18 This provision would make Medicare secondary for
19 12 months, for that first year, for patients who have private
20 coverage. The intent is to allow private coverage that
21 exists to continue for that period of time, and to therefore,
22 relate only to those individuals who are under 65 and not
23 otherwise eligible and for people who have private coverage.

24 This would not result in a loss of benefits to people
25 that do not have private coverage.

1 The fifth provision that is included in the Chairman's
2 package deals with non-payment for inappropriate hospital
3 care. This, again, is a modification of a provision that
4 was included in last year's package.

5 Basically, we agreed to pay at a lower rate for
6 individuals who have been maintained in hospitals and who
7 only require skilled nursing care or intermediate care at
8 that rate which prevails at the state.

9 The one exclusion is for institutions who have an
10 occupancy rate of greater than 80 percent. This provision
11 would repeal that 80 percent requirement.

12 The next provision deals with the Part B deductible
13 under Medicare. If you will refer to page 62, of your Blue
14 Books.

15 Basically, under present law, the premium and the
16 deductible under Medicare, and specifically, in this instance,
17 the deductible is fixed at \$60.00. It has not been increased
18 since 1972.

19 The Chairman would recommend that we increase as a
20 flat amount of \$75.00, which would result in a savings in
21 1982, of \$120 million.

22 The next provision deals with the deletion of the
23 carry over provision for the Part B deductible.

24 Under current law, beneficiaries incur that \$60.00
25 annually in that deductible, and expenses for covered medical

1 services before the program begins to meet expenses.

2 In determining whether the individual has met that
3 \$60.00 deductible, expenses incurred in the current calendar
4 year, plus those incurred in the last three months of the
5 preceding calendar year are considered.

6 This provision would delete that three-month carry
7 over.

8 The next provision deals with an increase in the Part
9 B premium. Under current law beneficiaries are required to
10 pay a monthly premium. The amount of the premium is currently
11 \$9.60. In July, it is slated to rise to \$11.

12 Prior to July, 1973, the Secretary determined the
13 premium rate by looking at the cost of the Part B program and
14 the premium was to be established at approximately 50 percent
15 of the cost of that program.

16 In the Social Security amendments of 1972, this
17 premium was altered in its increase and the Secretary now
18 is required to calculate each December the premium increase
19 based on the lower of the actuarial amount sufficient to
20 cover half of the costs of the program or the percentage by
21 which the cash benefits under Social Security increase.

22 What this provision would do would allow the premium
23 to be held at 25 percent of the cost of the program. That is
24 the estimated percentage it is currently at and the estimated
25 savings in 1982, for that provision, is approximately \$190

1 million.

2 What it would do, in effect, is allow in the out years
3 for that constant amount to be retained so that the premium
4 does not reduce in terms of its amount in relation to the
5 total cost of the program.

6 The next provision deals with the coordination of
7 Medicare benefits with the Federal employees plan. This is
8 something that has to do with, again, the primacy of Medicare
9 under current law.

10 Currently, what takes place is those individuals who
11 are eligible on the basis of covered employment for Medicare,
12 who are also covered under the Federal Employees Health
13 Benefits Plan, Medicare would be primary in those instances.

14 This provision, similar to the provision with end
15 stage renal disease, would make Medicare secondary to those
16 individuals with coverage under the Federal Employees Health
17 Benefit Plan who are retired.

18 The assumption of savings that you see reflected in
19 the document is a net reduction to the Government and not the
20 total savings to Medicare. It is an estimate which reflects
21 the fact that there will be a significant amount of money
22 shifted basically to the Federal employees plan, with respect
23 to the coverage which they will now pick up which they have
24 not previously picked up under their plan.

25 The estimated savings in totals for Medicare is closer

1 to \$1.5 billion. But, again, we show only the net reduction
2 to the Government and not specifically only the Medicare
3 savings.

4 The last provision which deals with Medicaid is a
5 reduction in the Federal Minimum matching rate to 40 percent.
6 Under current law, the Medicaid program on the Federal level,
7 matches state expenditures from 50 percent to 83 percent;
8 50 being the minimum.

9 The formula for calculating the match is based on
10 the per capita income. That 50 percent is a floor for those
11 states who would otherwise, based on their per capita income,
12 below, fall below that match.

13 This provision would reduce the minimum match from
14 50 percent to 40 percent.

15 Mr. Lighthizer. Mr. Chairman, that completes the entire
16 Chairman's package. The total savings are on the bottom of
17 page 3. I should repeat that instead of \$10 billion --

18 Senator Moynihan. Bottom of page --

19 Mr. Lighthizer. I am sorry, the end of page 3 of the
20 third long sheet.

21 The point I wanted to make was -- the next number is
22 10-9-4-8, that should be higher than that because we don't
23 have a number for the minimum match provision for '83. It is
24 at least 14. We have not been able to calculate that out
25 yet.

1 So that I only point that out because the 10-9, 4-8,
2 is below what we are required by the Budget Committee to
3 findas.

4 If you put approximately \$400 million, the minimum
5 for that provision, you will be a couple of hundred million
6 dollars above what the Budget Committee required us to find.

7 Senator Matsunaga. What would be total savings as
8 recommended by staff? The staff recommendations they show.
9 You indicate in the Blue Book, staff, that would be over and
10 above the President's proposal, would it not?

11 Mr. Lighthizer. First, I should say, Senator
12 Matsunaga, all of the staff alternatives in the back of this
13 book are not in the Chairman's package.

14 Senator Matsunaga. Are now in the Chairman's package?

15 Mr. Lighthizer. Are not in it.

16 Senator Matsunaga. Are not.

17 Mr. Lighthizer. We have not, at any time, added up
18 all the various options that were in the back of the Blue
19 Book, because they were not included in the Chairman's
20 package.

21 Senator Matsunaga. So then, the staff proposal would
22 indicate even further cuts?

23 Mr. Lighthizer. The end of the Blue Book, beginning
24 on page 57, the staff alternatives were just alternative ways
25 to find the savings. We weren't necessarily recommending them.

1 What we were basically saying is, "Here is a menu. If you
2 decide not to deal with what the President recommended, here
3 are some other ways you may get some savings."

4 Senator Matsunaga. If we choose to adopt recommendations
5 of staff, we may by the same token, eliminate recommendations
6 made by the President, and come out within the limitation of
7 the budget.

8 Mr. Lighthizer. Perhaps I am confused, Senator. The
9 Chairman's alternatives, we could add those totals up. Those
10 are what the Chairman is recommending.

11 Senator Matsunaga. Right.

12 Mr. Lighthizer. In the back of the Blue Book are
13 other options which are not totaled. We could total this
14 other alternative, \$2.32 billion.

15 Senator Moynihan. I have estimated net savings of
16 '82 --

17 Mr. Lighthizer. If I may, Mr. Chairman, we have to
18 go a little bit above '82, to find the savings in '83, which
19 is something which the Chairman was concerned about.

20 Senator Matsunaga. Mr. Chairman.

21 The Chairman. Senator Matsunaga.

22 Senator Matsunaga. Thank you, Mr. Chairman.

23 To continue just one, if we desire to have certain
24 figures given in the Blue Book checked, may we go to the
25 staff and have them checked?

1 The Chairman. In fact, we have asked them.

2 Mr. DeArment. Senator, doing that checking, one thing
3 we have in mind is to some extent we have tried to follow
4 the estimates that the Budget Committee used for items,
5 whether one may have a different view as to what the estimate
6 is or not.

7 Otherwise, you have a confusing situation where the
8 Budget Committee, which will be doing the squirreling on what
9 we do, has estimates of an item in one amount. If we come
10 out with a different amount, it is going to be quite confusing
11 and we may end up saving more than we have to or less than
12 we have to when it is ultimately scored by the Budget
13 Committee.

14 So, we have attempted to, where the Budget Committee
15 has used CBO estimates, we have tried to adhere to those.

16 Ms. Olson. Mr. Chairman, I would like to make one
17 further clarification about an estimate which may cause some
18 confusion. The estimate under the reduction of the Federal
19 minimum matching rate is an estimate that is combined with
20 the estimate for the -- assuming a 9 percent CAP.

21 So, the total savings in 1982, assuming a reduction
22 in the match, and assuming a 9 percent CAP is the combination
23 of those two numbers. They are not exclusive.

24 So, it is approximately \$750 million. The original
25 estimates came from the Congressional Budget Office. We are

1 very tentative about those numbers, because we are not sure
2 they are solid.

3 We have asked OMB to look at the numbers. We have
4 asked the HHS actuaries to look at the numbers.

5 We have also contacted the insurance carriers that
6 deal with the program, both Aetna and Travellers and Blue
7 Cross to look at the numbers.

8 So, we are hopeful that we will be able to come back
9 to you with more security next week in terms of what the
10 final numbers are.

11 We have asked a number of sources, in other words.
12 Senator Roth... Yes.

13 We already are asking the Federal employees to make
14 a major sacrifice.

15 Ms. Olson. Senator, I will point out that the number
16 that we included in the package is the net savings to the
17 Government and not simply the net savings to the Medicare
18 program.

19 So, the \$600 million estimate is of net savings to
20 the Government. That includes the entire Government, not
21 just this Committee.

22 The Medicare savings is assumed at about \$1.5. Again,
23 those numbers are very tentative. We are having them checked.

24 Senator Roth. That is what I understand.

25 Mr. Lighthizer. If it was a straight shift, Senator,

1 we would have put \$1.5 billion.

2 This presumably does not involve a shift from one
3 Committee to another, because we just took what we estimate
4 now to be the real savings to the Federal Government.

5 Ms. Olson. Although your committee will experience
6 an increase, Senator, because the costs not covered by
7 Medicare would presumably be covered by the Federal Insurance
8 Plan, under your Committee's jurisdiction.

9 So, to that extent, yes, there is a shift. We tried
10 to show the net savings to the Government in this number.
11 But, again, we will be working with the actuaries to make
12 sure the numbers are indeed correct.

13 Senator Roth. We will wait and see what the figures
14 are. I want to say that I object very strenuously to this
15 approach.

16 The Chairman. Any other questions? Give Senator
17 Roth a copy of that, since we have the numbers.

18 We will stand in recess until 10:00 o'clock, Monday
19 morning.

20 Hopefully, during that time, if any member has
21 questions, the staff is available.

22 Mr. Lighthizer. Mr. Chairman, is that Tuesday morning
23 or Monday morning?

24 The Chairman. Tuesday morning.

25 Mr. Lighthizer. At 10:00 o'clock.

1 The Chairman. Yes.

2 (Whereupon, at 12:25 p.m., the Executive Session
3 recessed, to reconvene at 10:00 a.m., Tuesday, May 5, 1981,
4 at the same place.)

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