

him such an advocate for my election, but I like to think it was more his vision for the future which so inspired him.

While his résumé is impressive, it is the goodness of the man I will remember. His name was not in the headlines every day, but he touched the lives of everyone he met. He was a man who did much to leave this world a better place than he found it. The entertainment world will miss him, his family will miss him, and together with all of his other friends, I will miss him.

THE BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, on the memorable evening in 1972 when I was first elected to the Senate, I made a commitment to myself that I would never fail to see a young person, or a group of young people, who wanted to see me.

It has proved enormously beneficial to me because I have been inspired by the estimated 60,000 young people with whom I have visited during the nearly 23 years I have been in the Senate.

Most of them have been concerned about the enormity of the Federal debt that Congress has run up for the coming generations to pay.

The young people and I almost always discuss the fact that under the U.S. Constitution, no President can spend a dime of Federal money that has not been authorized and appropriated by both the House and Senate of the United States.

That is why I began making these daily reports to the Senate on February 22, 1992. I wanted to make a matter of daily record of the precise size of the Federal debt which as of yesterday, Tuesday, September 26, stood at \$4,953,250,764,121.84 or \$18,802.63 for every man, woman, and child in America on a per capita basis.

Mr. BURNS. 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. KERREY. 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 President, I ask unanimous consent that the order for the quorum call be rescinded.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. KERREY. Mr. President, I ask unanimous consent I be allowed to speak for 15 minutes as in morning business.

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

PROGRESSIVE POLICY INSTITUTE

Mr. KERREY. Mr. President, this morning, myself, Senator BREAUX, Senator LIEBERMAN and Senator NUNN stood with an organization called the Progressive Policy Institute to embrace some recommendations, an outline of recommendations they made to reform both the Medicare Program—a \$170 billion program that is funded

with the combination of a 2.9-percent payroll tax and a health insurance premium paid for by 37 million beneficiaries over the age of 65 with \$46 or so a month, that funds about 30 percent of the part B, the doctor's payment, as well as \$80 billion program for Medicaid.

These are the most rapidly growing items in the budget. They are not the most, but in terms of total dollars, this \$250 billion collective program has gotten quite expensive. It has tormented a lot of Members who have been trying to figure out what to do to control the growth, in particular, of entitlements.

Last year, Senator Danforth, a former Senator from Missouri, and I made some recommendations about what should be done to reform entitlements. The purpose of our recommendation was to say to Americans that we should agree that no more than a certain percentage of our budget would go to entitlements, plus net interest.

Looking at the future, given the current trend lines particularly with the enormous demographic problem, mostly demographic not political problem, of 60 million baby boomers starting to retire in 2008, look at that problem and the cost of our entitlements not too long after the year 2008—all of our budget will be consumed by entitlement spending.

When I say all, there are not very many things in Washington, DC, that have stayed constant over the years. One that has stayed constant, except for two periods in this century, World War II and for a period during the Vietnam war, the percent that has been withdrawn from the economy to fund Federal programs, approximately 19 percent, about how much we withdraw from the economy, a fifth of the U.S. economy is used to fund Federal programs. That really has not changed except for two wartime situations.

It is likely that indicates that is about what Americans think we ought to be withdrawing from the U.S. economy for the Federal Government. There may be some that would argue we ought to do more, not very many; and maybe some would argue we should do dramatically less. Probably it means we will spend about 19 percent.

If that is the constant, Mr. President, it is very alarming to see the growth of entitlements in net interest because as it grows it decreases the amount of money available to defend our country, to keep our cities safe, educate our children, to build our roads, our sewers, our water system, space exploration—all those sorts of things.

This year's budget, 67 percent of our budget goes to entitlements and net interest, and in the year 2002 at the end of the 7-year budget resolution that we are operating under, it will be 75 percent—an 8 point increase in a span of 7 years. That is a lot of money, about \$135 billion or \$140 billion increase in entitlements, if you do it in a single year.

As I said, Mr. President, that trend really rapidly accelerates when the baby boomers retire some 6 years later. The entitlement commission tried to say to Americans, "Let's make changes in our programs sooner rather than later." The sooner we do them the bigger the future impact and the more time we can give beneficiaries or recipients, in the case of Medicaid, with time to plan.

They can begin to adjust their own thinking about planning. If you have to adjust the eligibility age, which we recommended over a period of time; or if you have to phase in some change in premium payments, or whatever. Give people time to plan. It is more likely they can adjust.

There are tough recommendations, Mr. President. Contained inside of the recommendations was another presumption which is that we are seeing the marketplace work. It is a relatively recent change in health care.

When we debated health care 4 years ago, the facts as presented to the American people would cause you to believe that actually the Government was doing a better job of controlling costs than the private sector. Private sector costs exceeded the public side.

Today not only is that reversed, but strikingly so. We are seeing in some parts of the country where a high percentage of managed care, even some declines in overall cost of health care, where the public sector continues to grow in double digits.

That sort of frames a little bit, in a preliminary fashion, why I was pleased with the Progressive Policy Institute's proposal. It does propose to address the problem of growing entitlements, and it does propose to take advantage of the changes that are occurring in the marketplace, to restructure Medicare and Medicaid to take advantage of the changes that are occurring.

Let me say, Mr. President, one of the things I do when I am at home and talking about the current debate about Medicare and Medicaid is to say I am pleased that Republicans are trying to preserve and protect the program. Many Republicans were not, as you know. Some Republicans were opposed to this over the years. Now what we have appears to be almost unanimous—Republicans saying not only do we think Medicare is a good idea, we want to preserve Medicare for our children and for our grandchildren.

Mr. President, let me point out that underneath the program is a presumption, an assumption that we have to believe before the program itself can stand, before we can reach the conclusion that we want to preserve and protect it. That assumption is this: No matter what we do with the marketplace, no matter what happens with our economy, there is apt to be some Americans that will not be able to afford to buy health insurance, for whatever the reason. They may be disabled. In this case with Medicare it is the elderly. Say they are over 65 and likely

not to be working. Their health costs have gone up. They are in a higher-risk population. It costs more. They are not working any longer. Thus, design a program to help them purchase insurance.

I point that out, Mr. President, because it basically means Republicans and Democrats have agreed that there is a role for Government to help Americans who cannot purchase, who cannot afford to purchase health insurance. We have agreed on that.

In this case a rather expensive Government role—\$170 billion for Medicare and \$80 billion for the Medicaid program.

The proposal that the Progressive Policy Institute put forward this morning, and I am here this afternoon to talk about it at great length, does not view Medicare as a source of money to fund deficit reduction although I believe we have to look because of the cost of the program to Medicare for deficit reduction.

It says, instead, that we need to transform the Medicare program from what is essentially a very maternalistic program into an instrument for empowering citizens to solve common problems. A rather simple but very important change in the policy.

Medicare today is run by the Federal Government, does not take much advantage of what is going on out in the market, does not take much advantage of competitive forces. It is much more of a maternalistic—we will figure out what is good for you and tell you how the program is operated.

Their proposal, which I like very, very much, says we should move in the direction of empowering Americans to make more of their own decisions about this problem of acquiring health care and making health care decisions.

Second, those of us who have spent a great deal of time with entitlements and who have long ago reached the conclusion that Medicare is a good program that deserves our support, know health care entitlements are very archaic. They no longer fit inside the context of what we see going on in the private sector. They are governed by arbitrary political and budget goals. They are managed by command and control regulation. And, very often, they tend to reproduce inefficiencies in other sectors of the health care system.

Third, and very important, if you buy into this idea the Republicans and Democrats now agree, since I believe most if not all Republicans now say we should preserve and protect Medicare—that is what I am hearing, at least, from Speaker GINGRICH and others—if that is the case, underneath that is a presumption that we have Americans out there who cannot afford to buy.

What we ought to be trying to do is fashion the program so those who cannot afford have the means to make the purchase and those who can are required to make the purchase on their own. It seems to me Medicare and Med-

icaid, as they are currently constituted, are an obstacle. I emphasize this. They have become an obstacle to getting to the point where every single American, just because he or she is an American, knows with certainty that they are covered and they are going to be required to pay according to their capacity to pay. But they do not doubt, whether they are 65 or 25 or 55; they ought not doubt.

We spend \$400 billion a year, direct and indirect—either direct with tax expenditures or indirectly with tax subsidies—on health care at the Federal level every single year. That is plenty to get everybody covered.

The way the current programs are designed, they are a structural barrier, a fiscal barrier, and need I say, it ought to be obvious from the current debate, a political barrier to getting ourselves to the point where all Americans know with certainty they are covered, know with certainty they have a responsibility to pay, have the information upon which they can make decisions about quality, about price.

One of the most powerful bumper stickers we had in the health care debate is true, which was, "If you think health care is expensive now, wait until health care is free."

In short, Americans need to understand that there is a cost attached to demands. The current system, I believe, the way we have Medicare structured and the way Medicaid is structured and the way the VA is structured and the way our income tax system is structured, provides a barrier, really, as I said, a political, a structural, as well as a fiscal barrier to getting us where I think most of us want to go, which is every American knows with certainty they are covered, knows that they have responsibilities in the system, knows clearly what those responsibilities are, and knows not to ask for more than what is, in fact, reasonable.

There are flaws in the Republican proposal. I will mention them briefly. I do not want to dwell too long on them here because I am really not trying this afternoon to attack the Republican proposal. More, I am trying to see if it is possible to reach some consensus with Republicans who indeed want to reform this system; to make sure, when we take action that might be politically difficult, that we have an exciting and constructive improvement in the system.

I believe the proposal ignores the baby-boom generation. I have mentioned it before. This solution takes us out to 2002, maybe 2005. We have not seen anything yet when the demographics of the baby-boom generation becomes apparent to us. We are, I think, going to be very sorry we did not take action sooner rather than later. It, in many ways, continues the status quo. It does provide people with more choice in the private sector, but not in the kind of vigorous competitive environment that we need if we expect to see the forces of the marketplace

work the kind of, really, miracles that we have seen in the private sector. In other words, it tends to privatize but does not provide a competitive environment.

The proposal we presented this morning, over the next 5 years does four things that are very important. It does not get everything done over the next 5 years, but it does four things that are terribly important.

No. 1, it privatizes insurance for Medicare beneficiaries. We say the Federal Government ought to do a much more limited number of things than they are doing today. It ought to make certain we have a market. It ought to make certain Medicare can use its tremendous purchasing power to get cost savings from the private sector. There are lots of things that Medicare can do, but it ought not try to micromanage the health care environment.

So that is Medicare. We ought to privatize it and move it in the direction of becoming a privatized insurance for Medicare beneficiaries. In the area of Medicare, we need not only to cap the individual amount for acute care, but we also need to deregulate the States so they can continue to use the market at the State level, to continue to use the private sector to produce the kind of cost savings that the private sector has produced in the last 2, 3, 4 years.

So capping the Medicaid entitlement, the individual entitlement is critical. But deregulating the States for that acute care is equally critical so they can begin to fashion programs.

I believe it will be a mistake to block grant Medicaid at this point. Perhaps 6, 7, 8 years down the road, after we have really seen this thing move more aggressively in the private sector. We have a bit of a problem because of the Federal-State relationship. I think it would be far—not think, I very strongly believe it would be far sounder for us to cap the entitlement and deregulate so the States could use the market much more as a consequence.

Long-term care is much more of a problem. As people who have looked at it know, the long-term piece, although it is a much smaller number of people covered, it is a very large part of the total Medicaid spending—the long-term piece. We are also, in my judgment, going to have to have some capitation of payment. But we are going to have to encourage States to develop private sector solutions. We simply cannot provide, through the Government, all the long-term care requirements that are out there. We have to basically take the Medicaid Program, as we were proposing to do with Medicare, move it as quickly as possible toward a private sector solution.

The third thing that we are saying is, make health care subsidies fair. The most important thing we do there is to cap the income tax deduction. Some will say, "You are increasing taxes on my health insurance." Our proposal caps it at a high enough level inside of the market that nobody is going to be

able to say that they are paying taxes on normal health care. They are going to be paying taxes on that beyond what the market judges to be in the median range.

It is very uncomfortable for upper-income people to have to consider that one of the things that is going on if they are in the 40-percent tax bracket, let us say, is that if they are buying a health insurance policy of \$7,000 or \$8,000 a year, they are receiving a \$2,800 to \$3,200 subsidy as a result of receiving that deduction, and very often receiving that subsidy from people who do not have health insurance.

So this says, let us make it fair. Let us keep the deduction in place so you can encourage the individuals to purchase and encourage the employers to provide it, but let us cap it out so those subsidies end up being not only fair but consistent with our desire to make sure that we provide subsidies to people who need them but do not provide subsidies to people who do not.

The fourth thing we are attempting to do—there are a whole series of things that need to be done, including the creation of a health care network and additional information provided to consumers—we are trying to create a universal health care marketplace. So the decisions and choices that are made by individuals about price and the decisions and choices made by individuals about quality will determine the nature of our delivery system, the nature of our payment system. Again, for emphasis, we want the negotiation for price to occur out there in the market.

We do not want the negotiations for price to occur here in Washington, DC. That kind of top-down, paternalistic system I think is a recipe for either increased regulation or unsuccessful efforts to control costs.

So the proposal in its early stages is relatively simple. It is not easy, but it is based upon a vision of a universal marketplace for all Americans where everybody knows they are covered, where everybody knows what their responsibilities are, and where everybody knows the costs attached to their demand.

There are seven things I would like to emphasize inside trying to create this buyers' market for Medicare and Medicaid. Again, division for me is removing from a paternalistic federalized system into a system where everybody knows that they are covered but their decisions are shaping both the delivery and the payer system for the kinds of products that companies offer for sale.

First, we use market mechanisms to determine proper levels of supply and demand. Let the market make that decision. If we try to make that decision here in a political environment, it is very difficult for us to say no and very difficult for the majority of us, when appeal is made, to say no. It is not altogether likely that we are going to be honest and say to somebody, if we say yes, "By the way, here is the cost, and

we would like to have you pay for it." We typically try to spread the cost over somebody else's income.

Second, we should protect the value of the subsidy while avoiding an unlimited subsidy. It is a very important thing for us to do. We need to protect the value of the subsidy so that it moves with inflation. But we cannot continue with a system that says the subsidy is unlimited, the sky is the limit, and whatever you need we will pay for it regardless of what contributions you have made, regardless of what your income is, and regardless of your wealth status.

Third, we need to maintain the collective purchasing power of Medicare and Medicaid. That is extremely important. The Government can help drive down the cost if they use that purchasing power in a constructive fashion instead of sort of laying back and saying we will pay out whatever is submitted to us. The law currently does not allow HCFA to do that sort of thing. We are talking about not eliminating HCFA but moving HCFA in a direction where it does a different set of things than it is currently being asked by our laws to do.

Fourth, we must enable beneficiaries—250 million to 260 million—to become more informed. At the end of the day we are the ones that create the demand. We are the ones, as a consequence of our own evaluation of health and what we are willing to do, who create the demand. We have to become better informed both about cost and about quality.

Fifth, we have to align Medicare and Medicaid with trends towards cost-effective care in the private sector rather than again just engaging in a debate about, are we cutting too much, and are we cutting too little? We need to take advantage of what is going on in the private sector with the objective of getting every single American inside the system.

Next, we have to create a privately run, decentralized system to deliver our health insurance as opposed to, again, a centralized system that tends to be more paternalistic and not terribly creative, not nearly as creative as what the market can do.

Seventh, we should limit the Government role to the essential.

This gets me back where I was at the beginning. Mr. President, it is terribly important to argue and decide what do we want the Federal Government to do. It appears to me that we have achieved consensus that there is a legitimate role for Government, at least for 37 million Americans who are over the age of 65. It seems to me that we have reached consensus. The principle ought to be that the reason we are helping people over 65 is they cannot buy. They are having trouble buying. Let us limit the role of Government to help those who cannot buy purchase it. But let us not subsidize—whether it is me or you, Mr. President, or anybody else—people that do not need to be subsidized. Let

us not have the Federal Government commanding the system to do something that is going to cost the taxpayer more and perhaps end up delivering lower quality care.

In closing, one of the most exciting areas of effort that is ongoing right now in the area of waste, fraud, and abuse is by Senator GRAHAM of Florida and Senator HARKIN of Iowa. A long time ago a rather clever fellow by the name of Willie Sutton said, "The reason I rob banks is that's where the money is." At \$250 billion, if Willie were around today, he would be apt to be looking at Medicare and Medicaid. People are getting ripped off by a substantial amount. They know how to game the system. They are well organized. I am not talking typically about individuals. I am talking about people who are in it for the money, for the dough.

I think we have an obligation to do everything that we can to use competition, not only to get the price down as low as possible, but to make sure that we hold to a very high standard of accountability those people who find themselves being qualified as providers.

Mr. President, again, I applaud what I see as essentially a Republican conversion that Medicare is a good program, that we ought to preserve and save it. I think that is an awfully good piece of news. The underlying principle that should enable us to make decisions, not just for the short term where in truth not much effort is needed to save Medicare in the short term over the next 7 to 10 years—not that much change is required—but to take advantage of the marketplace and to solve the problem that is created when the baby boomers retire. A good deal more than what I have seen thus far in the Republican proposal needs to be done.

So I am hoping that this statement—and others that I will make on this issue of Medicare and Medicaid, if not this year in the budget deliberations, throughout the next year as we begin to do next year's budget deliberations—I am hoping that we can in fact build some bipartisan coalition around the need to control the rapidly rising cost of entitlements that is squeezing out our ability to make long-term investments in our future, and the increasing insecurity that all Americans feel as a consequence, I think, of very inefficiently run Federal programs.

Mr. President, I yield the floor. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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