

at around 150,000 people. Those estimates refer only to the number of people who gain insurance coverage as a result of S. 1028. The estimates do not include people who might decide to move into individual insurance coverage under S. 1028 but would have had insurance coverage from elsewhere in the absence of the bill. It would not be appropriate to count such people toward the aggregate direct costs of the bill because their medical expenses would have been insured anyway.

In order to complete the estimate, we calculated the direct mandate costs per person who would obtain individual coverage because of this bill. Those costs equal the difference between the added insurance costs of the people who would gain coverage and the premium payments that those newly covered people would make to insurers. Neither the additional insurance costs, nor the additional premium revenue, can be estimated with a high degree of confidence.

S. 1028 would prohibit the denial of coverage because of health status or claims experience. Consequently, people gaining coverage through the portability provisions of S. 1028 would cost more, on average, than the typical person who currently purchases an individual policy. But, because of the multiple eligibility criteria required by S. 1028, surveys of health expenditures do not provide an adequate basis for a specific estimate of those higher costs.

Likewise, the premiums that insurers might charge newly covered people are highly uncertain because they depend on the unknown responses of state insurance regulators that are likely to vary among the states. At one extreme, state regulators might not allow insurers to charge higher premiums for people qualifying under the S. 1028 portability provisions. The loss on those people would then be relatively large. At the other extreme, state regulators might allow insurers to charge them their full expected costs. In that case, there would be no loss to insurers, and consequently no aggregate costs from that mandate.

Previous studies offer divergent views on these issues. The Academy assumed that people obtaining individual coverage through the portability provisions would have costs two to three times as high as standard risks.<sup>6</sup> They also assumed that the premiums those people would pay would range from 125 to 167 percent of the average individual premium. That is, the Academy assumed that states would limit what insurers could charge to less than the full cost of the benefit.

The Health Insurance Association of America (HIAA) assumed that newly covered people who exhausted their COBRA coverage would have costs between two and three times the average, while the cost of those not eligible for COBRA coverage would be 1.5 to two times the average.<sup>7</sup> HIAA made no specific assumptions about the rating rules that states would impose on health plans in the individual market.

Although neither the costs nor the insurance premiums associated with the newly covered individuals are known, it is not unreasonable to assume that state insurance commissioners would take the additional costs, and their potential effects, into account in regulating the individual market. If, for example, the expected costs of the newly insured people were high relative to others in the individual market, insurance regulators might allow insurers to charge such people relatively high premiums. Conversely, if the expected costs of the newly insured people were not much higher than others in the individual market, state regulators might not allow their premiums to deviate much from the market average.

This relationship can be viewed in terms of a target "loss" percentage that regulators

might seek. That percentage would be the difference between the cost of coverage and the premium, expressed as a share of the average premium in the individual market. Based on a wide range of possible cost and premium factors, CBO assumed that the insurers' loss percentage associated with the newly covered individuals would be about 70 percent. That is, the difference between premium income and insurance costs for the newly insured people is expected to be about 70 percent of the average premium paid by others in the individual market.

Multiplying the loss percentage by the average individual market premium under current law and by the number of newly covered people yields the estimated aggregate direct costs of the group-to-individual portability provision. Those costs are expected to be less than \$50 million in the first effective year of the legislation and to rise to about \$200 million annually by the fifth year.

*Other Considerations.* For those states in which the individual market mandates are expected to apply, premiums are estimated to be around 0.5 percent higher than otherwise by the end of the first year of implementation and to be approximately 2 percent higher than otherwise by the end of the fifth year. Those premium increases represent the excess costs that presumably would be passed on to people who would have acquired individual policies in the absence of this bill. The estimates of premium increases are limited to those costs attributable to people who obtain insurance in the individual market who would have been uninsured in the absence of S. 1028.

If individual insurance premiums rose sufficiently as a consequence of S. 1028, some people with individual coverage would probably drop their insurance. Those most likely to do so would be lower-income people who were not in poor health. CBO used an analysis by Marquis and Long to estimate the number of people who would drop out of the individual insurance market in response to higher premiums.<sup>8</sup> By the fifth year after S. 1028 became effective, about 35,000 people who would have purchased individual policies in the absence of this legislation would not do so. Overall, however, the number of people with insurance in the individual market would probably rise as a result of S. 1028.

CBO's estimate assumes that states that already meet the individual market standards in S. 1028 would be granted waivers of those requirements. Initiatives such as guaranteed issue laws and state-sponsored risk pools to provide insurance for high-risk people may qualify states for waivers. The Academy has suggested, however, that states may not seek those waivers even when they are eligible. States might see the provisions of S. 1028 as a mechanism to transfer some individuals out of partially state-subsidized high-risk insurance pools into the private market, where their additional costs would be picked up entirely by the private sector.

7. Appropriations or other Federal financial assistance: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: James Baumgardner.

10. Estimate approved by: Joseph Antos, Assistant Director for Health and Human Resources.

<sup>1</sup>See American Academy of Actuaries, "Providing Universal Access in a Voluntary Private-Sector Market," February 1996.

<sup>2</sup>Charles D. Spencer and Associates, Inc., "1995 COBRA Survey: Almost One in Five Elect Coverage, Cost is 155% of Actives' Cost," Spencer's Research Reports (August 25, 1995).

<sup>3</sup>Based on unpublished tabulations from KPMG Peat Marwick, LLP, Survey of Employer-Sponsored Benefits, 1995.

<sup>4</sup>Patrice Flynn, "COBRA Qualifying Events and Elections, 1987-1991," Inquiry, vol. 31, no. 2 (Summer 1994), pp. 215-220.

<sup>5</sup>Calculations based on consultations with the Congressional Research Service/Hay Group concerning state individual insurance market laws.

<sup>6</sup>American Academy of Actuaries, "Comments on the Effect of S. 1028 on Premiums in the Individual Health Insurance Market," February 20, 1996.

<sup>7</sup>Health Insurance Association of America, "The Cost of Ending 'Job Lock' or How Much Would Health Insurance Costs Go Up if 'Portability' of Health Insurance Were Guaranteed; Preliminary Estimates," July 26, 1995.

<sup>8</sup>M. Susan Marquis and Stephen H. Long, "Worker Demand for Health Insurance in the Non-Group Market," Journal of Health Economics, vol. 14, no. 1 (May 1995), pp. 47-63.

## SEXUAL OFFENDER TRACKING AND IDENTIFICATION ACT OF 1996

Mrs. HUTCHISON. Mr. President, in response to the number of repeat crimes that are committed by convicted sex offenders, Senator GRAMM and I are offering legislation to require all such individuals to register with the FBI.

Society needs to know where these predators are at all times. Individual States are creating registries of convicted sex offenders and devising other measures to address the problem—my home state of Texas has moved forward aggressively on this front.

Unfortunately, for my State and others, there is a continuing worry despite such progress: individuals convicted of 1,000 cases of child molestation scheduled to be released in Texas this year alone.

Currently, 47 States have registry laws which apply to sex offenders, but these track such felons only within the individual State. There is no national registry. There is no formal network for law enforcement agencies to communicate with each other about known sexual predators. As a result, a convicted rapist or child molester released in Texas can move to, say, Vermont—which has no registry law—and disappear from law enforcement records. This ability to move from one State to the next unmonitored has provided tens of thousands of sex offenders with the opportunity to commit yet more deviant acts.

The legislation Senator GRAMM and I are introducing would close this immense loophole by creating a national computer registry to track convicted sex offenders. Our bill would:

Require all sex offenders to register with the FBI for 10 years following their release from prison, drawing on State registries.

Authorize the FBI to register and track offenders living in States with no registry program.

Require the FBI to ensure that local authorities are notified every time a sex offender moves into or out of their jurisdiction.

Allow private and community organizations access to the sex offender files through their local law enforcement agencies;

Preserve State authority in determining whether (or how) the public at large will be notified of the presence of sex offenders in a community.

Provide penalties for those who fail to register.

This will provide a tracking program nationwide. It is an appropriate function of the Federal Government to keep tabs on such offenders—and help to arm communities with information that might well prevent future, similar, horrifying crimes. We know that 40 percent of convicted sex offenders will repeat their crimes. We must begin acting on that information.

Mr. President, Senator GRAMM and I are not asking that any money be appropriated for this purpose—the FBI can create such a tracking system with existing resources. And this is how Federal agencies should be spending the taxpayers' money: on protecting them and their children, and making their communities safer, less threatening places to live.

One of the ultimate responsibilities of Government is the protection of its citizens—especially its youngest and most vulnerable. This measure does not seek to impose additional punishment on sex offenders—but it is aimed at providing society at large with an element of self-defense that it does not enjoy now.

#### TAX DAY

Mr. PELL. Mr. President, Tax Day has come and gone, and I would wager that few outside of Washington, DC, marked its passing because they were so absorbed in the last minute preparation and filing of income tax returns. Most paid scant heed to this congressionally created day of moment, which, in my view, panders irresponsibly to popular aversion to taxation.

It is far more responsible, in my view, to emphasize the positive aspects of public finance. Most Federal taxes flow right back to Americans in benefits and services. Federal taxes here includes both Federal income taxes and Federal payroll or Social Security taxes. Payroll taxes are used to pay Social Security and Medicare benefits to our elderly and disabled. Income taxes are used to fund the operations of our Government which include the provision of student loans for education, maintenance of our national parks and museums, low-interest mortgage loans for first-time home buyers, veterans benefits, unemployment compensation, and our military defense, among other things.

I am advised that Federal entitlements—benefits citizens are entitled to collect if they meet certain demographic or income definition—reach 49 percent of U.S. households, including 39 percent of families with children and 98 percent of the elderly.

Moreover, in my view, Americans are not overtaxed in comparison with other nations. The highest statutory marginal individual income tax rate in the United States, 39.6 percent, is relatively low by international standards. France, Germany, Italy, and Japan have tax rates that are substantially higher, reaching 56.8 percent. By another measure, using total tax receipts

as a percent of gross domestic product [GDP], the United States has an average tax rate of 31.5 percent. The United Kingdom, Italy, Germany, Canada, and France are all significantly higher, with several having average tax rates in excess of 40 percent of GDP.

Of course, constant restraint and diligence must be exercised to make sure that waste, fraud, and abuse are avoided at all times. But overall, I believe that our Federal Government has had, and continues to have, a positive impact on the lives of most Americans. In the words of Justice Holmes, "taxes are what we pay for civilized society." In the end, we get what we pay for.

#### 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 OF THE NATIONAL ENDOWMENT FOR THE HUMANITIES FOR CALENDAR YEAR 1995—MESSAGE FROM THE PRESIDENT—PM 138

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 Labor and Human Resources.

##### *To the Congress of the United States:*

I am pleased to present to you the 1995 Annual Report of the National Endowment for the Humanities (NEH). For 30 years, this Federal agency has given Americans great opportunities to explore and share with each other our country's vibrant and diverse cultural heritage. Its work supports an impressive array of humanities projects.

These projects have mined every corner of our tradition, unearthing all the distinct and different voices, emotions, and ideas that together make up what is a uniquely American culture. In 1995, they ranged from an award-winning television documentary on President Franklin Delano Roosevelt, the radio production *Wade in the Water*, to preservation projects that will rescue 750,000 important books from obscurity and archive small community newspapers from every State in the Union. Pandora's Box, a traveling museum exhibit of women and myth in classical Greece, drew thousands of people.

The humanities have long helped Americans bridge differences, learn to appreciate one another, shore up the foundations of our democracy, and

build strong and vital institutions across our country. At a time when our society faces new and profound challenges, when so many Americans feel insecure in the face of change, the presence and accessibility of the humanities in all our lives can be a powerful source of our renewal and our unity as we move forward into the 21st century.

WILLIAM J. CLINTON.

THE WHITE HOUSE, April 17, 1996.

#### REPORT ON ALASKA'S MINERAL RESOURCES FOR CALENDAR YEAR 1995—MESSAGE FROM THE PRESIDENT—PM 139

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 Energy and Natural Resources.

##### *To the Congress of the United States:*

I transmit herewith the 1995 Annual Report on Alaska's Mineral Resources, as required by section 1011 of the Alaska National Interest Lands Conservation Act (Public Law 96-487; 16 U.S.C. 3151). This report contains pertinent public information relating to minerals in Alaska gathered by the U.S. Geological Survey, the U.S. Bureau of Mines, and other Federal agencies.

WILLIAM J. CLINTON.

THE WHITE HOUSE, April 17, 1996.

#### MESSAGES FROM THE HOUSE

At 1:58 p.m., a message from the House of Representatives, delivered by Mr. Hays, one of its reading clerks, announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 2337. An act to amend the Internal Revenue Code of 1986 to provide for increased taxpayer protections.

H.R. 2501. An act to extend the deadline under the Federal Power Act applicable to the construction of a hydroelectric project in Kentucky, and for other purposes.

H.R. 2630. An act to extend the deadline for commencement of construction of a hydroelectric project in the State of Illinois.

H.R. 2695. An act to extend the deadline under the Federal Power Act applicable to the construction of certain hydroelectric projects in the State of Pennsylvania.

H.R. 2773. An act to extend the deadline under the Federal Power Act applicable to the construction of 2 hydroelectric projects in North Carolina, and for other purposes.

H.R. 2816. An act to reinstate the license for, and extend the deadline under the Federal Power Act applicable to the construction of, a hydroelectric project in Ohio, and for other purposes.

H.R. 2869. An act to extend the deadline for commencement of construction of a hydroelectric project in the State of Kentucky.

H.R. 3034. An act to amend the Indian Self-Determination and Education Assistance Act to extend for two months the authority for promulgating regulations under the Act.

H.R. 3074. An act to amend the United States-Israel Free Trade Area Implementation Act of 1985 to provide the President with additional proclamation authority with respect to articles of the West Bank or Gaza Strip or a qualifying industrial zone.