

The agreement to drop the job training provisions from the welfare reform package is a major victory for America's workers. We have made good progress on separate legislation to consolidate and reform the existing Federal job training system. That effort will continue on a separate track. And I am optimistic that we can reach bipartisan agreement on this needed, far-reaching reform.

I commend Senator KASSEBAUM for her leadership.

The current agreement enables us to keep faith with America's workers and keep the promises that we have made to dislocated workers. Large numbers of men and women have lost their jobs or have been laid off as a result of international trade agreements, base closings, corporate downsizing, environmental protection, and other economic disruptions. They deserve the chance to pick up the pieces of their lives and start anew, and sensible job training and job education programs can make that possible.

Senator KASSEBAUM and many others on the other side of the aisle have worked closely with us in this effort, and I commend them for their leadership.

I remain deeply troubled by the potential consequences for the most vulnerable in our society—poor children—if this so-called welfare reform bill passes, but these modifications are certainly an improvement. These major amendments on child care and job training have eased some of the most objectionable features of the welfare bill, but I continue to have serious reservations about the remaining provisions.

I commend the leaders on both sides for their leadership shown on this issue.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER (Mr. FRIST). The Senator from Nebraska is recognized.

THE MEDICARE PRESERVATION ACT OF 1995

Mr. KERREY. Mr. President, I have come to the floor to talk, I hope for the Presiding Officer's sake, briefly about the proposal—the general outline of the proposal—made yesterday by the Republican leadership called the Medicare Preservation Act of 1995. The details are not yet available. It is a general outline.

Mr. President, I must say had I given this speech 7 or 8 hours ago, I probably would have been a lot hotter than I am right now. I have cooled down since I watched the video replay of Speaker GINGRICH's rather remarkable—and I would argue and observe, distasteful—representation of the Democratic view of Medicare.

At one point he said that Democrats are morally bankrupt. That is as if saying we ought to approach the American people about the truth, with the facts, with the courage and with trust, that

they have the capacity to take the truth. I agree with that. I believe, in fact, if we are going to have the debate about Medicare that leads to constructive reform, that saves the system—and, by the way, as importantly, slows and fixes the percent of growth of all entitlements as a percentage of our budget—then we are going to have to come together present facts, tell the truth, and have the courage to do so. I do not disagree with Speaker GINGRICH's observation in that regard.

But, as I said, I was somewhat provoked when he said that Democrats are morally bankrupt, and that all we are trying to do is frighten 85-year-olds who are concerned about this program.

Well, Mr. President, 85-year-olds are quite nervous and concerned about what politicians are going to do with their Medicare Program, and I think understandably so. But it is not Democrats that are causing them to be fearful. They are fearful, I would argue, principally because they know something needs to be done, and they are not in the main sufficiently well funded personally to be able to cover the costs of nursing home care or, for that matter, most of the cost of modern health care. And they are nervous. They are fearful. They are no longer able to produce and enjoy income, and, as a consequence, they are extremely vulnerable to all kinds of statements.

So, again, I do not disagree with Speaker GINGRICH and other Republican leaders that were talking yesterday about the need to present facts, the need to present the truth, the need to have courage, and the need to trust the American people that they can handle the truth and the facts presented by politicians.

But, Mr. President—I want to be clear on this—my criticism of the Republican proposal is not that it does too much; I am critical of the Republican proposal because it does not do enough.

Let me emphasize that, Mr. President. I believe that the proposal, the general outline of the proposal, because it sees the problem through a 7-year budget deficit plan—and that is what it is—it sees this Medicare problem through the view of the next 7 years. There is a need to produce a sufficient amount of savings over the next 7 years, and in order to meet the balanced budget targets in the budget resolution, the law now requires that be done. There are instructions for the Finance Committee to produce legislation that will get that done.

There is a recommendation that will probably, all in all, in the end, be considered in reconciliation, unfortunately. But when you look at the problem for the next 7 years, you do not see the full size of the problem.

Indeed, the Medicare Preservation Act of 1995 says that it will preserve the system for current beneficiaries, protect it for future beneficiaries, and strengthen it through reforms that have worked in the private sector.

It may preserve it for current beneficiaries; it may strengthen it through reforms that have worked in the private sector. Both of those appear to be in the general outline. But by no measurement, unless you consider that the future only includes the next 7 years, does this proposal protect it for future beneficiaries. It does not do that. It sees this as a 7-year problem. It does not see it as a problem beyond that 7 years.

The problem that we have with entitlements—if anybody doubts that a Democrat is willing to propose something that solves this problem, former Senator Danforth and I last year, after the conclusion of the entitlement commission recommendation, made proposals that would have fixed this problem long term, that would have fixed not only the Medicare trust funds but would have fixed it so that we do not see health care entitlements as well as other entitlements continuing to grow and erode our entire Federal budget. Mr. President, that is the most important problem.

I think we are closer to consensus on many more things around here than would sometimes meet the eye given the intensity of the political rhetoric. One of the things I believe that Democrats and Republicans now share, at least in a general sense as to what our policies ought to be, is that our policies ought to promote economic growth. We now understand that unless we have gains in productivity, unless we have economic growth, it is rather difficult for us to do anything.

We see it in a recession. If you are in a recession, the revenues are down; you have to cut your budget; you do not have money for roads; you do not have money for schools; you do not have money for health care; you do not have money for retirement.

The source of our revenue, whether it is for retirement or health care or any other program that we fund, is the goods and services that are manufactured and produced by the American people, 117 million people in our economy. If they are productive and they are selling and our economy is growing, that is the source of our revenue. It is the source of Medicare revenue.

The distinguished occupant of the chair knows, not only a gifted surgeon but designated as a lead Senator I believe for the Republicans in coming up with some recommendations, understands that the entire source of revenue for part A comes from a payroll tax. We have a tax on payroll. We also have income taxes that provide currently about 69 percent I believe of the total revenue of part B, the physician services. In both of those cases, we have to have income. People are out there working in the workplace. We tax their wages to generate the money for part A, to pay hospital bills, and we tax their income to pay about 60 percent, or almost 70 percent—it was 75—

about 70 percent of the physician payments come from taxes on people's income.

I make this point because it is that income that people produce in the private sector which is our source to pay the doctor bills, to pay the hospital bills. If we were in a recession, if we were not enjoying a recovery right now, if rates of productivity were not up, we would not have nearly as much money as we have to pay those entitlement obligations for hospitalization and for physician services.

A very important beginning observation, Mr. President, very important, because what is happening in the Federal budget—and, again, there is consensus, I believe, amongst Republicans and Democrats. Although we may disagree at the margin on some programs as to whether or not they are useful or necessary, I think there is general agreement that some expenditures on the part of the Federal Government, some collecting of revenue that we do of taxpayer revenue and spending that we do increases our productive capacity.

I am 52 years of age and started in business in 1973 officially. I made a lot of money as a consequence of my parents having built the interstate highway system with cash. It lowered my cost of doing business. It enabled me to get products that I otherwise would not have been able to get. My customers could get to me easier than others. It increased my business. That was an investment. That was a collective investment made with revenue we collected at the Federal level. We made it at the local level.

It is not the only one. Many of us believe that investments in education, in infrastructure, in sewer, in water, in research, many of us believe that there are other investments that we can make, expenditures in people for their work out there—we collect the money and we spend it—that some of these expenditures do in fact produce increases in productivity and growth in our economy, thus providing us with the revenue to fund entitlements.

The year that the current chairman of the Appropriations Committee, Senator HATFIELD, arrived in the U.S. Senate—and he is one of the best Senators that I have had the privilege to meet and to get to know—the year that he arrived in the Senate, as you look at the Federal budget, 70 percent of the budget was voted on and appropriated and 30 percent was entitlement and net interest. This year, it is 67 percent entitlements and net interest and 33 percent appropriated, voted on and authorized.

At the end of this budget resolution, at the end of the 7-year period, we will be down to 25 percent for appropriated accounts and 75 percent for entitlements and net interest, and when the baby boomers start to retire some 6 years after this budget resolution, it drives clear off the charts. In approximately 15 years, we will have converted

the Federal Government into an ATM machine. All we will be doing is transferring money. All we will be doing is paying doctors or paying hospitals or writing checks to retirees. That is all we will be doing. There will be no money left for defense, no money left for the courts, no money left for law enforcement.

Mr. President, it is an unsustainable trend. It is an unsustainable trend. And we have to interrupt it, as the Speaker said, with courage and with honesty, although I saw some evidence of his unwillingness, I think, to hold to a very important standard in this entire debate.

The Republican proposal solves a 7-year problem, a budget problem for the next 7 years. It is going to be very interesting to see what the trustees say as far as how many years' additional slack we get as a consequence of these changes. Is it going to push the default date or the bankruptcy date, or whatever name you want to put on it, from 2002 back to 2005 or 2006? I guarantee it will not go much beyond 2008.

Mr. President, as I said, worst of all, the proposal does not say to the American people that we have to fix the cost of all entitlements—and health care is the biggest and most rapidly growing of all of them—we have to fix the cost of these entitlement programs so we have the resources to be able to do—God willing, if Congress gets the courage—the equivalent of the GI bill, the equivalent of the interstate highway system, if we are willing to truly make those kinds of investments that produce long-term benefits to future generations. Today we could not afford to do it, and in the future we are going to be able to afford even less.

Mr. President, this proposal does not go far enough. And I emphasize that. I do not want any American—I watched the news today and the sound bites, Speaker GINGRICH and leader DOLE, and then leader DASCHLE and leader GEPHARDT, and Haley Barbour, on where are the Democrats and where are the Republicans. The general perception is being created early in the debate that Republicans have a proposal and the Democrats are opposed to it.

Mr. President, I am not opposed to changing Medicare at all. There is an urgent need to do so. But I feel very strongly on this issue that this proposal does not go as far as we ought to. I will not resist it because it cuts too much; I am going to resist it because the focus is too narrow of a timeframe.

Mr. President, we do not have time on our side. The earlier we make adjustments on this, the easier it will be to fix the overall costs of entitlements and the more likely we will give beneficiaries a time to plan.

I will give you an example. If we can reach agreement that we ought to fix the overall cost of entitlements, if we are going to say that to the American people, let us say we are going to fix it at 70 percent. That is still three points more than it currently is. Let us pre-

sume that the Democrats and Republicans and Congress can get together and say entitlements and net interest should not be more than 70 percent of our total interest. That is approximately where Senator Danforth and I ended up with our proposal.

When you get into that, you are talking about the need to phase in a change in the eligibility age from 65 to 70, perhaps providing an earlier eligibility, as we did to 62, requiring a larger payment for it, and allowing people to get insured, not making them wait until they are 70 to be eligible, but for full program benefits, if you want to solve this long-term problem before the baby boomers start to go out.

God help us if we wait. I mean, we do not have the productive capacity to generate the payroll tax revenue nor the income tax revenue to get that done. When the baby-boom generation starts to retire, the people working per retiree is going to drop again. It is almost a 25-percent increase in the number of retirees in a single decade in Nebraska while the population in general grows less than 2 percent.

We have got a tremendous new class of retirees in my—and I do not know how old the occupant of the chair is. The occupant of the chair is sort of on the other edge of the baby-boom generation. When we retire, the people supporting us will say, "Oh, my gosh, you guys are expensive. I didn't realize you cost so darn much." We are going to say, "Well, we have a COLA on our retirements, health care is more expensive now, even in the managed care environment."

I heard on C-SPAN today the distinguished occupant of the chair was fiddling, I guess, not long ago with a member of the press and had a pacemaker that he had invented and was trying to come up with a device that was small enough to get into a baby's heart, because that is the kind of surgery he does.

Even in a managed environment, that is going to be expensive. I hope you are successful in being able to discover a way to make that smaller for those babies that need pacemakers. No matter what you do, if you want high quality care, and I believe most Americans want high quality health care, even in a managed environment, it is likely to be expensive.

Mr. President, we are going to need people in the work force producing higher wages, producing higher output to have the revenue that we need to pay for all of that. I daresay, if we do not do more than what is in this Medicare Preservation Act of 1995, we are going to wish we had.

I am here on the floor, Mr. President, to say here is one Democrat that does not look at the proposal and say you have done too much. This is one Democrat that comes to the floor to say we have not done enough.

I have looked at the general outline and see there are no changes in what the beneficiaries have to pay, other

than I suspect 7, 10, 12—there is going to be a higher part B premium in this thing and a means test that drops down to \$75,000 a year.

I hope this does not degenerate to a situation where we are attacking that kind of proposal and try to score points. It seems to me we have to come to the American people and say, "All right, you made a good faith effort to fix this thing inside the budget resolution, but for those of us who have looked at this problem for a bit longer period of time and a longer period of time out in the future, it behooves us to come and say, 'I want to join this battle but not on the outside only having to make a criticism.'"

I hope that the Republican majority will try to enlist people like myself rather than trying to score this as a Republican victory saying the Republicans alone are doing it. I hope you reach out to us. I hope leader DOLE is either listening or staff is listening to this. Speaker GINGRICH, I forgive you for your intemperate remarks yesterday. I am not going to stand on the floor of the Senate and say I am permanently angry, will not sit down and meet with Speaker GINGRICH because he said I and other Democrats are morally bankrupt. We have a problem to solve. Deal us in and bring those of us—and there are others on this floor. I know Senator NUNN feels this way, Senator ROBB feels this way, Senator LIEBERMAN feels this way. There are many others. I am by no means an all-inclusive list.

We know we have a problem and we know the problem is much more than a 7-year budget problem. We are able to look at the numbers. Let us present the American people with the truth. Let us give them the facts as the Speaker said we should. Let us have the courage to give them all the facts. Otherwise, Mr. President, in very short order, we will not have Pell grants at all, we will not have student loans at all, we will not have chapter 1, we will not have Head Start—all the sorts of things this year we are anguishing because we do not have enough money to provide young people with, money they need to go to college—by the way, a cost that has gone up even faster than health care. We have families in Nebraska taking out second mortgages on their homes so they can go to college. We are cutting all that while we are funding larger and larger increases for retirement and health care.

Mr. President, we cannot continue it. I am standing here as a Democrat saying I am willing to join with Republicans if you go further. Let us not retreat from this proposal. Let us take it further to solve this long-term problem, not only so that Medicare is preserved for the long term, but so that we preserve our capacity to invest in these young people who watch this occasionally who ask us what we are going to do for their future.

Let us make certain at the Federal level we have the capacity when we reach agreement, and very often we do, that education gets a job done; that

there are ways for us to increase productivity; that when we reach agreement on what ought to be done, that we have the fiscal capacity to do it.

Unless we take this proposal and make it larger, I fear that all we are going to do is spend the next 60 days scoring perhaps some terrific and effective political points on who is doing what to whom on Medicare, but we will not have done what I consider to be an urgent task, and that is fixing this entitlement problem once and for all.

I thank the distinguished occupant of the chair for his patience. Again, I appreciate very much his personal work in health care and his political work now in health care. I hope, in fact, that the leadership will open the doors a bit so those of us who do care deeply about this thing, who are willing to present facts, who are willing to tell the truth, who are willing to suck up and use a little bit of our political capital and courage are given an opportunity to do so.

Mr. President, I yield the floor.

RECESS UNTIL MONDAY,
SEPTEMBER 18, 1995, AT 9:45 A.M.

The PRESIDING OFFICER. Under the previous order, the Senate stands in recess until 9:45 a.m., Monday, September 18.

Thereupon, the Senate, at 3:31 p.m., recessed until Monday, September 18, 1995, at 9:45 a.m.