

1 EXECUTIVE COMMITTEE MEETING

2 FRIDAY, MAY 29, 1987

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The meeting was convened, pursuant to recess, at 9:39 a.m.  
7 in Room SD-215, Dirksen Senate Office Building, the  
8 Honorable Lloyd Bentsen (chairman) residing.

9 Present: Senators Bentsen, Matsunaga, Moynihan, Baucus,  
10 Pryor, Riegle, Rockefeller, Daschle, Packwood, Roth, Danforth,  
11 Chafee, Heinz, Wallop, and Durenberger.

12 Also present: Mr. Tom Burke, Chief of Staff, Department  
13 of Health and Human Services; Mr. C. Eugene Stuerle, Deputy  
14 Assistant Secretary for Tax Analysis, U.S. Department of the  
15 Treasury; Mr. Don Muse, Principal Analyst, Congressional Budget  
16 Office; and Dr. Marina Weiss, Chief Analyst for Health and  
17 Human Resources.

18 Also present: Mr. Bill Wilkins, Majority Staff Director  
19 and Chief Counsel; Ms. Mary McAuliffe, Minority Chief of  
20 Staff; Mr. Randy Weiss, Chief Counsel, Joint Committee on  
21 Taxation; Mr. Jim Gould, Tax Counsel, Majority; Mr. Bruce Kelly,  
22 Majority Health Counsel; Mr. Ed Mihalski, Minority Deputy Chief  
23 of Staff; and Mr. Frank Cantrel, Minority Tax Counsel.

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1           The Chairman. This hearing will come to order. Please  
2           cease conversation.

3           When we recessed yesterday we had Senator Daschle's  
4           proposal before us.

5           Senator Daschle?

6           Senator Daschle. Thank you, Mr. Chairman.

7           I don't feel that strongly about this, but let me just  
8           revisit the amendment for a moment and describe in brief what  
9           we are trying to address here.

10          The Medigap insurance policies that have now been in effect  
11          for some time are rated on the basis of many things, including  
12          the loss ratio. Now, the loss ratio is the ratio of benefits  
13          to premiums. A 60-percent loss ratio would mean that 40  
14          percent of the premiums paid on a given policy would be  
15          attributable to administrative costs and profit. That would  
16          mean that 60 percent of the premium paid would actually go in  
17          benefits. So, we set out, in this committee and in law now --  
18          the goal has been set out -- that policies have tried to  
19          reach a federal goal of about 60 percent. That was an  
20          amendment offered by Senator Baucus some time ago.

21          According to the hearings we had months ago and the GAO  
22          report, there is a vast range of loss ratios today. There are  
23          some that are as low as 30 percent, which means that out of a  
24          dollar paid, 70 percent of that premium dollar goes to profits  
25          and administrative costs.

1 Now, I don't think we ought to be in the business of  
2 mandating loss ratios. I don't think that would make sense,  
3 and I think it would be very difficult. But I do think that  
4 it is appropriate to state, as we do on so many things, some  
5 consumer information: What is the loss ratio of a given  
6 policy? And have it there somewhere in the policy.

7 Now, we don't mandate that the loss ratios for an early  
8 period in a policy be listed, because the first couple of  
9 years you get a shakedown in these Medigap policies, and it is  
10 very difficult sometimes to calculate that for the first year.  
11 So, we take a three-year period and say that is a grace  
12 period, "You establish your loss ratios for that time, and  
13 after that three-year period, then we will begin asking you  
14 to list your loss ratio. And then we don't do it on an  
15 annual basis; we say after that three-year period you take the  
16 average of three years." And so we make it as easy as possible  
17 for these companies to calculate loss ratio.

18 Now, if it has been this committee's policy to say that  
19 it is appropriate that they shoot for that 60-percent goal,  
20 it seems to me it is just as appropriate to say how well they  
21 are doing. If we said, "Reach that 60 percent," and we have  
22 no way of knowing whether it is 30 percent or 80 percent, it  
23 doesn't seem to me like that first stipulation that they set  
24 as a goal -- 60 percent -- is worth much.

25 You know, we have nutritional information on virtually

1 every package of food today. It has the list of calories, and  
2 it has a list of just about everything that goes into that  
3 particular package. This in a sense is nutritional information,  
4 at its best. It is consumer information. It is by no means  
5 the sole basis upon which one should decide the value of a  
6 given policy, just as calories ought not be the sole basis  
7 upon which to make a decision with regard to a soft drink or  
8 some kind of snack food; but it is important. If you don't  
9 know what the loss ratio is, if you don't know the ratio of  
10 benefits to premiums, what is one to use as a method which  
11 he will use, some gauge to judge the worth of a policy?

12 I don't think it is asking too much; it is information they  
13 have put together already, and I think it would make a great  
14 deal of sense. And that is the purpose of my amendment,  
15 simply to put somewhere in the policy, in plain English, how  
16 well the policy is doing with regard to benefits and premiums.

17 The Chairman. Are there further comments?

18 Senator Moynihan. Mr. Chairman, would it be correct to  
19 say that there is no cost involved here?

20 Senator Daschle. No cost whatsoever.

21 Senator Moynihan. Could we ask our never-failing Marina  
22 Weiss and perhaps Mr. Burke, is this something that companies  
23 would have difficulty telling you? And is it something they  
24 routinely would complete for their own purposes?

25 Dr. Weiss. Senator Moynihan, we spent some time last

1 night visiting with representatives of the National  
2 Association of Insurance Commissioners and also with  
3 representatives of the Health Insurance Association of America  
4 -- Blue Cross and so forth -- discussing these very issues.  
5 The response we received was basically this: That there is  
6 some question about the way in which these estimates are done.  
7 The methodology is not universally agreed to be predictive  
8 and accurate, and so forth. The estimates are just that,  
9 estimates. And particularly for smaller companies and  
10 companies that are just introducing a product, a three-year  
11 timeframe could be misleading. It may take them longer than  
12 a three-year period.

13 Senator Moynihan. But there is not yet a uniform,  
14 generally-accepted accounting practice. But still, this is  
15 computed.

16 Dr. Weiss. Yes, it is.

17 Senator Moynihan. Senator Daschle has made clear that  
18 he thinks a grace period is in order. I am sure he is not  
19 committed to three years.

20 It seems to me, Mr. Chairman, that this proposal has  
21 merit.

22 Senator Baucus. Mr. Chairman?

23 The Chairman. Yes, Senator Baucus.

24 Senator Baucus. Mr. Chairman, this is somewhat of a  
25 vexatious issue; it is really a judgment call.

1           There are companies with high loss ratios that have high  
2 loss ratios for reasons that are independent of whether the  
3 company has a good policy or not. For example, the Blues  
4 generally have higher loss ratios, in part because they are  
5 nonprofit and in part because they have captured the market --  
6 they generally sell group policies, and then when somebody  
7 leaves they can sell an individual Medigap policy to, say,  
8 an individual who has left a group Blues policy. So, the  
9 Blues therefore have lower administrative costs; they don't  
10 have the agents' cost to pay, and it is a captured market.  
11 That is one reason why the Blues tend to have higher loss  
12 ratios than some other policies that could be good, fair  
13 policies.

14           Second, Prudential has a captured market. They market  
15 their Medigap through AARP, therefore they have much lower  
16 administrative costs than would some other insurance company  
17 who has to go through these little agents, with commissions  
18 and so forth.

19           Beyond that, as Dr. Weiss said, there are a lot of  
20 start-up companies that have very low loss ratios but are  
21 very good companies. In fact -- I don't have the issue in  
22 front of me -- Consumer Reports identified certain policies  
23 which are very good and have very good coverage, and are  
24 recommended very highly, but have low loss ratios, mostly  
25 because or in fact entirely because they are starting up.

1           And if you take a three-year average, you are going to  
2 have very low loss ratios. Frankly, this amendment actually  
3 does not require anticipated or expected loss ratios but  
4 actual loss ratios, for which you will have a little bit  
5 of difficulty getting -- you have to go back and look to see  
6 what the start-up costs were, and so forth.

7           And there is a fourth problem here, and that is that  
8 companies come and go, and a beneficiary would probably like  
9 to have a company that is very solid and very strong, is in a  
10 very good financial position. The fact is, companies that are  
11 very strong and in a good financial position often have poor  
12 loss ratios. There are just all kinds of factors here, and it  
13 is true that it is one of the many factors.

14           But the fact of the matter is, I think in a lot of cases,  
15 it is more misleading than it is helpful.

16           Where I come down on this is that I don't think we as  
17 this committee yet have sufficient understanding to know the  
18 degree to which we should mandate that the actual loss ratios  
19 be filled out to consumers. This is complex, and I tend to  
20 think it is a matter that should be left to insurance  
21 comissioners to work out.

22           We have already adopted an amendment which requires this  
23 information to go to the insurance commissioners. I think that  
24 we should then let the insurance commissioners figure out what  
25 they think is the best way to utilize it.

1           The Chairman. Senator Daschle, I think you have brought  
2 up an idea that has a great deal of interest and one that we  
3 ought to try to flush out; but I think we need some time to  
4 do that, and I am wondering if we can't put it in the  
5 committee report.

6           Senator Daschle. Mr. Chairman, I will bow to the wishes  
7 of the committee. I think that we also, then, ought to  
8 consider in the report language some question as to whether or  
9 not the efficacy of the whole question of loss ratios ought to  
10 be considered, including the 60 percent.

11           I mean, if we say that it is law that the 60 percent is  
12 an appropriate goal, which is what we have already said, then  
13 it seems to me that to have some indication as to whether or  
14 not that 60 percent is reached is within our rights to ask.  
15 But I think the Chairman makes a good point; perhaps a report  
16 language is the most appropriate means to tackle this question  
17 at this time. And if that is the case, I withdraw the  
18 amendment.

19           The Chairman. All right.

20           Is there objection?

21           (No response)

22           The Chairman. If not, we will proceed.

23           Senator Heinz. Mr. Chairman?

24           The Chairman. Yes.

25           Senator Heinz. I have an amendment to offer.



1 The Chairman. All right. If you would, present it.

2 Senator Heinz. Mr. Chairman, yesterday I mentioned that  
3 I had an amendment to assist the very poor people who will  
4 largely not be assisted by this catastrophic stop-loss  
5 proposal, which is in most respects very good.

6 The basic problem is that there are about five million  
7 senior citizens, Medicare beneficiaries, whose incomes are  
8 at \$5000 or below. All of them will pay the \$4.00 additional  
9 premium that is part of our financing. But obviously, with  
10 incomes at \$5000 or below, they are never going to benefit from  
11 the stop-loss of \$1700 in this legislation. They just don't  
12 have the money to spend \$1700 out of pocket.

13 The proposal that I am making to address this problem is  
14 to take the Medicaid savings which under the Chairman's bill  
15 are already earmarked to go in some way, shape, or form to  
16 help Medicare beneficiaries, and to say that as a first  
17 priority States will use whatever of that money they need to  
18 to buy in for Medicare beneficiaries who are not on Medicaid  
19 a form of catastrophic coverage that would amount to paying  
20 for their deductibles and co-pays, including the Part A  
21 deductible, the Part B premiums, the Part B deductible and  
22 co-insurance, specifically.

23 By requiring that States buy in for all beneficiaries at  
24 90 percent or below of the poverty level, we can assist this  
25 very large group of people.

1           The specifics of the amendment include one other  
2 requirement, and that is that we would increase the liquid  
3 assets test, or I should say the resource test, of the SSI  
4 Program from the current \$1700 for an individual and \$2550 for  
5 a couple to the value it would have been if we had indexed it  
6 since its inception in 1974. That would mean increasing the  
7 individual resource test from \$1700 to \$3400 for an individual  
8 and from \$2550 to \$5100 for a couple.

9           Without that change, there will be a large number of  
10 people who will be ineligible to benefit from this program.

11           I would emphasize that the resource test we are talking  
12 about, that is not simply having cash in the bank; it is a  
13 variety of personal items that people in this day and age  
14 really have to have, and I would hope that we could increase  
15 the assets test accordingly.

16           I assume that there is an interest in the cost of this  
17 proposal, and I would like to put into the record a chart that  
18 contains the CBO estimates of the savings, both the State  
19 and Federal savings, to Medicaid from the Chairman's proposal;  
20 the cost of the buy-in, at 90 percent, which reaches a maximum  
21 of \$200 million by 1991; the cost of the assets-test  
22 improvement, which I mentioned, which is \$55 million by 1991,  
23 and the net impact on federal expenditures which, for this  
24 program alone, will yield still a surplus in both the Federal  
25 and State accounts of some \$95 million in 1991; that is to

1 say that there will be funds left over from the savings  
2 generated by the Chairman's proposal that will be distributable  
3 under the bill to other benefits to Medicare beneficiaries.

4 (The chart follows:)

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1           Senator Heinz. I would also like to put into the  
2 record one other chart, which is an analysis of the difference  
3 between our bill, the Bentsen Bill, and the Ways and Means  
4 bill, with respect to how the benefits of the legislation are  
5 distributed by income class. I won't take the committee's time  
6 to read the entire table into the record, but I will just read  
7 one line:

8           "For those people with incomes of less than or equal to  
9 \$5000, who account for 16.8 percent of the Medicare population,  
10 or about 5 million people, the Ways and Means bill distributes  
11 about 23.8 percent of its benefits to that population. Our  
12 bill at the present time, without this amendment, will  
13 distribute 0.3 percent of its benefits to those 5 million very  
14 poor senior citizens -- 0.3 percent of its benefits to a  
15 population that is 16.8 percent of the senior citizens."

16           I would suggest that if we want to help the people who  
17 really need help the most, that this amendment is a good way  
18 to do it. I don't claim, Mr. Chairman, that this amendment is  
19 perfect. Maybe it can be improved upon. But I do suggest that  
20 we have to do something like this if we are going to help the  
21 poorest of the poor.

22           (The chart follows:)

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1           Senator Heinz. I have a letter that I think was  
2 distributed to most members of the Finance Committee in support  
3 of the amendment, signed by a number of senior organizations --  
4 the AARP, the National Council of Senior Citizens, the  
5 National Council on the Aging, the Older Women's League, and  
6 the Viller's Advocacy Associates.

7           I would hope my colleagues would support the amendment.

8           The Chairman. On this one, may I state that I have to  
9 oppose the Senator's amendment. What we have provided for in  
10 this particular piece of legislation is that any benefits that  
11 accrue to those States, any windfall, has to be spent back in  
12 trying to assist the Medicaid program for low-income Medicaid  
13 beneficiaries, or they increase the amount of the couple's  
14 income which is set aside for the spouse living in the  
15 community when the other spouse is in a nursing home.

16           Now, as I understand the Senator's amendment, what he is  
17 speaking of is mandating a specific amount of coverage. And  
18 when you get into some of the low-benefit states, get into a  
19 State for example such as Arkansas or Oklahoma, which is having  
20 serious economic problems, and when you mandate this kind of  
21 additional coverage, you are talking about probably reaching  
22 beyond any windfall that might accrue to them. And that means  
23 that you are probably going to have to see that they raise  
24 taxes in that particular State to carry out that kind of an  
25 order. And I don't think that is the purpose we should be

1 pursuing, particularly when, if some of you have been in  
2 some of those States recently like Oklahoma, and have seen  
3 the economic devastation that has taken place there, and then  
4 talk about raising the additional taxes and mandating it on  
5 them, in effect, I think that would be a serious mistake, and  
6 I don't think we ought to be doing it here.

7 The other problem we run into is I don't think the CBO  
8 is too solid or sure of the numbers they are utilizing at the  
9 present time. And then when we get into this question of  
10 income testing, means testing, on the SSI, then I think you  
11 are getting into an area that really shouldn't be involved  
12 today on this catastrophic illness bill. I think it is not  
13 truly dealing with that specific problem. And if we start  
14 down that road, I don't know where we end.

15 But I would like to hear what the Administration has.  
16 Mr. Burke, do you have any comment on this?

17 Mr. Burke. Yes, sir. In our report to the President we  
18 have stressed that we think the States should be given the  
19 flexibility of earmarking any savings. The States should be  
20 encouraged to be what we call "target-efficient," and that  
21 while many of them have not bought into Medicaid yet, they  
22 could be encouraged to do so.

23 We have some problems, too, with the idea of raising the  
24 asset test for Medicaid, since it will be administratively  
25 difficult, since it would provide a different standard for SSI

1 and Medicaid, and in 30 States SSI is the criteris for  
2 Medicaid. So, we are not sure how we would handle that.

3 Senator Heinz. May I just correct something? Under my  
4 proposal we raise the asset test for SSI.

5 Mr. Burke. In Medicaid?

6 Senator Heinz. Yes. So that it is at the same level.

7 Mr. Burke. And I guess the other problem we have with it,  
8 sir, is that we would have difficulty telling you what the  
9 State-by-State windfalls would be. It would probably have to  
10 be done on the basis of some sort of an estimating procedure.

11 Senator Heinz. Mr. Chairman, could we hear from CBO as  
12 well?

13 The Chairman. Yes, I would be delighted. Is there  
14 someone here?

15 Senator Heinz. If I may say so, I understand the  
16 Chairman's concern about the effect on individual States. And  
17 one of the reasons that we drafted the amendment to require a  
18 buy-in only to 90 percent of the poverty level was to ensure  
19 that there would be a surplus left over in every State account,  
20 both at the Federal and State level.

21 We have established a contingency fund to take care of  
22 that just in case it doesn't work that way, but my  
23 information is that that 90 percent -- and this really is the  
24 question that I would like CBO to address -- that no State  
25 would have to go beyond the savings that would be generated by

1 this proposal.

2 Is your name Dr. Muse?

3 Dr. Muse. Yes, sir.

4 Senator Heinz. Dr. Muse, what do your statistics show?

5 Dr. Muse. Based on the best available data, we believe  
6 that at the 90-percent level there still would be one or two  
7 or three States that would have a problem.

8 If I understand your amendment correctly, you would  
9 allocate the bottom-line savings you show in your chart back to  
10 the Secretary to give to those States. It is our best  
11 estimate that that would be more than adequate to cover those  
12 two or three States.

13 The Chairman. But those are estimates. How solid are you  
14 on your numbers?

15 Dr. Muse. We have reasonably good data at the national  
16 level to predict in the aggregate what should happen. We  
17 cannot estimate at individual State levels on other than  
18 anecdotal data.

19 The Chairman. Well, that is their concern, the individual  
20 State.

21 Dr. Muse. Yes, sir, both in your proposal and in --

22 The Chairman. But could you also get into a situation  
23 where you would then, in effect, have a permanent contribution  
24 back to those specific States that would be taking place?

25 Dr. Muse. If I understand your question, sir, first, how



1 will the Secretary estimate back was part of your concern.  
2 Both under your bill and under Mr. Heinz's bill, HHS will have  
3 to do some kind of a special survey or special estimating  
4 technique to allocate the funds back to individual States,  
5 which both your bill and his amendment do.

6 The Chairman. Oh, I understand.

7 Dr. Muse. On a permanent basis, yes. In the long term  
8 there would have to be some States that would, unless they  
9 significantly change their Medicaid program, receive Federal  
10 dollars back.

11 Senator Heinz. What States are they, and how much money  
12 are we talking about? You mentioned two or three States.

13 Dr. Muse. Based on anecdotal evidence in conversations  
14 with Medicaid directors -- and, again, they can disown this  
15 later -- clearly, Florida and perhaps Oklahoma had a problem.

16 The Chairman. What about Arkansas? I was told Arkansas  
17 would probably have it tough.

18 Dr. Muse. It is unclear. They have some bills pending  
19 in their legislature regarding the buy-in, so it depends upon  
20 the effective date of this legislation -- the effect on Arkansas.

21 The Chairman. Well, it seems to me that the information  
22 is soft enough and that you have put enough caveats around it  
23 that we ought not to be in a position where we mandate these  
24 States to try to do this. I think that the proposal that we  
25 have in the original legislation here that says that anything

1 that does accrue to them, and after you allocate that amount,  
2 that they have to use it for these purposes, that Senator Heinz  
3 is concerned about and that we are concerned about.

4 But to ask them then to raise their taxes to come up to a  
5 specific level, I question seriously that we ought to be doing  
6 that.

7 Senator Heinz. Mr. Chairman, let me make a proposal to  
8 modify the amendment before us, which is to provide waiver  
9 authority to be used on a very careful and limited basis for  
10 the Secretary to waive the requirement for States which would  
11 be impacted adversely by the 90-percent buy-in. I think that  
12 way we can avoid the kinds of problems that you are concerned  
13 about, and I would so modify my proposal, accordingly.

14 The Chairman. Well, as I understand the proposal -- I  
15 was interrupted and didn't hear it all there.

16 But under the proposal we have in my legislation, if the  
17 State is below 90, if it gets the money back and has  
18 additional money, it works on up to 100 -- whatever it is.  
19 As I understand yours, they could drop back to 90.

20 Now, Senator Chafee asked for time earlier. Do you still  
21 want to speak, Senator?

22 Senator Chafee. Yes. I have a comment on this, and I  
23 do have an amendment. Are we still on the Heinz amendment,  
24 Mr. Chairman?

25 The Chairman. Yes.

1           Senator Chafee. Mr. Chairman, we do it in our State now,  
2 and it is a very satisfactory program. I support the Heinz  
3 amendment; I think there is a great deal of merit to it.

4           The Chairman. Senator, I don't quarrel with that, what  
5 you do in your State or what we do in ours. My concern is  
6 mandating for some of these States that are having serious  
7 economic problems and not getting the additional.

8           Senator Heinz. Mr. Chairman -- and I know you were  
9 distracted by staff -- I think the modification I have proposed,  
10 which is to give the Secretary of Health and Human Services a  
11 waiver that he may apply to States where there is, in effect,  
12 an economic hardship created by the mandate of going to  
13 90 percent, wherein he would not require a State to go to  
14 90 percent but only to that level that was affordable under the  
15 savings generated by this proposal. It would solve that  
16 problem, and I have modified my amendment accordingly to  
17 incorporate that.

18           I think you and I are not as far apart as might seem.  
19 First, your bill recognizes that there are savings, substantial  
20 savings, up to \$4-500 million, and that they should properly  
21 not just be windfalls to States but the States are required by  
22 both your and my amendment to be spent. And the only difference  
23 between us is whether we think there should be any  
24 prioritization of how those savings should be applied.

25           With my waiver, I think we have solved your problem of

1 what you might call an unaffordable Federal mandate.

2 I would hope that we could be together on the notion that  
3 we want to help the poor, first and foremost.

4 The Chairman. There is no question, we are together on  
5 that. The question is now, you have now changed it to one of  
6 making it discretionary with the administrator to decide if it  
7 is a burden. Is that the idea? If it calls for additional  
8 taxes?

9 Senator Heinz. The mandate is 90 percent, unless it is a  
10 burden.

11 The Chairman. Meaning that they would have to go to  
12 additional taxes to accomplish it?

13 Senator Heinz. Yes. I think we can work out a clear  
14 report language that will accommodate your concerns.

15 The Chairman. Well, we might.

16 Senator?

17 Senator Durenberger. Mr. Chairman, you may be in  
18 agreement on the intergovernmental side of this, but I have a  
19 basic disagreement on the underlying premise, and that is --  
20 we came here to help all of the elderly, but I think in  
21 particular those who are less well off, by enacting a program  
22 of catastrophic health insurance. That was the whole point of  
23 this.

24 We have not created a \$1700 problem for people. We have  
25 relieved them of a problem that is substantially in excess of

1 \$1700 a year. So, the whole program that the Chairman has put  
2 before us today has moved philosophically and realistically in  
3 the direction of helping low and low-moderate income elderly  
4 in this country already.

5 My colleague from Pennsylvania has made the argument  
6 that over time costs have caught up with the ability to pay.  
7 But the reality, I think, as we all know in this committee, is  
8 that particularly with regard to Part B we have let the  
9 beneficiary participation in program cost slip as well. I  
10 mean, the original notion here was that 50 percent of the costs  
11 of Medicare Part B would be always carried by beneficiaries.  
12 And for those who couldn't carry it themselves, some kind of an  
13 SSI or Medicaid or medical assistance program would help. But  
14 over the years, particularly since the early and mid seventies  
15 we have let the premium, as a percentage of program costs,  
16 slip; we haven't changed the deductible in Lord knows how long  
17 -- it is still a \$75-deductible.

18 So it is not that this committee has been insensitive over  
19 time to the needs of the low-income elderly, and I would  
20 strongly suggest that the Chair and the members of the Senate  
21 Conference, and so forth, be able to go to conference with the  
22 House not carrying a welfare bill with them but carrying a  
23 catastrophic bill that is sensitive to the windfall issue and  
24 ot the role that individual States should play in deciding what  
25 to do with that windfall.

1           It may be that rather than just taking care of low-income  
2 elderly, they may want to improve health benefits to the  
3 elderly poor in that State. They may want to expand access to  
4 certain benefits, and I think they ought to be left with that  
5 flexibility.

6           Senator Rockefeller. Mr. Chairman?

7           The Chairman. Yes, Senator Rockefeller.

8           Senator Rockefeller. The State of West Virginia is  
9 certainly among those which would be among the first in the  
10 nation. Unemployment, as I have often said in this committee,  
11 is very high; our resources are very scarce. And as I look at  
12 the Heinz amendment, in terms of at least that particular  
13 State, we have always been able to handle that situation,  
14 handle our match, without raising taxes, with the idea of  
15 getting at this particular area.

16           It would occur to me that the Heinz amendment,  
17 particularly with the waiver that he has suggested, leaving it  
18 discretionary to the Secretary, is a useful compromise. There  
19 is, after all, windfall involved; there is a target population,  
20 an underserved target population. I am not so sure that this  
21 isn't really a very good amendment. I am quite ready to  
22 support it.

23           The Chairman. Well, let us get to the other point that  
24 is part of it. I am interested in seeing if we can work  
25 something out on this. I have the figures that we have been

1 told about. Your State apparently is not one of them. With  
2 all of your concerns, still it is not one of them that is  
3 going to be hit by this. I am told that it is probably  
4 Arkansas and Oklahoma, and maybe one or two others, and that  
5 the information is still a little soft, but they don't have  
6 the final information.

7 But I am concerned, too, about trying to adjust the means  
8 standard to thereby allow greater coverage, and changing the  
9 eligibility for SSI, as Mr. Burke has pointed out. I really  
10 don't think that is appropriate on this catastrophic illness  
11 bill.

12 Senator Wallop. Mr. Chairman?

13 The Chairman. Yes, Senator Wallop.

14 Senator Wallop. I would just like to recall one of the  
15 points that Senator Durenberger made, in addition to those you  
16 are making now, and that is that this amendment destroys the  
17 flexibility of the State to undertake other -- perhaps in their  
18 human environment -- more useful medical programs for the  
19 population they serve.

20 This mandates from Washington that which we feel is the  
21 the singular purpose for these savings and denies to the  
22 State the ability to do some other things where their health  
23 needs might demonstrate a greater need.

24 Somehow or another, that seems forgetful of the role that  
25 we like to think the Governors and States have, that States may

1 in fact be able to identify human needs within and amongst  
2 their population far greater than this immediate one. I hope  
3 we would not do something that would remove that flexibility  
4 from the States.

5 Senator Heinz. Mr. Chairman, I am ready to vote on the  
6 amendment. I do want to make one comment, and Malcolm Wallop's  
7 thoughtful remarks remind me of that.

8 That is that, unless we adopt this amendment, which  
9 includes the liberalization of the assets test of SSI, States  
10 will not be able to help many of the poorest people.

11 There are one million elderly whose annual income is  
12 under \$5000 a year who are ineligible because of the  
13 unrealistically tight assets test. That group is one of the  
14 major groups that would never be able to be helped by a State,  
15 simply because we, the Federal Government, have established  
16 that very tight assets test.

17 So, even though I know my colleague from Wyoming wanted to  
18 provide an argument against the amendment, I think he has  
19 provided one for it.

20 The Chairman. Senator, if you would consider not adding  
21 that, I really believe that is not appropriate on this  
22 catastrophic illness bill, I would consider trying to work out  
23 a compromise with you.

24 Senator Heinz. Well, I would be willing to agree to only  
25 increase the assets test for the purpose of the Medicaid



1 buy-in.

2 The Chairman. Dr. Weiss, what position does that leave us  
3 in?

4 Senator Heinz. If the Chairman would support the  
5 amendment.

6 Dr. Weiss. Well, the Administration testified earlier  
7 that that would be administratively very complex for them to  
8 deal with. Perhaps Mr. Burke would like to follow up.

9 Mr. Burke. Again, I would just repeat, it would provide  
10 two different standards -- one for SSI and one for Medicaid.  
11 It would be very difficult to administer.

12 The Chairman. Well, Senator, I could work out a compromise  
13 with you on that one part; but I really don't want to see this  
14 handled in this particular bill, with the adjustment of the  
15 means standards.

16 Senator Heinz. Mr. Chairman, I am willing to work out a  
17 compromise, but I gather what I proposed is not acceptable.

18 The Chairman. I want to work out a compromise with  
19 discretion being given to the Administration insofar as seeing  
20 that no State has to raise taxes.

21 Senator Heinz. I have already agreed to do that.

22 The Chairman. I said I would agree to do that, but I  
23 don't want to have this change of the means standard in this  
24 particular piece of legislation.

25 Senator Heinz. Mr. Chairman, I fear we have a fundamental

1 disagreement. I am sorry about, because you have been as  
2 supportive as you can be. Maybe we should just vote.

3 The Chairman. All right. That's fine.

4 All in favor --

5 Senator Heinz. Mr. Chairman, could we have a rollcall  
6 vote?

7 The Chairman. Yes, of course.

8 All in favor will make it known by recording their vote  
9 "Aye," and all opposed, "No."

10 If you will call the roll, please.

11 The Clerk. Mr. Matsunaga?

12 (No response)

13 The Clerk. Mr. Moynihan?

14 (No response)

15 The Chairman. Moynihan, No, by proxy.

16 The Clerk. Mr. Baucus?

17 Senator Baucus. No.

18 The Clerk. Mr. Boren?

19 The Chairman. No, by proxy.

20 The Clerk. Mr. Bradley?

21 Senator Heinz. Aye, by proxy.

22 The Clerk. Mr. Mitchell?

23 (No response)

24 The Clerk. Mr. Pryor?

25 The Chairman. No, by proxy.

1 The Clerk. Mr. Riegle?

2 (No response)

3 The Clerk. Mr. Rockefeller?

4 Senator Rockefeller. Aye.

5 The Clerk. Mr. Daschle?

6 The Chairman. No, by proxy.

7 The Clerk. Mr. Packwood?

8 Senator Packwood. No.

9 The Clerk. Mr. Dole?

10 The Chairman. No, by proxy.

11 Did you call Boren? I did not hear that.

12 The Clerk. Yes. Mr. Boren was recorded No, by proxy.

13 Mr. Roth?

14 Senator Roth. No.

15 The Clerk. Mr. Danforth?

16 Senator Danforth. No.

17 The Clerk. Mr. Chafee?

18 Senator Chafee. Aye.

19 The Clerk. Mr. Heinz?

20 Senator Heinz. Aye.

21 The Clerk. Mr. Wallop?

22 Senator Wallop. No.

23 The Clerk. Mr. Durenberger?

24 Senator Durenberger. No.

25 The Clerk. Mr. Armstrong?

1 The Chairman. No, by proxy.

2 The Clerk. Mr. Chairman?

3 The Chairman. No.

4 The Clerk. Four Ayes, 13 Nays.

5 The Chairman. May we have another amendment?

6 Senator Chafee?

7 Senator Chafee. Mr. Chairman, thus far we have been  
8 talking about the devastating effect of catastrophic illnesses  
9 on those over 65, something I wholeheartedly believe in doing  
10 something about. But it seems to me very important that we  
11 remember an equally troubling problem, for those under the  
12 age of 65; because, of course, catastrophic illnesses do not  
13 discriminate on the basis of age.

14 I am especially concerned about the impact on families with  
15 young children of these catastrophic expenses, so I am  
16 proposing an amendment which makes two changes in our health  
17 care system:

18 First, it would provide basic health care to poor children  
19 under the age of 18; and, second, it would provide assistance  
20 to families with children who are experiencing catastrophic  
21 illnesses.

22 Now, the latest statistics we have are that there are  
23 11 million uninsured children in the USA, and two-thirds of  
24 those are from families whose incomes are less than \$20,000 --  
25 two-thirds of these children live in families that work full

1 time all year. In other words, this is the working poor that  
2 we are talking about.

3 For these children even routine health care expenditures  
4 just aren't available. These statistics that I cite here were  
5 dazzling to me and depressing. Uninsured children receive  
6 90 percent less hospital care and 55 percent less physician  
7 care than insured children. So it is the ones who aren't  
8 covered by insurance that aren't taken care of, and thus they  
9 become more susceptible to illnesses or their illnesses aren't  
10 treated.

11 In this country about a half-million children will have  
12 annual health care costs exceeding \$5000, and about 19,000  
13 children will have annual costs exceeding \$50,000. That is  
14 truly catastrophic, if there ever was anything.

15 Now, to address these problems, as I say, my amendment  
16 would do two things:

17 First, it would mandate Medicaid coverage for all  
18 children whose family incomes are under the State poverty  
19 level, and the effect of this would be to provide basic health  
20 care services to poor children who are most at risk --  
21 something I know you have been deeply concerned with,  
22 Mr. Chairman.

23 The second part of the amendment would increase Federal  
24 funds for Maternal and Child Health Block Grants by \$475  
25 million, to provide assistance to the nation's half-million

1 children with health expenditures exceeding a half million  
2 dollars -- well, \$500,000. This would also provide health care  
3 services for families with newborns or infants with health  
4 costs exceeding \$50,000.

5 Essentially, what this is is a catastrophic program for  
6 children with catastrophic illnesses. And there is a provision  
7 that would force the families to spend 10 percent of their  
8 adjusted gross income before this would come in, so it is not  
9 just a giveaway program, by a long shot.

10 I am deeply concerned about these youngsters, Mr. Chairman,  
11 as are you, and I would propose this amendment, which I hope  
12 has been distributed.

13 The Chairman. Senator, I think you know how deeply I  
14 share your concern on that, with the children. Last year I  
15 was able to get your help for something in Reconciliation to  
16 try to help the children in their illness, and I am quite  
17 willing to go at it again in the Reconciliation this year.

18 But I would really prefer that we not try to expand the  
19 situation beyond catastrophic for the elderly in this particular  
20 piece of legislation, and that we direct that toward  
21 Reconciliation. And I would look forward to working with you  
22 in that regard to see if we can achieve it there.

23 Senator Chafee. Mr. Chairman, it is my understanding  
24 that in Reconciliation there is a substantial increase for  
25 Medicaid.

1 The Chairman. That is correct.

2 Senator Chafee. So, Mr. Chairman, I appreciate your  
3 concerns on this. As I mentioned, you have long been active  
4 in this area, and I know how deeply you feel. Actually, you  
5 and I worked together last year in connection with the  
6 Medicaid coverage for poor children -- increasing it.

7 Based on your assurance that we can take a look at this,  
8 and a good, hard look in the Reconciliation measure -- which  
9 we will be taking up when? In the latter part of this  
10 month, probably?

11 The Chairman. I would assume so.

12 Senator Chafee. And if we could concentrate in that  
13 program on the children's coverage with the Medicaid funds,  
14 I would be extremely pleased and anxious to work with you on  
15 it.

16 The Chairman. I will look forward to working with you  
17 again.

18 Senator Chafee. All right. Thank you very much,  
19 Mr. Chairman.

20 The Chairman. Senator Wallop?

21 Senator Wallop. Mr. Chairman, I have an amendment which  
22 I think has no controversy. I have been working with  
23 representatives of the pathologists and other health  
24 professionals on repeal of Section 1123 of the Social Security  
25 Act. This section is one which permits the use of a

1 proficiency exam for individuals who desire to become skilled  
2 medical technicians. It is used, for instance, by  
3 individuals working in clinical labs analyzing specimens. Now,  
4 by merely taking the test, individuals can avoid going through  
5 an accredited education program which trains medical  
6 technicians. In other words, the hands-on experience and  
7 passage of a multiple-choice quiz test are the only criteria  
8 for becoming a technician.

9 The test originally was designed to allow Vietnam Vets to  
10 use their field experiences and to move them into lab jobs; but  
11 it is no longer necessary to assist Vietnam Era vets, and yet  
12 the test continues to be given.

13 The private sector does have education certification  
14 programs, so there is no need for the examination, and it is  
15 one more example of the Government's interference in the private  
16 sector. And now, of the last 70,000 people to take the exams,  
17 only 44 percent have passed.

18 But my repeal would not cancel this August's exam. We  
19 have talked with the staffs of various members, and as far as  
20 I know the Administration supports this amendment.

21 The Chairman. Would the Administration comment on that?

22 Mr. Burke. Yes. The Administration fully supports this  
23 amendment, sir.

24 The Chairman. Dr. Weiss, do you have any comment?

25 Dr. Weiss. Let me be certain that I understand this



1 correctly. This would have no impact on those individuals,  
2 those 5,000 individuals, who have signed up to take the  
3 examination in August?

4 Senator Wallop. None. None, whatsoever.

5 The Chairman. I frankly don't see a problem with the  
6 amendment.

7 Senator Durenberger. It is a good amendment, Mr. Chairman,  
8 I think.

9 The Chairman. Is there any objection?

10 (No response)

11 The Chairman. Do you offer the amendment?

12 Senator Wallop. I do, Mr. Chairman.

13 The Chairman. All in favor of the amendment as stated  
14 make it known by saying Aye.

15 (Chorus of Ayes)

16 The Chairman. Opposed?

17 (No response)

18 The Chairman. The motion carried.

19 Senator Wallop. I thank you, Mr. Chairman.

20 The Chairman. Are there further amendments?

21 Senator Durenberger. Mr. Chairman?

22 The Chairman. Senator Durenberger.

23 Senator Durenberger. Mr. Chairman, first I have a couple  
24 of inquiries of the staff. The first is on the issue of  
25 beneficiary education. We all lived through the Social Security

1 Act, where we created DRG's and didn't tell anybody what we  
2 we were doing, and we created an awful lot of confusion and  
3 probably some adverse problems for us.

4 I wonder if staff might inform us of the degree to which  
5 we are providing in the Chairman's bill for adequate education  
6 and information about the catastrophic features in this bill.

7 Dr. Weiss. Yes, Senator.

8 There is a requirement in S. 1127 that there be annual  
9 notification made to Medicare beneficiaries of what Medicare  
10 does and does not cover; so it would actually extend beyond  
11 the catastrophic add-ons that are being discussed here today,  
12 to describe the program more fully. And that would be a  
13 notification that is provided through the Department of Health  
14 and Human Services; but the notification, the actual text of  
15 the notification, we include a provision in the bill that  
16 calls for consultation with the insurance industry and also  
17 with advocacy groups who speak on behalf of the elderly and the  
18 disabled in the development of the language to be used in that  
19 notification.

20 Senator Durenberger. Let me then, Mr. Chairman, ask a  
21 related question and perhaps get Tom Burke's response as well.

22 I am informed by at least a couple of large employers in  
23 my State of their concern about the interplay between their  
24 reitree benefit programs and this new supplementary premium  
25 that we have built in here. I am curious to know whether or

1 not that has been presented before as a problem and if we are  
2 prepare to invest whatever information or financing is  
3 necessary.

4 We have a big problem out there already with our COBRA  
5 requirements on employers, and we don't need to bite off any  
6 more problems in this regard. I wish I could be a little bit  
7 more explicit about the particular problem, but I know it  
8 exists because some people I have confidence in have alerted me  
9 to the problem.

10 Mr. Burke. Senator, we recognize this problem, and we  
11 have taken the position that we would encourage employers to  
12 continue their contribution.

13 Recognizing this problem, the entire issue of retiree  
14 benefits is at the front burner, and the Secretary -- as you  
15 know -- is having a conference on that subject, at which you  
16 will be one of the key speakers, and in which we intend to put  
17 forth some proposals for properly addressing it. And that  
18 would be part of the agenda for this conference.

19 Senator Durenberger. I have a third information question,  
20 Mr. Chairman. Perhaps staff can comment regarding the issue  
21 of an IRS study of lump-sum payments. I think we have talked  
22 about the need for the IRS to monitor and report to the  
23 Congress on the number of people by income class who have to  
24 pay their Medicare supplement in a lump sum at the end of the  
25 year. I was given to understand that perhaps tax staff or

1 someone was looking at that particular problems.

2 The Chairman. That is correct.

3 Senator Durenberger. Maybe someone would come up with an  
4 answer.

5 The Chairman. Who has that? Mr. Gould, do you have that  
6 information? We discussed that, trying to find a way to  
7 address that very concern.

8 Mr. Gould. Yes, sir.

9 There will be a mailing to the Medicare beneficiaries on  
10 this program, describing the benefits of the program and  
11 describing the new catastrophic program. We have discussed  
12 the possibility of including in that information as to the  
13 viability for the premiums.

14 That should be sufficient to put them on notice that  
15 they ought to look at their W-4s and ought to look at their  
16 Estimated Tax Payments in a way that will prevent them from  
17 having to have any undue liability at the end of the year.

18 There shouldn't be much of a problem in any event. This  
19 should prevent it. The reason there shouldn't be any problem  
20 is that the bill provides that the supplemental premium is  
21 collected through the tax system with its normal procedures --  
22 that is, the normal estimated tax payments and the normal  
23 withholding rules.

24 During the first year of implementation I think any  
25 problems could be taken care of with information.

1           Senator Durenberger. Well, the concern goes beyond the  
2 mechanics of implementation; it goes to the hardship that this  
3 might create for a certain group of people who are right at the  
4 margin between the basic premium and the supplementary  
5 premium.

6           Do we have, or does IRS have, some means to analyze that  
7 group at the margin and inform us annually, or in some other  
8 fashion, what kind of an impact we might be having as against  
9 the adjusted gross income, or some other measure of income, at  
10 the margin on those people?

11          Mr. Gould. Yes, sir. The Joint Tax Committee Staff  
12 indeed has the numbers necessary, or they could give you  
13 numbers, as to what the exact burdens will be at that margin,  
14 what the income categories will be, and what the various  
15 premium levels will be across a broad range of income  
16 categories. That information is available, and the Joint Tax  
17 Committee staff could give it to your staff.

18          Senator Durenberger. Okay.

19          Mr. Chairman, now I have a proposal, which is called "A  
20 Proposed Case Management Amendment." I think we are all aware  
21 that one of the obvious impacts of going to a catastrophic  
22 health insurance provision in Medicare is that, at the point  
23 that people reach their catastrophic limit, they lose some of  
24 the financial incentives to properly and appropriately, I  
25 should say, use the health delivery system.

1           That has been a problem now for several years and has  
2           been recognized by employers. They have begun to incorporate  
3           the concept of managed care and case management, where people  
4           who are professional -- in effect managing the analysis of a  
5           problem and the suggestions as to appropriate kinds of  
6           providers, whether it is a hospital, nursing home, home health,  
7           social service, medical service, and so forth -- are brought  
8           in not just to bring down the costs but to make sure the  
9           person gets the best care for the particular problem.

10           It becomes very important in a catastrophic sense, because  
11           some of the serious cases -- cerebral vascular accidents,  
12           severe strokes, Lou Gehrig's Disease, N-Stage Cancer -- some  
13           of these are high-cost diseases or injuries that would benefit  
14           from appropriate case management.

15           I once thought I would recommend to you and to my  
16           colleagues that we just go to case management in Medicare, but  
17           I think it is a field that is developing. And so, I would  
18           suggest by my amendment that we provide the appropriate  
19           authorization for six demonstration projects of case  
20           management services to patients just with selected catastrophic  
21           illnesses, not across the board.

22           The services would be provided through the Peer Review  
23           Organization in order to determine how catastrophic illness  
24           cases would be effectively managed in the Medicare program and  
25           tell us.

1           The Chairman. Senator, I am not sure -- I don't think  
2 it is clear -- that case management will work. But it is a  
3 developing field, and if we can find some breakthroughs there  
4 with these demonstration projects, I personally would have no  
5 objection to the amendment, to give it a try. But I would  
6 like to have any comments from other members of the committee.

7           (No response)

8           The Chairman. If there is no objection, then, do you  
9 propose the amendment?

10          Senator Durenberger. Yes, I do, Mr. Chairman.

11          The Chairman. Is there objection?

12          (No response)

13          The Chairman. If not, the amendment carries.

14          Senator Durenberger. Mr. Chairman, one final amendment.  
15 I don't know how far this is going to go, but I feel it fairly  
16 strongly, and that is my proposed amendment on the early  
17 identification of cancer.

18                I won't try to convince the people around this room,  
19 most of whom are at the age that they should be getting  
20 colorectal cancer examinations every year, as to why they should  
21 be doing it. I really shouldn't have to persuade anyone here  
22 that cancer is a major killer; it is the second leading cause  
23 of death among women in American, for example; but that cancer  
24 can be detected and cancer can be prevented. And certainly the  
25 high costs of an uncontrolled cancer by early discovery --

1 a mammography examination in the case of women, and  
2 colorectal exams in case of men -- really could hold down  
3 the costs of catastrophic health care in this country.

4 Now, my amendment would make men who are Medicare  
5 beneficiaries, 65 years of age and older, eligible to receive  
6 payment with a 20-percent patient co-pay for annual colorectal  
7 examinations. Female Medicare beneficiaries 55 years of age  
8 or older, which would be those eligible through the disability  
9 part of Medicare, would be eligible for payment with a  
10 20-percent patient co-pay for a mammography examination once  
11 every three years.

12 I would say 94 percent of all cancer cases -- well, maybe  
13 this just applies to lung cancer -- occurs after the age of  
14 50. I won't try to do all the persuading that needs to be  
15 done, except that the folks that sit around this table really  
16 are the ones that ought to appreciate some of the values of  
17 this program.

18 The Chairman. Senator, I understand the concern ther and  
19 share it, but we don't pay for preventive care now. And as  
20 far as colorectal examinations and examinations for breast  
21 cancer, there is no question but what that is meretorious; but  
22 I don't know where you would stop on that.

23 Would we also have blood pressure testing? Would we also  
24 have blood tests taken for other things? Two years ago we  
25 authorized preventive care demonstrations on care like this, to



1 see if the expansion made sense. Frankly, I think we ought  
2 to wait for the results of those, because those demonstration  
3 projects are underway now.

4 Senator Durenberger. Mr. Chairman, I would say I don't  
5 think in terms of stopping; I think in terms of beginning.  
6 While it may be arguable which are the most beneficial, it is  
7 beyond the point of arguing that prevention and wellness and  
8 detection saves money.

9 So, if we are in the business of trying to improve the  
10 quality of health care to elderly Americans, we ought to start  
11 with prevention and then end with the kinds of things we have  
12 been doing for the past 20 years, which is paying after the  
13 fact for all of these diseases which could have been prevented  
14 if we had included preventive benefit in the Medicare program.

15 Senator Danforth. Mr. Chairman?

16 The Chairman. Yes, Senator Danforth.

17 Senator Danforth. How much does it cost to get these  
18 two examinations?

19 The Chairman. I don't know of any CBO estimates that we  
20 have.

21 Senator Danforth. No, I don't mean from CBO; I mean for  
22 an individual. Let us suppose that somebody goes into a  
23 doctor and wants a colorectal examination, or wants a  
24 mammography. What is the cost per person?

25 Senator Durenberger. Yes, we may have to ask that, since

1 you and I get it for free. We don't get mammographies, but we  
2 get it for free up here, and so we probably don't appreciate  
3 what it costs the elderly of America to get these exams.

4 Dr. Weiss. The Congressional Budget Office tells us that  
5 their preliminary estimates -- and I emphasize that they are  
6 preliminary -- would be \$500 million per annum for the  
7 colorectal examination. That is based on the assumption that  
8 the colorectal exam costs \$42. And \$200 million for the  
9 mammography at \$66 apiece.

10 Senator Danforth. Now, let me ask you this: The \$42 is  
11 for an examination that should be performed annually, in the  
12 opinion of most doctors?

13 Senator Durenberger. The colorectal exam should be  
14 annually; the mammography every three years.

15 Senator Danforth. I just wonder. I mean, I can  
16 understand why somebody wouldn't want to get in the car and  
17 drive off to a doctor and get a colorectal examination, for  
18 any price.

19 (Laughter)

20 Senator Danforth. But I think that the argument that  
21 Senator Durenberger is making is sensible to a point; that is,  
22 I think the idea of preventive medicine and detection is very,  
23 very sensible. I am just wondering about the second stage of  
24 the logic: namely, whether people are going to get examined if  
25 they don't have to pay \$66 every three years. I mean, shouldn't

1 there be some sense of responsibility other than for Uncle Sam  
2 to say, "We will pay you, even to get the normal exam that you  
3 should get"?

4 Senator Durenberger. Of course there should be a sense  
5 of responsibility, but that sense of responsibility over time  
6 is usually built up in a society by the kinds of benefits that  
7 that society agrees to take the responsibility away from you  
8 one. And what our society, as you well know, does is pays you  
9 to get sick, pays you to smoke, pays you to do all of those  
10 sorts of things, but it does not pay you in an insured benefit  
11 for colorectal, mammography, annual physicals, and all of  
12 those sorts of things.

13 Senator Danforth. What I am saying is, wouldn't it be  
14 just as well to sort of publicize to the world that these are  
15 exams that people really should get, and that it will save  
16 them a lot of grief and possible death if they get these  
17 exams, rather than to say, "And in order to urge you to get  
18 these exams, the Government will pay for them"? I am not sure  
19 that you have to pay for something. It seems to me that  
20 people should be expected to cough up \$42 a year or \$66 every  
21 three years to do something that makes sense, without  
22 necessarily Uncle Sam paying for it.

23 Senator Durenberger. Well, the flip side of that would  
24 be that we would reduce the payments for cancers. If it is  
25 demonstrated that cigarette smoking, for example, causes

1 cancer, why don't we reduce the benefits for cancer treatment  
2 for anyone with a smoking history? Would you think this would  
3 be an appropriate time to do that?

4 Senator Danforth. No, that didn't occur to me.

5 (Laughter)

6 Senator Danforth. I mean, it just seems to me that  
7 there are some things that people should do.

8 Senator Durenberger. Right.

9 Senator Danforth. And is it absolutely necessary that in  
10 all of those cases, or in a lot of those cases, there are  
11 things that people should do and therefore we have to pay for  
12 them? That is the question. Maybe we should pay for them.  
13 But I wouldn't be prepared to assume that.

14 Senator Chafee. Mr. Chairman?

15 Senator Baucus. Senator Chafee?

16 Senator Chafee. Mr. Chairman, I think the point here is  
17 that the U.S. Government, the taxpayers, are deeply involved in  
18 the consequences when people do not have these exams. I mean,  
19 we are there picking up the tab through Medicare.

20 It seems to me that everything we can do to keep people  
21 healthy is a marvelous thing, especially for the individuals --  
22 they want to be healthy. And if you look at it from the  
23 hardnosed point of view of the U.S. taxpayers, it is worth our  
24 while that the people be healthy.

25 I think that this is a modest encouragement for people to

1 have this preventive medicine exam, and we ought to do  
2 everything we can to encourage it. It is no giveaway program;  
3 they are paying 20 percent. And to say that they ought to have  
4 the responsibility I don't think is enough.

5 People perhaps ought to have the responsibility to have  
6 their children immunized, but we provide in the schools that if  
7 they are not immunized we will see that they are immunized --  
8 the youngsters, against various sicknesses. And the same  
9 way here.

10 Senator Durenberger, in my judgment, has come up with an  
11 excellent proposal, because the cause and effect is so direct  
12 between having proper examinations in the colorectal area,  
13 for example, and the preventive techniques that can result  
14 from that are worth everything we can do to encourage people.

15 So, I don't think Uncle Sam is being a big brother; I  
16 think it is just wise from the point of view of the  
17 individual and from the point of view of our nation and us as  
18 taxpayers.

19 Senator Baucus. Mr. Chairman?

20 The Chairman. Yes, Senator Baucus.

21 Senator Baucus. Mr. Chairman, didn't we a couple of  
22 years ago ask the Department to fund several demonstrations?

23 The Chairman. Senator Baucus, we did.

24 Senator Baucus. I am wondering what the status of those  
25 is, if there is any progress.

1           The Chairman. It is a five-year program, as I understand  
2 it, to see if those expansions would make sense on preventive  
3 health care, and seems to me we ought to be waiting for the  
4 results.

5           Senator Baucus. I am wondering if the Administration  
6 could tell us what the status of that two-year program is.

7           Mr. Burke. I don't have that information, Senator. I  
8 can obtain it for you.

9           Senator Durenberger. Thank you, John.

10          (The information follows:)

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1           The Chairman. I would hope, frankly, that the Senator  
2 would not press his amendment with this kind of an expansion  
3 on the catastrophic illness bill.

4           I don't know where you stop on this, at this point --  
5 whether you take blood pressure tests, and so forth, as I  
6 said, blood tests, and the rest of it. And I can understand  
7 the merits.

8           Senator Chafee. Mr. Chairman, I would hope you would  
9 support this. If you look at the statistics that Senator  
10 Durenberger has handed out on this sheet, where he talks about  
11 breast cancer as the second leading cause of death among  
12 American women, that is a pretty devastating statistic.

13           It isn't that we are starting down some trail where we  
14 are getting the 55th leading cause -- we are dealing with the  
15 second leading cause. I don't know what the first is, but is  
16 the first lung cancer? Smoking? Well, we will get to that,  
17 hopefully, when we try to raise some money around here.

18           But of both of these, the first one, the colorectal, is  
19 preventable if discovered; and the second is the second  
20 leading cause of death among women. I think it is a good  
21 proposal.

22           The Chairman. How much money did you say, Dr. Weiss,  
23 that CBO estimated?

24           Dr. Weiss. Well, I have CBO sitting here. They tell us  
25 \$700 million in the first year, and that will decline slightly

1 in the out years.

2 Senator Chafee. Of course, you don't know what you are  
3 going to save, though.

4 Dr. Muse. These are preliminary estimates. The accrual  
5 to Medicare of the benefits of this is in the out years. In  
6 the first few years, you really are investing in the cost side.  
7 That is why the estimate essentially declines slightly.

8 The Chairman. Yes, Senator Danforth.

9 Senator Danforth. Would this apply to the cap, this bill?  
10 In other words, the limitations? Any? In other words, if  
11 somebody got a colorectal exam, would that apply -- that would  
12 be part of the costs that would move you up to the \$1700 cap,  
13 correct?

14 Dr. Weiss. Is that your intention, Senator Durenberger?

15 Senator Danforth. No, I am asking you, before  
16 Senator Durenberger responds. He wants the Government to pay  
17 for it, as I understand it. But I am asking, without the  
18 Durenberger amendment, does the cost of having one of these  
19 exams go to reaching the cap?

20 Dr. Weiss. No, Senator Danforth, it does not. The  
21 current program is basically an acute-care program, and it  
22 does not emphasize the preventive services such as these types  
23 of tests.

24 Senator Danforth. Maybe that would be the way to approach  
25 it; maybe we should include preventive matters in the basic



1 program. I don't know, but maybe that is the way to do it.

2 The Chairman. Well, let me ask a question of staff,  
3 because in reading the amendment you talk about financing it  
4 by an increase in the basic catastrophic premium. How much  
5 would that increase be?

6 Mr. Gould. The increase, Senator, would be between \$1.00  
7 and \$1.50, and we don't have the exact cost figures from CBO.  
8 But your bill provides for a \$4 increase in the Medicare Part B  
9 premium, to pay for the catastrophic program. That means that  
10 this amendment, financed by an increase, would raise that  
11 premium to between \$5.00 and \$5.50.

12 The Chairman. A 20 to 25 percent increase in the basic.

13 Mr. Gould. Yes, sir.

14 Senator Chafee. That sounds impossible. Is that what you  
15 are saying? That if you include these exams it is going to  
16 increase the premium by 25 percent for everybody?

17 The Chairman. Twenty to 25 percent. That is the number  
18 he just gave us.

19 Senator Chafee. Just for these two exams? After all,  
20 one is for males and the other for females. Well, I suppose --  
21 all right. Certainly one only applies to females.

22 Mr. Gould. That makes two assumptions -- one, that CBO  
23 is saying that the cost would be about \$700 million a year.  
24 And the suggestion is to finance it through the basic premium  
25 portion of the financing mechanism for the bill; and, of course,

1 the bill has both the basic premium and the several supplemental  
2 premiums.

3 Assuming that the basic premium, which is the flat premium  
4 applicable to all enrollees in the catastrophic for the Part B  
5 Medicare Program, then that premium would go up, according to  
6 the Joint Tax, about 25 percent, a little bit more than 25  
7 percent.

8 Senator Danforth. Could I ask, would it make sense,  
9 instead of paying for it out of an increased premium, to count  
10 it against toward the cap? Would that be a sensible approach,  
11 or not a sensible approach?

12 Dr. Muse. Sir, do I understand your question counting it  
13 toward the cap itself?

14 Senator Danforth. Yes, that's right.

15 Dr. Muse. We have not estimated that.

16 Senator Danforth. In other words, on your way to \$1700,  
17 you would start by saying, "Well, you have had your mammography,  
18 and that is \$66, so that is part of the cost that goes to the  
19 cap."

20 Dr. Muse. That increases the cost estimate. We cannot  
21 do that at the table, sir; but if it is accountable toward the  
22 cap, more people hit the cap and therefore the cost of the cap  
23 goes up.

24 Senator Durenberger. Jack, would you yield?

25 Senator Danforth. Yes.

1 Senator Durenberger. Mr. Chairman, I don't like the idea  
2 of putting this against the basic premium.

3 The Chairman. I don't either.

4 Senator Durenberger. There is a real value in keeping  
5 that premium at \$4.00, keeping it as low as we possibly can  
6 so that as many people are going to opt into this program as  
7 possible.

8 I have been given to understand that with regard to  
9 immunosuppressant drugs we have used this approach that our  
10 colleague here suggests, that we count it against the cap. I  
11 know I have had a proposal in for several years that we use  
12 that technique on physicals and so forth, and I think it is a  
13 tremendous idea. And while I kind of hate to give up just  
14 slamming it in there and paying for it entirely, I think this  
15 is an excellent suggestion, and I think none of us disagree on  
16 the fact that we ought to be doing and encouraging more  
17 prevention, and this is a very legitimate way to get us  
18 started on an incredibly important preventive benefit.

19 So, as the maker of the amendment, I would like to accept  
20 the --

21 The Chairman. Well, now wait a minute. Let me understand  
22 from CBO that they don't know yet what that cost would be if  
23 you refer to that approach.

24 Do you, or don't you?

25 Dr. Muse. May I ask a clarifying question? A moment ago

1 I said that if you bring it under the count and it becomes a  
2 Part B service, we would reimburse for it, and it would be  
3 counted toward the cap. That would cost more than the numbers  
4 I gave you.

5 Senator Durenberger. Right.

6 Dr. Muse. I believe, sir, you suggested that we don't  
7 pay for it, but if a person comes in with a bill and says,  
8 "Here it is" --

9 Senator Durenberger. Right. That counts against the  
10 \$1700 cap.

11 Dr. Muse. That is a lot less than the numbers I gave you.  
12 I could not hazard a guess at this table.

13 Senator Danforth. Mr. Chairman, what are the prospects  
14 for reporting the bill out today versus next Tuesday?

15 The Chairman. Well, the prospects are quite good that  
16 we get through today, I think. I don't believe we have many  
17 amendments left, unless I am in for a surprise.

18 Senator Danforth. If we were to go to Tuesday, I would  
19 suggest that maybe you could get the figures in the meantime.

20 The Chairman. Why don't we look at this with the  
21 possibilities of a committee amendment later, if we get this  
22 thing out today, and we try to get additional numbers.

23 Senator Durenberger. Mr. Chairman, I know the figures are  
24 going to be substantially off of \$700 million; they are going to  
25 be under \$100 million.

1           The Chairman. Oh, I agree with that, Senator. But I have  
2 no idea what that number is, and you don't either; I know it  
3 is substantially down from that, but I don't know what it is.

4           Senator Chafee. It is going to take some creative  
5 computing, I think, to figure these costs.

6           Senator Danforth. Can you figure it? I mean, maybe it  
7 will just be a rough guess, in any event.

8           Dr. Muse. If the committee would excuse me for about  
9 15 minutes, we might see if we could hazard a guess; but I  
10 doubt that we might be able --

11          Senator Danforth. Why don't you do that.

12          The Chairman. That is fine. You do that, and we will  
13 get on with it.

14          (Laughter)

15          The Chairman. Senator, would you then put aside your  
16 amendment and we will consider it further later?

17          Senator Durenberger. I would be glad to set my amendment  
18 aside.

19          Senator Chafee. Could I just say one thing, Mr. Chairman?

20          The Chairman. Yes.

21          Senator Chafee. It depresses me a bit that we are always  
22 working in three-year segments here, because anything to do  
23 with preventive medicine is always going to cost you more in  
24 the beginning. So, we are always going to be in a setback  
25 position, where we can't proceed because it is going to cost

1 us more, when I think every single one of us knows at this  
2 table that whatever we do along these lines -- particularly  
3 in these measures, but others that will come up before us --  
4 is going to save money in the end. But it is not going to  
5 save money in any three-year segment.

6 The Chairman. All right.

7 Senator Roth. Mr. Chairman, could I ask a question?

8 The Chairman. Yes, Senator Roth.

9 Senator Roth. As I understand, there are a number of  
10 demonstration projects. Wouldn't it be appropriate to have a  
11 study made of preventive medicine and see what potential  
12 savings could be made long term?

13 The Chairman. Senator, we authorized that two years ago,  
14 and those demonstration projects, as I understand it, are  
15 under way to determine just what you are talking about. And  
16 I think it is about time we got a report back to see what kind  
17 of progress is being made.

18 So I would say to the staff, let us contact the  
19 Administration and get a progress report back to this committee.  
20 Is that fair enough?

21 Senator Roth. Yes. I wasn't certain how broad those  
22 demonstration programs were.

23 The Chairman. We will also find that out.

24 Senator Riegle?

25 Senator Riegle. Thank you, Mr. Chairman. If I may, I

1 would like to offer an amendment at this time for myself and  
2 Senator Pryor and ask that copies be circulated.

3 It is a straightforward amendment. It would eliminate the  
4 three-day prior hospitalization requirement for skilled  
5 nursing facilities, and it would finance that item through  
6 the supplemental premium.

7 Now, the problem we are facing at the present is that,  
8 to qualify for care in a skilled nursing facility, Medicare  
9 beneficiaries must have a prior hospitalization of at least  
10 three days.

11 TEFRA gave the Secretary of Health and Human Services  
12 discretion to waive the three-day hospitalization requirement  
13 if the waiver does not lead to an increase in costs, and thus  
14 far HHS has not acted upon this. But by eliminating the  
15 three-day requirement, it reduces unnecessary hospitalization  
16 of patients who go there simply to meet that qualifying  
17 requirement, in order to move on to skilled nursing home care.

18 There are many patients who could benefit from the  
19 less expensive skilled nursing home care, which of course would  
20 be less expensive.

21 There has been one study done on this for HHS, done by an  
22 organization called ABT Associates. This study indicates that  
23 this approach could actually end up saving money rather than  
24 costing money. The study that they had done indicated --

25 The Chairman. Whose organization is that, Senator?

1           Senator Riegle. It is an organization called ABT  
2 Associates, done under contract for HHS and done in 1981. But  
3 it indicates that you get offsetting savings of roughly the  
4 same amount. There was a slight gain, in the sense of less  
5 costs, by doing away with that three-day hospital requirement,  
6 that the saving of unnecessarily hospitalization cost more  
7 than offset the cost of allowing people to go into skilled  
8 nursing home care.

9           This happens to be in the House package; they have  
10 decided to take this step. But there are a number of people  
11 who are in a situation where they could benefit very much from  
12 this skilled nursing home service. Apparently it affects  
13 principally people who are terminally ill. That would be one  
14 category of persons who would require this kind of help. But  
15 it seems to me that to run somebody over the hurdle of the  
16 three-day hospital stay is really not such a good idea, and  
17 I would hope that the committee would want to accept this  
18 amendment.

19           The Chairman. Senator, I had put in my bill -- because  
20 of my concern about the very thing you are pointing to -- a  
21 question for the Secretary to tell us why they hadn't already  
22 eliminated it. Because there are some cases, apparently,  
23 where it does take place, where they send them to the hospital  
24 to qualify them for this, and they end up paying a \$520  
25 deductible just to qualify for it, and that is bad.



1 As I understand it, the Administration would state that  
2 they find that is a very limited number and difficult to pin  
3 down. But I would like to have your comments, Mr. Burke.

4 Mr. Burke. Yes, sir. The Secretary has failed to invoke  
5 that waiver, due to the fact that Section 123 of TEFRA stated  
6 that it could only be eliminated if the change would not  
7 increase Medicare payments. It had to be cost effective to  
8 waive the three-day prior hospitalization requirement.

9 We have estimated -- our actuaries -- that the cost of  
10 waiving it would be \$90 million.

11 The Chairman. Over what period?

12 Mr. Burke. Ninety million dollars in FY '88.

13 The Chairman. Oh. I have another number here that shows  
14 \$30 million. That is a CBO number. Thirty million, which is  
15 substantially less than your estimate.

16 Mr. Burke. The actuaries have been known to differ; but  
17 in either case it would not be saving money, and therefore the  
18 Secretary has not invoked it.

19 If I may, a word about the ABT study that Senator Riegle  
20 has referred to. We have looked at that carefully, too, sir,  
21 and the ABT study, in all fairness, was done in 1981, prior to  
22 the implementation of Prospective Payment which, as you know,  
23 has changed the incentives for hospitals.

24 It looked at only two States, and we question whether or  
25 not the results are generalizable from those two States. We

1 found the methodology was weak, in that it interviewed nursing  
2 home administrators. And in the two States, Massachusetts and  
3 Oregon, 69 percent in Massachusetts and 46 percent in Oregon  
4 of the waived Medicare admissions were coming in from nursing  
5 homes.

6 Senator Riegle. Mr. Chairman, let me also, if I may, ask  
7 that Senator Mitchell be added as a cosponsor. The Congress  
8 has already eliminated the three-day prior hospitalization  
9 requirement for home health care.

10 The Chairman. That is right.

11 Senator Riegle. And it seems to me that if we have  
12 someone who is in need of this particular level of care, that  
13 to have the three-day hospital requirement is really a very  
14 arbitrary requirement. What is the justification for that?  
15 I mean, what is the rational, logical, sensible justification  
16 for having somebody have to meet that test if in fact they  
17 need skilled nursing home care?

18 Mr. Burke. Well, Senator, the fact that the Secretary is  
19 bound by the cost --

20 Senator Riegle. I understand that; you have made that  
21 point. I am asking a different question.

22 Mr. Burke. It is a good question, Senator.

23 Senator Riegle. I know that, but what I would like is a  
24 good answer. I gather you don't have a good answer.

25 The Chairman. Well, maybe we will answer it right here,

1 around this table, Senator. I think you have made a good point  
2 and I am sympathetic with what you are trying to do. I would  
3 like to hear any comments that any of the members have.

4 Senator Chafee. Well, Mr. Chairman, I have been puzzled  
5 by this. It has been in the Medicare code or law ever since  
6 Medicare was started.

7 Mr. Burke, you have no explanation for the theory behind  
8 it?

9 Mr. Burke. No, sir.

10 The Chairman. I think we have heard about enough from  
11 there.

12 (Laughter)

13 Senator Chafee. To me it never made any sense. I have  
14 never understood it.

15 The Chairman. Is there objection to the amendment?

16 Senator Matsunaga. Mr. Chairman, if I may ask Mr. Burke  
17 a question, have you made any cost estimate as to those who are  
18 purposely sent to the hospital for three days in order to  
19 become eligible, although they probably could have gone  
20 directly to nursing care?

21 Mr. Burke. No, sir, but the Secretary has directed the  
22 Health Care Financing Administration to look into that very  
23 question.

24 Senator Matsunaga. Yes. I would think that your estimate  
25 of the additional cost would be considerably reduced when you

1 calculate the unnecessary three-day hospital stays which now  
2 are being used merely to qualify.

3 Mr. Burke. Having been there when the Secretary issued  
4 it, he stated that as a physician coming into this position  
5 from a university hospital, "I know this happens. And to what  
6 extent does it happen? Would you go, and report back to me?"

7 Senator Matsunaga. Well, I think this is a good  
8 amendment.

9 The Chairman. I do, too. I would like to support the  
10 amendment. Are there any objections to the amendment?

11 (No response)

12 The Chairman. Would the Senator propose or move the  
13 amendment?

14 Dr. Riegler. Yes. I propose the amendment and ask for  
15 its adoption.

16 The Chairman. Any further discussion?

17 (No response)

18 The Chairman. All in favor of the amendment make it known  
19 by saying Aye.

20 (Chorus of Ayes)

21 The Chairman. Opposed?

22 (No response)

23 The Chairman. Amendment carried.

24 The only problem, we lose one bargaining position with  
25 the House.

1 Senator Riegle. I thank the committee.

2 Dr. Weiss. Mr. Chairman, CBO is back with its estimates  
3 with respect to Senator Durenberger's amendment.

4 The Chairman. All right.

5 Dr. Muse. A preliminary estimate -- and it will take us  
6 the weekend to refine it -- is that if everyone faced the  
7 procedure and everyone complied, it would cost \$140 million in  
8 the first year.

9 Senator Danforth. Do you mean if everybody over 65 did  
10 this?

11 Dr. Muse. Yes, sir. But there are a lot of uncertainties  
12 in our estimate right now. We got the 66 and 42 numbers in a  
13 matter of an hour or two yesterday, so --

14 Senator Danforth. Here is what I think is going to  
15 happen. I think, as indicated by the prior line of questioning,  
16 my guess is that whatever we do isn't going to in face  
17 encourage a lot of people to change their behavior. But if  
18 they did, it would end up savings costs rather than creating  
19 costs.

20 Dr. Muse. In the long term, the estimate decreases.

21 The Chairman. In the long term, I think that is probably  
22 right. So, what we are talking about, then, that would  
23 translate to what? About a 25 cent addition to the premium?

24 Mr. Gould. Unless the \$140 million figure was going to  
25 rise substantially or decrease.

1 Senator Danforth. But that is not what we are proposing.  
2 I mean, we are not proposing an increase in the premium; we  
3 are simply proposing --

4 The Chairman. That is right. That is a good point.

5 Dr. Muse. In order to ensure this, also, sir, we would  
6 have to deal with the issue of the dollar amount that is  
7 counted over time, and some issues like that.

8 Senator Danforth. Do you have any idea as to what  
9 percentage of the population in these two age groups gets  
10 these two exams?

11 Dr. Muse. I have seen no figures on that at the moment,  
12 Senator.

13 Senator Danforth. I wonder if anybody has them.

14 Dr. Muse. They are available, I am sure.

15 Senator Danforth. They are available? Because that would  
16 obviously -- it is not going to be 100 percent, right?

17 Dr. Muse. Oh, yes, sir.

18 Senator Danforth. You are not going to have 100 percent  
19 of the people saying, "Aha! This is the thing to do."

20 (Laughter)

21 Dr. Muse. But again, sir, I was asked for a worse-case  
22 estimate, and I have just given you the worse-case estimate.

23 Senator Danforth. Yes. But it is not going to be  
24 anywhere close to that, is it, really?

25 Dr. Muse. I will stay with my 140, sir. There are so

1 many uncertainties.

2 The Chairman. Let me pursue this a moment. If it is  
3 not going to be on the premium, then how is it paid? What is  
4 the proposal? How would it be paid if it is going to be a  
5 part of the cap?

6 Senator Durenberger. It is going to be paid by Medicare,  
7 I guess.

8 Dr. Weiss. Mr. Chairman, the way the bill is structured,  
9 the cost of the catastrophic benefit, which includes the cap,  
10 must be actuarially sound. And therefore, it will have an impact  
11 on either the supplemental premium, the basic premium, or both,  
12 depending upon how Senator Durenberger would like to structure  
13 the payment.

14 Mr. Gould. In other words, the \$140 million is the net  
15 cost.

16 The Chairman. Well, all right.

17 Senator Roth. Would there be a third alternative of  
18 raising the cap slightly?

19 The Chairman. Let us see how that works.

20 Senator Roth. In other words, if you had a higher cap  
21 you could offset the cost. I don't know how much that would  
22 be or whether that would be a third approach.

23 The Chairman. Yes. It is a possibility.

24 Senator Roth. Would you have any estimate on how much the  
25 cap would have to be raised?

1           The Chairman. I think we have staff debating amongst  
2 themselves here on it.

3           Dr. Muse. I am sorry, sir; was I asked a question?

4           The Chairman. The question was addressed to the group,  
5 actually. The question was: If the cap was raised some, the  
6 \$1700 -- yes?

7           Mr. Gould. Senator Roth, are you referring to the cap on  
8 the supplemental premium, or the cap in the bill on the  
9 spending side?

10          Senator Roth. The \$1700 cap.

11          The Chairman. The \$1700 cap is what he was referring to.

12          Dr. Weiss. As I understand it from the Congressional  
13 Budget Office, Senator Roth, the \$140 million accrues as a  
14 consequence of pushing a number of people over the \$1700 cap,  
15 and therefore there is an expenditure under the Medicare  
16 program. If you raise the cap, then obviously those individuals  
17 would not trip that threshold.

18          Senator Roth. Okay.

19          Senator Durenberger. Mr. Chairman?

20          The Chairman. Yes.

21          Senator Durenberger. I think that to try to resolve this  
22 I would put my amendment with the financing coming out of the  
23 supplemental. I think it has been agreed now that 142 is high  
24 side; it is probably lower than that.

25          The Chairman. Yes, I think it is, too.



1 Senator Durenberger. And it has also been agreed that  
2 that is the first-year figure and it goes down.

3 So, if our theory is that by doing this we are going to be  
4 raising the supplemental premium over time, that is wrong. The  
5 second reason, of course, is that we are going to reduce the  
6 amount of increase in the supplemental premium by catching  
7 cancers.

8 So I think the place to finance it is in the supplemental  
9 premium.

10 The Chairman. On the supplemental. And my estimate of  
11 25 cents would get fairly close, wouldn't it?

12 Mr. Gould. That is for the basic premium, Senator.

13 The Chairman. Oh, yes.

14 Mr. Gould. If the proposal is to increase the supplemental  
15 premium, that rate now is \$12 per year per \$150 of tax  
16 liability, and that would go up about a dollar -- Joint Tax  
17 Committee. So it would be about \$13 a year starting in 1988,  
18 and of course that would be indexed.

19 Now, keep in mind that the preceding amendment also was  
20 to be financed through the supplemental premium, and that  
21 amendment would raise the premium about 50 cents. So, we went  
22 from \$12 to \$12.50, approximately, with Senator Riegle's  
23 amendment, and then this amendment would add about another  
24 dollar; so we would be talking about \$13.50.

25 Senator Durenberger. I thought the increase was, for

1 every dollar you had to spend \$300 million, to go up a dollar  
2 on the supplemental.

3 Mr. Weiss. There was a preliminary estimate that that  
4 was the case, but that was assuming that the cap on the  
5 supplemental premium increased proportionally.

6 The figure that we are using at the moment assumes that  
7 you would keep the maximum the same. But there are two  
8 options there, as well.

9 Senator Durenberger. Mr. Chairman, I would put the  
10 amendment. I don't know that it is totally satisfactory --  
11 certainly, John Chafee has expressed himself to me privately  
12 that he is not satisfied that this is going to accomplish the  
13 end that we seek. I am. But I think it has now become sort of  
14 a compromise position on cancer prevention, and I would put  
15 the amendment in the hope that all of my colleagues would  
16 support it.

17 The Chairman. Let me understand now.

18 Senator Chafee. What is the amendment?

19 The Chairman. Are we talking about it going on the  
20 supplemental premiums?

21 Senator Durenberger. Yes, we are.

22 Senator Chafee. Well, you have changed it back, now,  
23 because originally it was to count toward the cap.

24 The Chairman. No. It counts toward the cap, that is  
25 right; but you still have a cost involved, and they are talking

1 about it being paid for through the supplemental. It is not  
2 near the cost it was as he first proposed it, because if it  
3 wouldn't be utilized, it wouldn't be recompensed.

4 Senator Durenberger. The supplemental under my original  
5 proposal would probably go up \$5.00, under my original  
6 proposal. Under this one, it goes up a dollar, approximately,  
7 or four and a half.

8 Senator Roth. Could we ask the Administration for their  
9 point of view, and what is the impact of the supplemental  
10 increase on various incomes?

11 Mr. Burke. Sir, our view on the amendment would be that  
12 we are not favorably disposed to specific exams being covered.  
13 We don't think it is in the purview of catastrophic. And  
14 secondly, there are a lot of organizations that offer tests,  
15 and we are not sure how we would keep up with it subsequently.

16 Senator Roth. But my question was not with respect to  
17 the proposal, but to how we are paying for it. What does this  
18 do to the supplemental premium? How much will various  
19 categories be paying as a result of this increase in the  
20 supplemental?

21 Mr. Burke. I would say, sir, that our position is that  
22 we think the supplemental premium is high, and this would make  
23 it even higher.

24 Senator Roth. Do we have figures that show how much  
25 various levels will be paying?

1 Mr. Burke. I don't have them handy, sir.

2 Mr. Gould. Senator Roth, the Joint Tax Committee staff  
3 has prepared tables with a variety of examples, showing the  
4 effect of the supplemental premium, and those presumably could  
5 be adjusted pretty easily to show the effect of this increase.  
6 That has not been done yet, but it would be pretty simple to do,  
7 I presume.

8 Senator Roth. Could we have those within a relatively  
9 short time?

10 The Chairman. We have a vote at 11:40. If we could move  
11 this along, I would like to.

12 Senator Packwood. Mr. Chairman, I think we ought to take  
13 it. We are going to have time to get some further cost  
14 estimates. It is not in the House bill. If something goes  
15 away, we can take it out in conference, if we have to. I  
16 think the merits of it are well-intended, and I think we will  
17 find whatever errors there may be in it, if any, before we get  
18 to final passage.

19 The Chairman. I am amenable to it.

20 Senator Chafee. What did Senator Packwood suggest?

21 Senator Packwood. It is not in the House bill, this  
22 particular provision; so, if there are errors in it or cost  
23 estimates where we are off, or we don't know what we are doing,  
24 or we find some terrible glitch that we didn't foresee, we  
25 have got time to correct it.

1           But I think it is well-intentioned, I think it is  
2 correctly directed, and I think we ought to accept it.

3           Senator Chafee. The only trouble is, I think we are  
4 getting the worst of both worlds here. I think that no one  
5 is going to go and get the exam, because at the beginning of  
6 the year they say, "Well, I might run up \$1700 in expenses,  
7 medical expenses this year, so I think I will go out and get  
8 this exam and have it count toward that." So there will be no  
9 incentive at all.

10          The Chairman. Let me tell you, there is no incentive  
11 for that kind of an exam, anyway.

12          (Laughter)

13          Senator Chafee. Well, what we are trying to do is to  
14 encourage preventive medicine, even though the exams might be  
15 unpleasant. So, we are not going to get more people come and  
16 use the exams, but we are going to have those people who  
17 already are getting them have it count, and we are not going to  
18 achieve the preventive medicine concept what the whole  
19 amendment was originally directed toward.

20          Senator Durenberger. Can I move my amendment?

21          The Chairman. What is the feeling? Do any other members  
22 have any comments on it?

23          (No response)

24          The Chairman. Senator, do you propose your amendment?

25          Senator Durenberger. Yes. I propose the amendment, to

1 include the colorectal exams and the mammography exams for  
2 55-and-over beneficiaries -- the colorectal is 65-and-over, and  
3 the mammography is 55-and-over -- and that it be included as an  
4 offset of the \$1700 cap, or whatever the appropriate language  
5 is, and that any costs come out of the supplemental premium.

6 The Chairman. It is a substantial extension of benefits,  
7 what we are talking about.

8 You have proposed the amendment. Is there further  
9 discussion?

10 (No response)

11 The Chairman. All in favor of the amendment, make it known  
12 by saying Aye.

13 (Chorus of Ayes)

14 The Chairman. Opposed?

15 (No response)

16 The Chairman. It carries.

17 Senator Durenberger. Thank you, Mr. Chairman.

18 The Chairman. All right.

19 Senator Riegler. Mr. Chairman, are there other amendments,  
20 or may I raise just one brief item with you here?

21 The Chairman. Yes, Senator, go ahead.

22 Senator Riegler. I will be very brief.

23 A significant share of the cost of health care coverage  
24 for the elderly is now shouldered by employers. According to  
25 the Washington Business Group on Health, 95 percent of the

1 Fortune 500 companies provide retiree health care benefits.  
2 Another study showed that for smaller firms it was as high  
3 as 42 percent.

4 According to the Department of Labor, employers paid  
5 \$4.6 billion for retiree health care in 1985. Now, under the  
6 catastrophic health proposals that we are considering, a large  
7 portion of this cost would be transferred over to the  
8 beneficiaries themselves in the means that we have been  
9 talking about.

10 I looked at offering an amendment to soften the  
11 transition of financing this program from employers to  
12 retirees; however, there are a number of technical problems  
13 in dealing with this issue in the time that we have.

14 So I am wondering if the Chairman would agree that the  
15 committee can take a look at this and see if there might be  
16 some solution found on that matter before the bill comes to  
17 the floor. I just wonder if the Chairman would feel that this  
18 would be a matter we could look at between now and the time  
19 the bill comes to the floor and see if there is some means  
20 that we might find to address that transition shift of costs.

21 The Chairman. Senator, I don't see a problem with that.

22 Senator Riegle. I thank the Chairman.

23 The Chairman. All right.

24 The chair has some proposed technical amendments to the  
25 bill, and I would ask, Dr. Weiss, are you prepared to comment

1 on those?

2 Dr. Weiss. Yes, Mr. Chairman.

3 The Chairman. Fine.

4 Dr. Weiss. The first deals with the contingency margin.  
5 In redrafting a section of the bill we inadvertently deleted  
6 a requirement of current law, that the Secretary, when he  
7 calculates the actuarial rate for Part B premium, include in  
8 that calculation an appropriate amount for a contingency fund  
9 in the reserve account. This amendment would simply restore  
10 that provision of current law, except for a margin of error in  
11 projecting expenditures from the Part B trust fund.

12 The Chairman. Is there any objection to the amendment?

13 (No response)

14 The Chairman. If not, it stands approved.

15 Dr. Weiss. The second item deals with the rate of  
16 increase in the premiums, and I think Jim Gould is prepared to  
17 respond.

18 Mr. Gould. The second amendment involves the indexing  
19 formula for the premiums, Mr. Chairman. We have received  
20 staff comments from the staffs of Senator Dole and others,  
21 requesting that we make sure that the indexing formula fully  
22 finances the program, both in the five-year window and in the  
23 out years. The Joint Tax Committee staff has been working to  
24 adjust the indexing formula that was drafted into the bill, to  
25 make sure that it does that.



1 They have suggested a minor technical amendment to make  
2 sure that the indexing formula works.

3 The Chairman. Is there any objection to that amendment?

4 (No response)

5 The Chairman. If not, it stands approved.

6 Dr. Weiss. Mr. Chairman, the third item deals with access  
7 to the 24 additional days of home health coverage that an  
8 individual would obtain by buying the Part B catastrophic  
9 benefit. Currently, the bill stipulates that there has to be  
10 a prior hospitalization to qualify for those additional days.  
11 This amendment would permit an individual to qualify for those  
12 days if they had either had a prior hospitalization or had been  
13 discharged from the skilled nursing facility. The cost is  
14 negligible.

15 The Chairman. Is there a question?

16 (No response)

17 The Chairman. Is there opposition to the amendment?

18 (No response)

19 The Chairman. If not, it stands approved.

20 Dr. Weiss. The next item relates to the Trustees Report.  
21 This amendment would require that the Trustees of the Medicare  
22 Trust Funds comment in their annual report with respect to the  
23 actuarial soundness of the monthly catastrophic coverage  
24 premium.

25 The Chairman. Is there a question?

1 (No response)

2 The Chairman. Is there opposition?

3 (No response)

4 The Chairman. If not, the amendment will stand approved.

5 Dr. Weiss. The next item is time-sensitive. It does not  
6 relate specifically to the catastrophic bill, but it is a  
7 time-sensitive issue, and this appears to be a reasonable  
8 vehicle to put it on.

9 It relates to the home and community based waiver provision  
10 that some States utilize in order to allow persons to stay  
11 outside of a nursing home. Evidently, the General Counsel of  
12 the Department of Health and Human Services has ruled that an  
13 amendment that was enacted last year in the Reconciliation Bill  
14 intended to limit the applicability of the waiver and, in doing  
15 so, also deleted the authority to use the income-deeming rules  
16 for nursing home individuals.

17 There is a problem immediately in the State of North  
18 Carolina, which is up for a renew of its waiver. /Again, there  
19 is no cost associated with this; it is just a clarifying  
20 amendment.

21 The Chairman. Is there a question?

22 (No response)

23 The Chairman. Opposition?

24 (No response)

25 The Chairman. If not, the amendment stands approved.

1 Dr. Weiss. The last item relates to, again, a  
2 clarification with respect to the Omnibus Budget and  
3 Reconciliation Act of 1986. In the State of New Jersey there  
4 was established a respite pilot project under the Medicaid  
5 program. Evidently, the State has run into some difficulty in  
6 attempting to get that project underway, and Senator Bradley  
7 has requested that we include some clarifying language that  
8 will permit the State to move forward on that project.

9 The Chairman. Are there further questions about the  
10 amendment?

11 (No response)

12 The Chairman. If not, the amendment stands approved.

13 Dr. Weiss. Mr. Chairman, I have two questions of members.  
14 With respect to Senator Riegler's amendment on the skilled  
15 nursing facility, we need a clarification on the effective date  
16 of that amendment.

17 The Chairman. Do we have staff for Senator Riegler here?

18 Dr. Weiss. Does this one pretend to the three-day prior  
19 hospitalization for qualifying for a skilled nursing facility?

20 The Chairman. Yes.

21 Senator Durenberger. Why not ASAP?

22 The Chairman. What would be the suggestion of staff  
23 concerning this?

24 Dr. Weiss. Well, the House bill delays the effective  
25 date until 1/1/89 -- January 1 of 1989.

1           The Chairman. If you would, restate the concern about  
2 the necessity for a date and what the House date is to  
3 Senator Riegler, let us hear his point of view.

4           Dr. Weiss. Senator Riegler?

5           Senator Riegler. Yes?

6           Dr. Weiss. With respect to your skilled nursing facility  
7 three-day prior rule amendment, there is a question about the  
8 effective date.

9           Senator Riegler. My thought would be probably January 1  
10 of '88. Is that sufficient?

11          Dr. Weiss. That would shift the costs slightly from our  
12 estimates.

13          The Chairman. And the House bill was what?

14          Dr. Weiss. It was 1/1/89.

15          Senator Riegler. Pardon? The House bill is 1/1/89?

16          Dr. Weiss. That is correct.

17          Senator Riegler. What did the cost estimates assume that  
18 you were referring to earlier?

19          Dr. Weiss. That it was not effective until January 1 of  
20 1989. We were working from those cost estimates.

21          Senator Riegler. Mr. Chairman, are we generally using  
22 1/1/89 for most of the changes that we are making? Or do we  
23 have a pattern?

24          The Chairman. I don't think so. Nineteen eighty-eight,  
25 isn't that correct?

1 Dr. Weiss. Yes, that is correct.

2 Senator Riegle. I would like to suggest that we use the  
3 date that we are using for the other changes.

4 Dr. Weiss. All right. But in that event, that will  
5 slightly change the cost estimate.

6 Senator Riegle. I understand.

7 The Chairman. Is there objection?

8 Senator Chafee. Mr. Chairman, could we just hear from  
9 the Administration? Is this complicated, or not? It wouldn't  
10 seem complicated, but what are the problems, if there are  
11 any?

12 Mr. Burke. I think we can live with '88, sir.

13 Senator Chafee. Pardon?

14 Mr. Burke. I think we can live with 1988.

15 The Chairman. All right.

16 Are there objections, then?

17 (No response)

18 The Chairman. Did you have another comment, Dr. Weiss?

19 Dr. Weiss. Yes, sir. With respect to Senator  
20 Durenberger's amendment regarding case mangement --

21 The Chairman. Oh, no, no. I want to dispose of this  
22 other one first.

23 Dr. Weiss. I am sorry.

24 The Chairman. Is there objection to the date of January 1,  
25 1988?

1 (No response)

2 The Chairman. There is not. Then, utilize that date.

3 Dr. Weiss. All right.

4 Senator Durenberger's amendment with respect to case  
5 management involves an expenditure of approximately \$2 million  
6 per year. For how long did the Senator intend for that to  
7 continue?

8 Senator Durenberger. The demonstration?

9 Dr. Weiss. Yes.

10 Senator Durenberger. One year.

11 The Chairman. For one year? That is the best deal we  
12 have had all morning. That is fine.

13 (Laughter)

14 Dr. Weiss. All right. One last clarifying comment,  
15 with respect to the New Jersey respite amendment. There is  
16 evidently a sheet of paper describing that amendment being  
17 circulated, and item D that is listed on that sheet should be  
18 deleted. The item refers to the study design, and there has  
19 been agreement to delete that feature. It simply means that  
20 the State will be required to establish the study design that  
21 makes it possible to replicate the study in other States.

22 The Chairman. Is there a question?

23 (No response)

24 The Chairman. Objection?

25 (No response)

1 The Chairman. If not, that is agreed to.

2 Dr. Weiss. I have no further comments.

3 The Chairman. Are there further amendments?

4 Senator Roth. Mr. Chairman, could I just raise a  
5 question?

6 The Chairman. Yes, of course.

7 Senator Roth. I know there has been a lot of discussion  
8 about long-term care needs, and it is also my understanding  
9 that late yesterday an amendment was offered in this area for  
10 the making of a study. Am I correct on that?

11 The Chairman. Yes, as I recall.

12 Senator Roth. Could I ask just a couple of questions of  
13 the staff, to make certain what that includes? Because it  
14 does seem to me that a solution to the long-term care financing  
15 issue can only be found through a partnership effort, using  
16 the combined talents of the private sector and the Government.

17 I wonder, in these studies that are being undertaken,  
18 whether they could go beyond nursing homes and expand to home  
19 health care and other service-delivery mechanisms, or whether  
20 it is proposed that these studies be included.

21 Dr. Weiss. Senator Roth, the basic bill language includes  
22 a requirement that the Institute of Medicine conduct a study  
23 on the options for utilizing both private and public sources  
24 of funding for long term care. Yesterday there was a further  
25 amendment adopted, dealing with utilization of tax incentives

1 and other encouragement to the private sector.

2 Mr. Gould. Yesterday's modification was a request that  
3 the Secretary of the Treasury study the possibility of using  
4 tax incentives as a means of funding long term care.

5 Senator Roth. And would it go beyond simply looking at  
6 nursing homes, and expand to home health care and other  
7 service-delivery mechanisms?

8 Mr. Gould. The language that Senator Mitchell has  
9 provided would include both nursing home stays and home health  
10 care costs.

11 Senator Roth. Mr. Chairman, I would ask that it be  
12 expanded to include other service-delivery mechanisms.

13 Does it also provide that input from the insurance and  
14 long-term care industry be included? I think it was my  
15 understanding of what was said.

16 Mr. Gould. The language provides that, "The Secretary of  
17 the Treasury shall, in cooperation with representatives of the  
18 insurance industry, conduct a study."

19 Senator Roth. How about the long-term care industry  
20 itself?

21 Mr. Gould. That language that I read is the only  
22 explicit language.

23 Senator Roth. If I might, Mr. Chairman, I would suggest  
24 that the study include other service-delivery mechanisms  
25 beyond the nursing homes and home health care, and that input



1 be secured not only from the insurance industry but from the  
2 long-term care industry itself.

3 The Chairman. Senator, is that the extent of what you are  
4 suggesting, then?

5 Senator Roth. Yes, that is right.

6 The Chairman. The Chair, if there is no objection -- I  
7 am sorry that Senator Mitchell is not here, but if there is  
8 no objection -- would agree to that. Is there objection?

9 (No response)

10 The Chairman. If not, let it be so amended.

11 Dr. Weiss. Mr. Chairman, in drafting the bill the staff  
12 requests the normal authority to make technical changes and  
13 conforming changes.

14 The Chairman. Without objection that will be allowed.

15 Now, are there further amendments?

16 Senator Packwood. I move we report the bill.

17 The Chairman. The motion has been made, and the roll will  
18 be called.

19 The Clerk. Mr. Matsunaga?

20 Senator Matsunaga. Aye.

21 The Clerk. Mr. Moynihan?

22 The Chairman. Aye, by proxy.

23 The Clerk. Mr. Baucus?

24 Senator Baucus. Aye.

25 The Clerk. Mr. Boren?

1 The Chairman. Aye, by proxy.  
2 The Clerk. Mr. Bradley?  
3 The Chairman. Aye, by proxy.  
4 The Clerk. Mr. Mitchell?  
5 The Chairman. Aye, by proxy.  
6 The Clerk. Mr. Pryor?  
7 Senator Pryor. Aye.  
8 The Clerk. Mr. Riegle?  
9 (No response)  
10 The Clerk. Mr. Rockefeller?  
11 Senator Rockefeller. Aye.  
12 The Clerk. Mr. Daschle?  
13 Senator Daschle. Aye.  
14 The Clerk. Mr. Packwood?  
15 Senator Packwood. Aye.  
16 The Clerk. Mr. Dole?  
17 Senator Packwood. Aye.  
18 The Clerk. Mr. Roth?  
19 Senator Roth. Aye.  
20 The Clerk. Mr. Danforth?  
21 Senator Danforth. Aye.  
22 The Clerk. Mr. Chafee?  
23 Senator Chafee. Aye.  
24 The Clerk. Mr. Heinz?  
25 Senator Packwood. Aye.

1 The Clerk. Mr. Wallop?

2 Senator Wallop. Aye.

3 The Clerk. Mr. Durenberger?

4 Senator Durenberger. Aye.

5 The Clerk. Mr. Armstrong?

6 (No response)

7 The Clerk. Mr. Chairman?

8 The Chairman. Mr. Riegle is Aye, by proxy, and the  
9 Chairman is Aye.

10 The Clerk. Nineteen Ayes, no Nays.

11 The Chairman. Great.

12 (Applause)

13 The Chairman. Senator Matsunaga?

14 Senator Matsunaga. Mr. Chairman, I ask unanimous consent  
15 that I be recorded as having voted Aye on the Heinz  
16 Amendment.

17 The Chairman. Without objection. So did I.

18 Thank you very much, gentlemen.

19 (Whereupon, the meeting was concluded at 11:36 a.m.)

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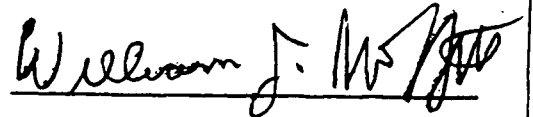
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This is to certify that a meeting of the Executive Committee of the Committee on Finance held on Thursday and Friday, May 28 and 29, 1987, were transcribed as herein appears, and that this is the original transcript thereof.

  
WILLIAM J. MOFFITT  
Official Court Reporter

My Commission expires April 14, 1989.