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 get the government back on its feet? Will you lend a hand to us in arming the Bosnian Government so it can defend itself when we leave?

Essentially, we got the cold shoulder. They do not want to talk about it. It requires money and requires a commitment.

They want to pat themselves on the back for the military operation which is succeeding well and not get to the hard business of making the peace work in Bosnia. My concern with going into Bosnia is not that we would not be able to succeed militarily, but this is an insufficient commitment on the part of the Europeans to follow through and make peace work. That is what we have seen.

This morning's wire, Mr. President, contains a very disturbing story. In an ominous sign from the AP wire story, ''Bosnian Serbs followed through today on their threat to sever with the NATO-led peace force ties because of the government's arrest of two Serb officers at suspected war criminals.''

They lost all top level contact with the Bosnian Serb Army and the ground commander said it was the worst crisis in Bosnia since the peace took hold 2 months ago.

''The commander, Lt. Gen. Sir Michael Walker, characterized the development as an ominous sign and direct breach of the Bosnian peace accord.''

At the same time, I note that the Chairman of the United States Joint Chiefs of Staff, John Shalikashvili, urged the Bosnian Government to immediately release Serbs against whom there is no evidence of participating in war crimes.

Does that mean the two people arrested are being held? Very unclear. There is a total lack of cohesion because there has not been an agreement by the NATO allied forces of exactly what we are supposed to be doing over there, except keeping the warring sides from fighting with each other.

There is an absolute commitment to leave in the year. The Europeans say they will leave when we leave. When we are out of Bosnia next October, I can only hope that the Europeans have gotten together and have made a stronger commitment than they have so far to help rebuild that economy and that government and to deal with the war crimes issue and the arming of the Bosnian Government so that when we leave all we accomplished will not have been for nothing. I especially have reference to one U.S. death and other U.S. casualties.

I want to be able to say, when this is over with, that they did not die in vain. I am afraid if we do not get more cooperation from our European allies, that we will not be able to say that, and that will be a very, very big shame and a blot on the United States as well as our European allies.

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

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

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Thomas, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

REPORT ON THE NATIONAL EMERGENCY WITH RESPECT TO IRAQ—MESSAGE FROM THE PRESIDENT—PM 118

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Banking, Housing, and Urban Affairs.

To the Congress of the United States:

I hereby report to the Congress on the developments since my last report on August 1, 1995, concerning the national emergency with respect to Iraq that was declared in Executive Order No. 12722 of August 2, 1990. This report is submitted pursuant to section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c).

Executive Order No. 12722 ordered the immediate blocking of all property and interests in property of the Government of Iraq (including the Central Bank of Iraq) then or thereafter located in the United States or within the possession or control of a U.S. person. That order also prohibited the importation into the United States of goods and services of Iraqi origin, as well as the exportation of goods, services, and technology from the United States to Iraq. The order prohibited travel-related transactions to or from Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

The foregoing prohibitions (as well as the blocking of Government of Iraq property) were continued and augmented on August 9, 1990, by Executive Order No. 12724, which was issued in order to align the sanctions imposed by the United States with United Nations Security Council Resolution 661 of August 6, 1990.

Executive Order No. 12817 was issued on October 21, 1992, to implement in the United States measures adopted in United Nations Security Council Resolution 778 of October 2, 1992. Resolution 778 requires U.N. Member States to transfer to a U.N. escrow account any funds (up to $200 million apiece) representing Iraqi oil sale proceeds paid by purchasers after the imposition of U.N. sanctions on Iraq, to finance Iraq's obligations for U.N. activities with respect to Iraq, such as expenses to verify Iraqi weapons destruction, and to provide humanitarian assistance in Iraq on a nonpartisan basis. A portion of the escrowed funds also funds the activities of the U.N. Compensation Commission in Geneva, which handles claims from victims of the Iraqi invasion and occupation of Kuwait. Member States also may make voluntary contributions to the account. The funds placed in the escrow account are to be returned, with interest, to the Member States that transferred them to the United Nations, as funds are received from future sales of Iraqi oil authorized by the U.N. Security Council. No Member State is required to fund more than half of the total transfers or contributions to the escrow account.

This report discusses only matters concerning the national emergency with respect to Iraq that was declared in Executive Order No. 12722 and matters relating to Executive Orders No. 12724 and 12817 (the ''Executive orders''). The report covers events from August 2, 1995, through February 1, 1996.

1. During the reporting period, there were no amendments to the Iraqi Sanctions Regulations.

2. The Department of the Treasury's Office of Foreign Assets Control (FAC) continues its involvement in lawsuits seeking to prevent the unauthorized transfer of blocked Iraqi assets. In *Consarc Corporation* v. *Iraqi Ministry of Industry and Minerals*, No. 94–5390 (D.C. Cir. Dec. 15, 1995), the U.S. Court of Appeals for the D.C. Circuit issued its second opinion in this case, finding in FAC's favor on all issues presented to the court. The court ordered the district court judge to direct Consarc Corporation to restore the status quo by returning $6.4 million plus interest to the blocked Iraqi government account from which it was withdrawn after the district court erroneously held that these funds were not blocked Iraqi government property. The court also found that the unsold furnace manufactured for the Iraqi government and sales proceeds of a second furnace were blocked property. Finally, the court reversed the district court's ruling that Consarc held a specific claim against a blocked Iraqi government account for $6.4 million, holding that any claim Consarc had against the Government of Iraq was as a general creditor only.

Investigations of possible violations of the Iraqi sanctions continue to be pursued and appropriate enforcement actions taken. Several cases from prior