

I see another Senator here who probably would like to have some time.

Mr. President, under the ruling of the Chair that when you are recognized each time, you have 15 minutes, I will yield the floor so I can be recognized again.

The PRESIDING OFFICER. Does any Senator seek recognition?

Mr. FRIST addressed the Chair.

The PRESIDING OFFICER (Mr. SMITH). The Chair recognizes the Senator from Tennessee.

#### MEDICAL SAVINGS ACCOUNTS

Mr. FRIST. Mr. President, I rise today to discuss the issue of health care in America and specifically the concept of medical savings accounts, sometimes called medical IRA's.

I speak today as an elected official, as a U.S. Senator, but also as a practicing physician having devoted the last 20 years of my life to caring for patients.

I have witnessed first hand the unequalled quality of health care in the United States. But I have also witnessed the problems in health care today—the skyrocketing costs and limitations in terms of access.

Last year, President Clinton addressed the problems of our health care system, but his proposed solutions were fatally flawed. He favored monopolization, not competition. He sought to empower bureaucrats, not individuals. And in the end, he relied on Government, not the private sector.

Fortunately, once the American people heard the truth about the administration's plan, they rejected it. Nevertheless, the problems with our health care system have not disappeared. Make no mistake. There are problems with our health care system in this country today. Instead of scrapping the whole system we must target and fix what is broken.

Mr. President, I believe the use of medical savings accounts is an important first step in that process. A fundamental problem which characterizes every interaction between patient and health care provider is that the provider is not paid directly by the patient but by a third party. On average, every time a patient in America receives a dollar's worth of medical services, 79 cents is paid for by someone else, usually the Government or an insurance company. The result is that we grossly overconsume medical services in this country today.

Imagine if we were all required to pay out of pocket only 20 cents out of every dollar of food that we purchased, or transportation, or clothing. We would all buy more than we need. That is what happens in medicine every day. Since people do not feel they are paying for it out of their own pockets, and everyone does want the very best and the very most at any price. Whether it is the deluxe hospital room, whether it is the MRI scan for a headache, whether it is the latest and the newest in nu-

clear medical imaging, we all want the best and we overconsume. We must become more cost-conscious consumers of medical services.

Mr. President, there are two methods of doing this. First, as the Clinton administration urged this past year, we can limit technology. We can ration care thereby ultimately destroying the good quality of health care that we have today. The American people outright rejected this alternative. And with good reason. It would have reduced the quality of care in this country.

I saw this happen first hand during a year I spent in England as a medical registrar in heart and lung surgery. I watched over and over again as patients waited months for medical procedures which they would have obtained in a few days or a few weeks in this country. Sadly, in some instances, I watched patients die while they waited.

The second choice, and the one I believe we must follow if we are to stem the skyrocketing cost of health care in this country, is to empower individuals to enable them to purchase their medical services directly, as they do other services in our society today.

Medical savings accounts would encourage patients to become more prudent in their decisionmaking in the purchase of health services. What are medical savings accounts? Medical savings accounts are tax-free personal savings accounts which can be used by an individual to pay his or her medical bills. Take, for an example, an employee of a typical company. Today, an employer might pay \$2,000, \$3,000, or even \$4,000 for a medical insurance policy with a \$500 deductible for an employee. But the employee then has no incentive to be cost conscious. In contrast, if medical savings accounts were available, the employer would deposit an amount, say \$2,000, in a tax-free personal savings account which would belong to the employee. The employee would turn around and buy an inexpensive catastrophic-type policy which would cover medical expenses greater than \$2,000 if they occurred in any single year. For medical expenses incurred up to that \$2,000 deductible limit, the employee, using his or her own discretion, would use money from the savings account for these purchases.

Any savings account money not spent on health care over the course of that year would roll over into that savings account and grow tax free. It would accumulate, year after year. At retirement that money—the money not used—could be rolled over into an IRA, into a pension or be used to pay for long-term care or other expenses.

Thus, the individual would have a strong incentive to become a cost-conscious consumer of medical care. He or she will demand quality care at competitive prices. The consumer, the individual, the patient, will then drive the market. The system will respond with

better outcome measures, better and lower unit prices for health care broadly. In short, medical savings accounts will give American health care consumers strong incentives to change to modify the way they consume health care services because they are able to keep any money that they do not spend.

We will potentially save billions of dollars in health care costs because individual patients will modify their purchasing habit behavior. Medical savings accounts will also potentially save billions of dollars in administrative costs. In 1992 alone, administrative costs for health insurance exceeded \$41 billion. With medical savings accounts, patients will deal directly with health care providers and eliminate many of the third-party intermediaries.

Finally and perhaps most importantly, the use of medical savings accounts will maintain the high quality of care that Americans have come to know. While the Clinton administration would limit technology and force hospitals and doctors to ration care, medical savings accounts will put the individual back in charge of his or her own care and consumption of medical services.

Mr. President, in closing, we in America are fortunate to have the absolute highest quality of health care in the world. When the leaders of the world become seriously ill they do not go to Great Britain or Canada to seek treatment. They come here, to the United States. While there are those who would like to stifle our technological advances and allow bureaucrats to tell people how much and what kind of health care we can receive, the American people have spoken loudly and clearly and rejected this notion.

No one can predict what will happen in the next 50 years of the 21st century in the field of medicine; 50 years ago when my dad was a practicing physician, making house calls day by day, he would not envision that somebody such as myself would be doing heart transplants in the 1990's. The technological advances are simply mind-boggling.

Mr. President, the challenge for everyone is to maintain the highest quality health care in the world, and to continue to make it available to all Americans. This can only be done if we change the basic framework through which medical services are consumed and continue with a market-based system.

I believe the use of medical savings accounts will be a major first step in that direction. Individual patients become part of the solution, not just part of the problem. For this reason I hope that my colleagues in the Senate will support my efforts to pass legislation later in this session to create medical savings accounts.

Thank you, Mr. President. I yield the floor.

(Disturbance in the visitors' galleries.)

The PRESIDING OFFICER. The gallery is reminded not to display any approval or disapproval of remarks on the floor.

Mr. FORD. Mr. President, I have a longtime habit that is hard to break and it is opposed to the rules of the Senate. I should not refer to another Senator as "you." It was not any disrespect at all. So in referring to the two Senators, one, I think, from Oklahoma, the other from Pennsylvania, by using the word "you" I hope that it will not be taken as an affront in any way because I did not mean it that way. I will look at the RECORD and see if I cannot straighten it out by unanimous consent.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FORD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. KYL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KYL. Mr. President, I ask unanimous consent I be allowed to address the Senate in morning business.

The PRESIDING OFFICER. The Senator is recognized for up to 15 minutes.

#### UNFUNDED MANDATES

Mr. KYL. Mr. President, the debate we are engaged in, and have been for 8 days now, is important not only because the American people are tired of the Federal Government telling them what to do—and, in the case of State and local governments and tribal governments, having the additional burden of then having to pay for those Federal mandates. It is important, therefore, not only because the unfunded mandates legislation would put a stop to that in the future and say that from now on the Federal Government is going to have to identify the cost of mandates on the private sector and is going to have to pay for the mandates it imposes on the public sector—it is important not only for that reason, but it is also important because when we pass the balanced budget amendment and send that to the States for their ratification, the State legislatures and the Governors are going to be considering whether or not to ratify that amendment. One of the concerns that they are going to have is that the Federal Government might attempt to achieve its requirement of meeting a balanced budget by simply foisting the costs onto the State and local governments and tribal governments.

I would add as a footnote that in my State of Arizona the business of tribal governments is significant, and they have to bear the burden of some of these mandates. So they are all concerned about this.

In the case of the people in the State legislature, they suggested to me that if we want the balanced budget amendment to be ratified by the State legislatures, we had better make it very clear that the Federal Government is not going to attempt to achieve that balance by laying all of these mandates on State and local governments. We might have done that in the case of the health care legislation that, I think fortunately, was killed last year. One of my friends back in Arizona called it "justifiable homicide." I am delighted we did not pass the kind of bill that was originally proposed because it would have created a huge mandate on the private sector. In fact, it was called employer mandates. And employers would have been required to pay substantial amounts of money. In some cases I believe there were situations where they really could not afford it, which is the reason they do not provide that health care today. So both for the public and private sectors it is important that the Government not impose these mandates. But as I said, it is important not only in its own right but because of the connection to the balanced budget amount.

#### BALANCED BUDGET AMENDMENT

Mr. KYL. Mr. President, I would like to turn for a moment to the subject of a balanced budget amendment in this overall context that we are debating unfunded mandates, and soon we will be debating the balanced budget amendment because the Joint Economic Committee held a hearing this morning and took testimony from both House and Senate Members on their proposals for achieving this goal.

When we talk about the Federal Government achieving a balanced budget without passing the costs on to the State and local governments in the form of unfunded mandates, the question of course, arises, how are we going to do it? In fact, some people, some Members of the Senate, have challenged those of us who support a balanced budget amendment as to how it is going to be done. They say be specific. Of course, we have said, "You say we don't need a balanced budget to achieve balance. So why don't you tell us how you would do it? Why don't you be specific? You have had 40 years in the case of the House of Representatives and you have not gotten the job done. Give us a chance and we will do it."

First, we want to establish the discipline that requires us to do it. Assume we had passed the balanced budget amendment in the House and it is the version that did not pass but almost passed the House of Representatives and, we believe, has the votes to pass in the Senate now and will pass the House of Representatives. That merely requires that the Federal Government balance its budget. What then? We know that there are people in both the House and Senate who propose

that we also limit taxes. I am for a three-fifths vote to raise taxes. That would put an additional constraint on the House and Senate and would make it more difficult for us to try to achieve a balanced budget by raising taxes. The fact is that has never worked.

In March of 1993, W. Kirk Hauser wrote an article, an op-ed piece, in the Wall Street Journal in which he noted that over the last 30 or 40 years revenues to the Federal Treasury have been almost static at about 19 percent of the gross national product or 19.5 percent of the gross domestic product. It has ranged very little, and it does not matter whether we try to raise taxes or lower taxes or whether we have a Democrat President or a Republican President or we were in war or good times or bad times. None of that mattered. Over a few weeks revenues would fluctuate a little bit. But very soon they would stabilize at 19.5 percent of the GDP.

In fact, when we tried to raise tax rates in order to bring in more revenue, for a very short period of time more revenue came in. Then, as people changed their behavior, it settled right back into 19 percent of GNP. When we lowered tax rates momentarily there was a reduction in revenues. But very quickly the increased economic activity that resulted from those lower rates resulted in more taxes to the Federal Treasury even though at a lower rate.

How could that be? It is like a store that has a sale. When you reduce the prices you do not necessarily reduce income. You bring more people into the store. You sell more goods, and you can make more money than if you price the goods at a very high price. It is the same thing with revenues to the Treasury.

So we reduced tax rates. We have not reduced revenues to the Treasury. They have stabilized at 19 percent of the gross national product.

The lesson to be learned from this is this: People change their behavior based upon governmental actions. You cannot expect people to just sit there and take it when the Government does things to them. The result is that if we limited spending to 19 percent of the gross national product we would be limiting spending to the historic level that the American people have been willing to pay in the form of Federal tax revenues. We would also be balancing the budget because our spending would be the same as our revenues. That is what a balanced budget is all about.

The other advantages to this kind of approach—and I have to confess that the very first bill that I introduced as a Member of the House of Representatives was a Federal spending limit as the way to balance the budget and it was also the very first bill that I introduced here in the U.S. Senate; a bill that would require a balanced budget and achieve that by limiting spending