a roadmap of how we can deal with the welfare issue and the need for welfare reform and changes in Medicaid, hopefully, that would save us some money.

That is one of the problems that worries me about what they suggested. I do not think you get welfare reform if you end up with a bill that costs more than the present welfare system. What kind of welfare reform is that? But they came up with some helpful suggestions. I think the budget negotiators have made real progress. I believe that we could get a budget agreement that would lead us to a balanced budget in 7 years using honest numbers that would significantly cut back on the amount of increase in spending in nondefense discretionary, that would give us some Medicaid, welfare, Medicare reform, and that would give some tax relief to the American people. I think we are going to make a mistake if we do not take some action soon to give a little boost to the economy, a little incentive for growth in the economy. The economy is showing tattered edges. We may not have a growth this year in the economy of even as much as 1.5 percent, which is very low and very weak. If we would cut the capital gains rate, it would have a tremendous impact on the economy. There would be growth and the creation of jobs. We need that legislation.

So I hope that when we come back February 26, Congress will give serious effort once again, our negotiators will give serious efforts to meeting with administration officials and see if we can come to an agreement. But an important part of that is going to be Medicare. Other than Social Security in the 1970's, I have never seen an issue that has been more demagoged than Medicare in the year 1995. Misinformation, misleading information, accusations that are absolutely not true about what the Republicans have tried to do to save, preserve, and protect Medicare.

We have warned that there is a solvency problem. We must take action now to make sure that Medicare is not only there for my 82-year-old mother but it will be there for us and for our children and grandchildren.

MEDICARE SHORTFALL

Mr. LOTT. Mr. President, the headline in Monday's New York Times, February 5, was even more chilling than Washington's weather. It read, ''Shortfall Posted by Medicare Fund Two Years Early. A Surplus Was Expected.''

The chief actuary of the Health Care Finance Administration observed, ''Things turned out a little worse than we expected.'' I will say they did. The administration had projected a $4.5 billion increase in the Medicare fund balance for fiscal year 1995. Instead, the balance fell by $35.7 million. The reason for the shortfall was twofold. First, income from payroll taxes was less than expected. Second, and more important, outlays were higher because of more hospital admissions than were expected.

Whatever the reasons, the day of reckoning is coming sooner than anyone had expected. Throughout last year, the Republicans in the House and the Senate have urged a solution for Medicare's fiscal ills. We have hammered home the estimates by the Medicare trustees that the program would slip into the red ink by 1997, and would go bankrupt by 2002.

Now it turns out even that dire forecast was on the optimistic side. Medicare has already started paying out more than it takes in. I cannot help but wonder how the White House will respond to this news. The administration spin experts must be wracking their brains on this one. In the face of all the facts, they have to come up with some way to portray President Clinton as the champion and savior of Medicare.

The fact is that instead of cooperating with the Congress, who wanted to preserve and protect Medicare last year, President Clinton launched his Medicare campaign and played Medicare politics ruthlessly, and I regret to say, somewhat successfully. He convinced or he scared many Americans into believing that our proposal to strengthen Medicare was instead a cut in its funding when, in fact, it would allow over the next 7 years for over a 60-percent increase. Only in Washington is a 60-percent increase in the level of spending over 7 years considered a cut.

They were somewhat successful in scaring the people into believing that. When he vetoed that proposal last December, he posed as the defender of Medicare against extremists in the Congress.

Now, the fiscal chickens are coming home to roost and they are headed for the roof of the west wing of the White House. Mr. President, Clinton's game plan for Medicare—to stonewall about the problem's financial peril in hope of getting safely reelected in another term after this year have been overtaken by the events that have occurred recently. He is trapped in a maze of his own mapping.

Here is the dilemma: To make it through this year, I guess he will have to come up with a Medicare salvage package of his own, but in order to do that he will have to call for a massive job crippling and probably recessionary hike in payroll taxes, or he will have to adopt most of the Republican plan to preserve Medicare. That would be the same plan he vetoed just last year with such gusto, and with Lyndon Johnson's pen, no less.

Of course, he will want to do neither. So, he will look for another way out for an escape, make an evasion. My guess is he will call for a national commission or a similar proposal to postpone the decisions that have to be made now. I hope I am wrong. I hope the President will take another look at the legislation of congressional Republicans, the work we have drafted, the year we spent developing this plan to save and protect and preserve Medicare for the future. I hope he will reconsider his bias against health care choices for seniors. That is a major part of what we tried to do.

I hope he will renounce his animus against the medical savings accounts. When I suggest to my senior citizens and even my mother about the idea of a medical savings account of your own, where you have it to use, or you do not have to use it, a novel idea, it is yours. It would help cut out some of the unnecessary use of the system. It is the American way. Let you choose, let you use your own money, let you save and get a little interest.

I do not know why the President was so opposed. Maybe he will reconsider. That could be the final catalyst that brings together a real budget agreement—not a deal, an agreement—that is good for America.

Well, maybe I should prepare for the worst, which would be yet another abdication of sensibly dealing with the problems of Medicare. We demonstrated that last year that we really could not, as a government, face up to it. This is not an issue we can walk away from. It is there. It is not good. It is going to get worse soon. There is too much at stake for 35 million Americans, the elderly, and the disabled, for whom Medicare is, quite literally, a lifeline.

It is time we put partisanship and politics aside and address the real problems for the future of Medicare, for our parents, and for our children.

I ask unanimous consent the New York Times article by Robert Pear be printed in the RECORD, entitled ''Shortfall Posted by Medicare Fund Two Years Early.''

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the New York Times, Feb. 5, 1996]

SHORTFALL POSTED BY MEDICARE FUND TWO YEARS EARLY

(By Robert Pear)

WASHINGTON, FEB. 4.—New Government data show that Medicare's Hospital Insurance Trust Fund lost money last year for the first time since 1972, suggesting that the financial condition of the Medicare program was worse than assumed by either Congress or the Clinton Administration.

In a report to Congress in April, the Administration estimated that the amount of money in the trust fund would increase by $4.7 billion in the 1995 fiscal year, which ended on Sept. 30. In fact, officials said in interviews, the balance in the trust fund fell by $35.7 million, to $129.5 billion.

''Things turned out a little worse than we expected,'' said Richard S. Foster, chief actuary of the Federal Health Care Financing Administration, which runs Medicare for 37 million people who are elderly or disabled. ''We had projected that 1997 would be the first fiscal year with a deficit.''

Income to the trust fund, primarily from payroll taxes, was slightly less than expected, Mr. Foster said, and outlays were somewhat higher. There were more hospital admissions than anticipated, patients were somewhat sicker and hospitals filed claims faster than expected, he said.

The deficit, while relatively small, is significant because once the trust fund starts to lose money, the losses are expected to grow from year to year. No tax increases are scheduled under current law, and Federal officials do not expect a reduction in the rate of growth in Medicare spending unless there is a budget deal between President Clinton and Congress.

No such deal is in sight. The two sides have not held serious negotiations in three weeks, and they evidently intend to fight out their philosophical differences in the November elections.

Moreover, neither party's proposals go far enough to guarantee the solvency of Medicare for the baby boom generation, whose members start to reach the age of 65 in 2011.

In general, health policy experts say, the changes needed to shore up Medicare can be relatively small and gradual if they are made in the near future, but they will have to be larger and more abrupt if they are deferred.

Bruce C. Vladeck, administrator of the Health Care Financing Administration, said: ''We are still analyzing the Medicare data to see what last year's experience might say about changing patterns of care or need among the elderly. In-patient hospital volume went up a bit more than we had projected. We are trying to figure out why.''

Officials at the American Hospital Association said the increase was puzzling because it followed more than a decade of decline in Medicare hospital admissions.

Donna E. Shalala, the Secretary of Health and Human Services, and three other Administration officials serve as trustees of Medicare. In the report in April, they said the hospital trust fund would run out of money late in the year 2002.

Republicans seized on that prediction to justify their proposals for vast changes in the structure of Medicare. They said they were cutting the growth of Medicare not to balance the budget, but to ''preserve, protect and strengthen'' the program. Mr. Clinton vetoed the proposals, saying they would hurt beneficiaries and ''dismantle Medicare as we know it.''

In view of the financial shortfall in 1995, the Hospital Insurance Trust Fund could go bankrupt earlier than anticipated, perhaps a year sooner, but that is not certain.

''It's hard to say what the implications are for future estimates,'' Mr. Foster said. ''It's possible this could advance the depletion date, or the trust fund might be depleted earlier in the same year, 2002. In any event, it doesn't help. That's a safe conclusion.''

The trustees and the actuary will make new forecasts in their next annual report, which under Federal law is to be submitted to Congress by April 1. The report may be a month late because of time lost while the Government was shut down in November and again in December.

The actuary and his staff write much of the trustees' report. Medicare actuaries have a tradition of independence and a history of providing objective information to Federal officials and Congress. This year's report will be closely scrutinized since it comes in an election year, when Medicare is an important campaign issue. Under Federal law, the chief actuary must certify whether the Administration's conclusions are based on reasonable assumptions and cost estimates.

Private employers have slowed the growth of health costs in recent years by prodding employees to join health maintenance organizations and other forms of managed care. While the number of Medicare beneficiaries in H.M.O.'s is growing rapidly, only about four million people, representing 11 percent of the beneficiaries, are in H.M.O's.

Medicare's Hospital Insurance Trust Fund pays for hospital care, skilled nursing homes, home health agencies and hospices. The trustees' report in April predicted that outlays would grow an average of 8 percent a year from 1995 to 2002, while income to the trust fund would grow 4 percent a year.

Referring to the disparity between income and outlays, Mr. Foster said: ''This gap, which barely showed up in 1995, will grow in future years. In the absence of legislation, it will keep getting worse. Obviously, you can't continue very long with a situation in which the expenditures of the program are significantly greater than the income. We have enough assets to cover the shortfall in each of the next few years. But once the assets of the trust fund are depleted, there is no way to pay all the benefits that are due.''

While Congress and the Administration recognize that Medicare is unsustainable in its current form, they disagree on the urgency of the problem. In 1993, President Clinton described a health care crisis, demanding transformation of the entire health care system. But last year, when the debate focused on Medicare, he expressed less alarm and resisted many Republican proposals, saying they would have ''Draconian consequence for the elderly.''

Doctor and laboratory bills are paid by a separate Medicare trust fund under Part B of the program. It is much smaller than the hospital trust fund and is financed in a different way, with beneficiary premiums and general revenues.

This separate Medical Insurance Trust Fund ended the fiscal year 1995 with a balanced of $13.9 billion,which was $1.7 billion more than predicted it is virtually impossible for this trust fund to run out of money because it has a sizable cushion and the premiums and matching Government contributions are adjusted each year to cover the expected costs.

Medicare outlays for doctors' services are rising faster than those for hospital care, in part because complex services once performed in hospitals are now often done in out-patient clinics and doctors' offices.

Mr. Clinton and the Republicans agree on many proposals to curb Medicare payments to hospitals, doctors and other health-care providers. But it appears unlikely that such cutbacks will be approved this in the absence of a general agreement on how to balance the Federal budget.

''No deal is preferable to a bad deal,'' said Mr. Vladeck,the head of the health care financing agency, who expresses the Administration's views. ''Everybody agrees on many things that could be done to save money and to make the Medicare program better. But we can't do them because members of the Congressional majority are unwilling to separate those items from their ideological agenda.''

Repblicans, by contrast, say Mr. Clinton has thwarted their efforts to save the program from bankruptcy. Under their proposal, elderly people would have a range of health insurance options like those available to people under 65, and the Republicans assume that many would choose H.M.O.'s, which try to control costs by providing comprehensive care in return for flat monthly premiums.

Mr. LOTT. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative 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 (Mr. LOTT). Without objection, it is so ordered.

BOSNIA

Mr. KYL. Mr. President, I will take a couple minutes to compliment the Senator from Mississippi, the distinguished majority whip presiding in the chair at the moment, for the comments just made, both to clear the record with respect to what we have been doing in January and February and to make a very important point with regard to Medicare. I would rather be home now in Arizona where it is over 80 degrees, than back here in Washington, DC, but this morning we are working on very important immigration reform legislation, which is very important in my State, and important to the entire country. Under the leadership of the Senator from Wyoming, Senator SIMPSON, and Senator HATCH, and others I think we will be able to get that legislation. It is taking a lot of time to put it together in the way we can get it adopted. As a result, we have to be here working.

The other point I want to make relates to a recent trip that I took to Bosnia, visiting with NATO officials in Munich, Germany, after that trip. As a result of this, I have come to a rather disturbing conclusion, and that is, I do not think the NATO forces, the United States included, have our act together in anything other than a military sense.

As one would expect, our troops are performing magnificently. We defined the mission narrowly: Stop the fighting parties from fighting with each other. Once the U.S. military moved in, nobody wanted to mess with them. Our troops, well trained, well equipped, well motivated, are performing just like all of us would expect them to. It really makes you proud to see them performing there, in addition, in a rainy, muddy, snowy, icy climate far away from home, where there is no clear-cut idea why they are there, but they are doing their mission and doing it well.

They have the fighting forces separated, and I do not think the Bosnians or Serbs or Croats are going to mess with either our forces or the British or the French forces and the other nations under their command.

What is not happening is that the European countries are not coming together to solve the political problems, the economic problems, the rebuilding of the infrastructure, the ensuring that the Bosnian Army is well enough equipped and armed to defend itself—all of the things that need to occur to make this peace treaty really work are being ignored by the Europeans. I know that is a harsh statement to make, but in the 2 days following our trip to Bosnia, a group of six members of the United States Senate, as well as Defense Secretary Perry and other United States officials, visited with our European allies and repeatedly asked the question: Are you going to help fund the economic reconstruction of the country, the infrastructure that needs to be rebuilt, if are you going to help