rancher has not owned or leased the livestock for the required time, there are certain exceptions that the Secretary would have to approve. This will ensure that additional livestock are not purchased for the sole purpose of benefiting from this program.

Also there is language that allows the Secretary to determine the quantities of forage sufficient to maintain livestock based on the normal carrying capacity of the land. The language is intended to discourage anyone from overstocking the land above the carrying capacity and receiving assistance for that effort.

Further, S. 1743 would not revive the program indefinitely. This bill proposes to allow the program to exist only through 1996. That year, of course, is essentially half over. The practical effect of S. 1743 is that it would provide short-term assistance for the livestock industry until adequate rain does come.

S. 1743 differs significantly from the livestock feed program in regard to how it is funded. We have identified \$18 million that will go unspent this fiscal year. The old program was funded through the Commodity Credit Corporation. We do not upset any of the funding mechanisms created in the newly enacted farm bill. Instead we spend money that otherwise would be returned to the Treasury.

As I have stated, Mr. President, the livestock industry in my State and in much of the Southwest needs immediate relief. Until the livestock industry receives some immediate assistance, I ask the Senate to continue moving ahead with Senate bill 1743. Given the choice of whether this \$18 million is to be used for drought emergency or returned to the Treasury, I believe the choice is clear, given the crisis that we face.

Mr. President, as I indicated a week or so ago speaking on the floor on this same subject, we cannot legislate rain. But we can legislate some measure of relief during this time of crisis. We should do so. I urge my colleagues to join me in doing so. Mr. President, I yield the floor.

#### Ехнівіт 1

DEPARTMENT OF AGRICULTURE. OFFICE OF THE SECRETARY. Washington, DC, June 12, 1996. Hon. JEFF BINGAMAN,

U.S. Senate, Senate Hart Building, Washington, DC

DEAR JEFF: This is in response to your request for comments regarding S. 1743, a bill

To provide temporary emergency livestock feed assistance for certain producers, and for other purposes.' S. 1743, basically mirrors the Livestock Feed Program (LFP) that was suspended, for

crop years 1996 through 2002, by the Federal Agriculture Improvement and Reform Act of 1996, signed on April 4, 1996, with two exceptions: (1) eligible livestock, which the proposed legislation limits to cattle, sheep, and goats; and (2) funding. Funds for the expired program originated in the Commodity Credit Corporation, whereas the proposed legislation specifies that the Secretary of Agriculture shall use not more than \$18 million

that otherwise would have been made available to carry out the cottonseed oil and sunflowerseed oil export assistance programs established under section 301(b) of the Disaster Assistance Act of 1988.

The Department of Agriculture (USDA) supports the concept and intent of the proposed legislation as a means to provide some form of assistance to livestock producers who cannot receive assistance under either crop insurance or the Noninsured Crop Disaster Assistance Program (NAP), as the Administration proposed in legislation submitted to Congress last year in formulating the 1996 Farm Bill. The extension proposed in S. 1743 could be operated through the current LFP policy and procedure with very limited changes. Therefore, if the legislation were enacted, it could be implemented in a very short timeframe.

The long-term Palmer Index, as of May 11, 1996, indicates that extreme drought currently is occurring in parts of Arizona, California, New Mexico, Nevada, Texas, and Utah. The Palmer Index also shows that severe drought is occurring in parts of Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, and Utah.

USDA would support S. 1743 if it were modified so that benefits under the proposed legislation would be made available only to those producers who are not eligible to receive assistance under NAP or crop insurance. If careful consideration is not given to eligibility criteria, the \$18 million funding provided for the legislation will be inadequate. NAP assistance on privately-owned land is available for seeded forage and for native forage. On Federal or State-owned lands. NAP assistance is available only for seeded forage. Vegetation occurring naturally without seeding is considered native forage. Seeded forage is defined as acreage which is mechanically seeded with grasses or other vegetation at regular intervals, at least every 7 years, in accordance with good farming practices.

Because LFP benefits may fluctuate frequently during the feeding period, it would be advisable to provide for a 30-day sign-up period in order to make an early determination of potential expenditures and to issue advance payments accordingly.

The requirements in section 6, of the proposed bill, Report on Use of Disaster Reserve for Livestock Assistance, are extraneous, and need not be included. the Administration is quickly developing a mechanism for distributing the Disaster Reserve stocks and will announce it very soon.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

DAN GLICKMAN. Secretary.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I understand that the leader has some 20 minutes of time?

The PRESIDING OFFICER. Chair advises the Senator from Massachusetts that is correct.

Mr. KENNEDY. I yield myself 12 minutes of the leader's time.

The PRESIDING OFFICER. The Chair recognizes the Senator from Massachusetts.

Mr. KENNEDY. I thank you.

MEDICAL SAVINGS ACCOUNTS

Mr. KENNEDY. Mr. President. the House and the Senate Republican compromise on medical savings accounts is a capitulation to House Republicans who are more interested in creating an issue and serving a special interest constituency than in passing a bill.

I listened with interest to speeches this morning that accused the Democrats of blocking health reform by not agreeing to the appointment of conferees. This kind of claim cannot pass the truth-in-advertising test. Let us look at the record. Medical savings accounts was defeated by the full Senate. The health insurance reform bill passed the Senate by 100 to 0 without medical savings accounts—100 to 0 without medical savings accounts.

When the majority leader attempted to appoint conferees, he proposed a stacked conference—a degree of tilting unprecedented in the last three conferences. His only goal was to assure the bill that came out of the conference included this bill-killer provision. The Democrats will not consent to this abuse of congressional procedures. And we will continue to fight to pass a bill the President can sign, a bill that will improve health insurance, not ruin it.

We are ready to talk to the Republicans anywhere, any time. We do not need a conference to work out this legislation, if the Republicans are willing to compromise. But we will not agree to a conference that has the sole goal of assuring the death of this bill by including in it an unacceptable provision rejected by the Senate.

Let us be clear about who is blocking health reform. Health reform passed the Senate 100 to 0. It was a clean, bipartisan bill. If it were passed by the House today it would be signed by the President tomorrow. The American people are tired of partisan bickering. They want us to pass the bill that passed the Senate with unanimous support. The American people deserve to have insurance reform enacted. The House Republicans should not be trying to kill it by insisting on an extreme partisan agenda.

Medical savings accounts have become the Trojan horse that could destroy health insurance reform. This untried and dangerous proposal does not belong in the consensus insurance reform bill. It has already been rejected by the Senate. A bill containing it cannot be enacted into law and signed by the President.

Democrats and the White House have offered a fair compromise which would provide for a controlled and limited test of the MSA concept to see if it should be expanded. But the House Republican leadership has said that it will be their way or no way. As Majority Leader ARMEY said yesterday, will not give up [on] medical savings accounts," and he dared the President to veto the bill. The latest Republican proposal clearly reflects this partisan strategy.

The Republican leadership pretends their proposal is a fair attempt to deal with concerns about medical savings accounts. But it is nothing of the kind.

Under their proposal, medical savings accounts could be sold to all small businesses and the self-employed immediately. This opens MSA's to a massive market, consisting of more than 40 million workers, one-third of the Nation's entire labor force. This is hardly a controlled. limited test.

Even more serious, experts agree that the small business sector of the health insurance market is the most vulnerable to the disruption that medical savings accounts would cause. The joint tax committee concluded that the sales of medical savings accounts would be concentrated in small and medium-sized firms.

The proposal would clearly go beyond the bounds of what is acceptable, even if it stopped there. But it does not. After 3 years in which medical savings accounts are sold in this vast market, the accounts would be expanded to everyone. Only if both the House and Senate voted to stop the expansion would it be prevented. Rather than evaluation by an impartial body, the evaluators would be chosen by the chairmen of the Finance and the Ways and Means Committees, both strong proponents of MSA's. This is not a test. It is a travesty.

There are other objectionable aspects of this compromise. It sets a deductible that is \$5,000 per individual and \$7,500 per family, far beyond the means of working families. Instead of capping the obligations to people who finally meet the deductible, it allows the insurance company to subject them to further unlimited costs that the insurer is not obligated to cover.

Do we understand that? We are talking about a \$5,000 deductible. Then after an individual reaches that \$5,000 deductible, additional deductibles or co-payments can be added on.

So, Mr. President, we have to ask ourselves, what working family is going to be able to afford that per year? What senior citizen? What group of Americans would be able to afford that? Only a very small number of Americans would be able to afford to pay those costs. And they would be the wealthiest individuals and obviously the healthiest, the ones that do not believe they would have any kind of health care needs over the course of a year.

Beyond these problems, there is no guarantee under the Republican proposal that the company cannot cancel your policy, or cannot establish a lifetime ceiling on benefits or a yearly limit. We had the debate here on the floor, on the Jeffords' amendment which would have prohibited lifetime limits. The debate over this issue was brought to everyone's attention earlier this year when one of our leading film actors, Christopher Reeve, had that tragic horseback riding accident. And he had one of the best insurance poli-

cies available. And then he reached the limit on benefits under his insurance policy. And that company said, "No more. We're not going to pay any more."

If this proposal were enacted and tax benefits were provided, there is nothing to prohibit insurance companies from establishing a very low ceiling on benefits. Nothing—no provision, no explanation. None of the proponents of MSA's has guaranteed that we will not have any kind of limit or that MSA's will take care of all the catastrophic needs. That has not been mentioned and has not been suggested, has not been justified. Not one Republican has stated that, "Well, if we provide this program, and we give the tax benefits, then insurance companies are not going to cancel your policy." Of course they are going to be able to cancel it. Of course they are going to be able to

So, Mr. President, these are some of the points that need to be examined before we give additional kinds of tax benefits for the development and marketing of MSA's.

It is no accident that the leading proponents of medical savings accounts are insurance companies, like the Golden Rule Insurance Co., which has been one of the worst abusers of the current system. They give millions of dollars to political candidates to try to get this business opportunity into law.

The Golden Rule's record is, in particular, so shameful that Consumer Reports rank them near the bottom of all companies because of its inadequate coverage and frequent rate increases and readiness to cancel policies. The Golden Rule Insurance Co. is the primary proponent of this whole program of medical savings accounts. This is why Consumer Reports has been so critical of this company-because of the inadequate coverage, the frequent rate increases, and the cancellation of policies. Golden Rule was effectively run out of the State of Vermont because of poor performance. It was run right out because of misrepresentations

When the Golden Rule Insurance Co. withdrew from Vermont because it was unwilling to compete on a level playing field created by the State's insurance reform, Blue Cross and Blue Shield took over their policies. They found that one in four policies included fine print laden with unfair provisions. Sometimes arms, backs, breasts, even skin were written out of coverage.

Newborns were excluded unless they were born healthy. It is an interesting fact that about 85 to 90 percent of all the medical complications to newborns happen in the first 10 days. Look at some of the fly-by-night insurance companies and they will say, "We provide comprehensive coverage for newborns except for the first 10 days."

How many expectant mothers, prior to the time they become pregnant and get up to speed in terms of this wonderful opportunity of giving birth, understand that 80 percent of childhood abnormality comes within that first 10 days? Very few. But the insurance company understands it. Golden Rule understood it. Remember, they are the primary sponsors of medical savings accounts.

The strongest opponents of the medical savings accounts are organizations representing working families, senior citizens, consumers, and the disabled, who have the most to lose if the current system of comprehensive insurance is destroyed. We know whose voices should be heard when Congress decides this issue—not the voices of the greedy special interests, but the voices of those who depend on adequate insurance to get the care they need at a price they can afford.

It is very interesting who is on which side during the course of this debate. On the one side of medical savings accounts is Golden Rule, the primary contributor to political candidates that support that concept. Golden Rule is also one of the worst abusers of the system that we are trying to address in the underlying bill, dealing with pre-existing conditions and portability.

Who is on the other side? Working families, seniors, consumers, middle-income families. They have the most to lose with skyrocketing increases in their insurance premiums. As the medical savings accounts draw the healthiest and the wealthiest individuals out of the system, the premiums of working families are going to continue to increase.

The great danger of medical savings accounts is that they are likely to raise the health insurance premiums through the roof and make insurance unaffordable to large numbers of citizens. They will discourage preventive care and raise health care costs. They are a multibillion dollar tax giveaway to the wealthy at the expense of working families and the sick, and their costs could balloon the deficit by tens of billions of dollars.

The Joint Tax Committee estimated there would be 1 million individuals who would take advantage of medical savings accounts. It would cost the Treasury \$3 billion over 10 years for 1 million people. The Republican proposal presented to us, allegedly as a compromise, would make 43 million Americans eligible for it. If it is \$3 billion for 1 million people, it does not take a genius to figure out that we are risking adding tens of billions of dollars to the deficit with this untested and untried program.

The most troubling aspect of the medical savings accounts is the risk that they will destroy the insurance pool and price conventional insurance out of sight for millions of Americans.

Leading newspapers all over America have editorialized strongly against medical savings accounts. I will read some excerpts from their comments, and I ask unanimous consent to have printed in the RECORD the full text of editorials at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. KENNEDY. On May 8, Robert Samuelson of the Washington Post wrote:

MSAs are mostly an untested concept . . . If MSAs are as good as claimed, let them prevail as a stand-alone measure after a full debate . . . If Republicans let their ideological fantasies obstruct their useful legislation, they risk being attacked ruthlessly. And they will deserve it.

The point mentioned here, if MSA's are as good as they say they are, let us pass the Kassebaum-Kennedy bill today, and then we can debate MSA's and medical malpractice later. We can do that and have a good debate, and let the chips fall where they may. Why hold this bill hostage?

On June 6, 1996, a Los Angeles Times editorial states:

Large, national consumer groups . . . have argued reasonably that the MSA provision being pushed primarily by House Republicans with the backing of the American Medical Association would encourage the wealthy, who could afford to pay high deductibles, to opt out of low-deductible or comprehensive plans, thus raising the costs for everyone else, and could tempt the presumably healthy to avoid wellness checkups that might save them money in the short term but could raise their medical costs down the line . . .

The New York Times on Thursday, May 30, 1996 says:

Demonstration projects of an untested idea make sense.

The Dallas Morning News says:

Medical savings accounts represent special-interest legislation activities at their worst. What this country needs is major reform that guarantees full health care coverage to everyone, not another junk insurance plan. Medical savings accounts are a bad idea.

That was the Dallas Morning News. The Baltimore Sun, April 25, writes:

Senator Dole would be well advised to drop this idea [of medical savings accounts] which is in the House bill, rather than make it a veto-bait amendment that would wreck prospects for any health care reform this year.

The Washington Post on June 3 writes:

In fact, the effect [of medical savings accounts] would be to fracture the insurance market; the healthy, for whom the savings account would have greatest appeal, would no longer be in the pool to help pay the bills of the sick, whose costs would rise.

Mr. President, that is a sampling of editorials from around the country, North, South, East, West, all raising serious, serious problems with regard to an untested and untried idea.

Now, the first rule of medicine is: Do no harm. We could say, why not go ahead and take the bill that passed this body by 100 to 0, and pass it again rather than trying to add this poison pill—this idea that is risky, untested, and has the potential to be so costly in terms of the deficit and what it might do to the health insurance system. That is our position. It is a reasonable position. The American people are coming to understand that.

To those who genuinely believe medical savings accounts offer an improvement in the health care system, I say we should work together to devise a fair test of the concept that will not put millions of American families at risk. The American people's hopes for insurance reform should not be held hostage to a partisan special interest agenda.

Over time, we are very hopeful that given the importance of this legislation, we can still pass it in the remaining weeks of this Congress. As I have stated many times, this legislation, crafted by Senator KASSEBAUM, represented the common ground that came out of the debate in 1994 over a more comprehensive health program. It passed unanimously out of our committee. I think it was probably the only major piece of legislation that passed unanimously out of our committee and unanimously in the U.S. Senate.

The time is here for broad, broad support for health insurance reform that will help Americans across this country. Why risk it with an untested and untried idea? Why risk it? Why risk jeopardizing successful completion of this health insurance reform that will make such a difference to the 25 million Americans who have some disability and to the tens of millions of Americans who are moving and changing their jobs? This bill provides portability.

Why risk a concept that Democrats and Republicans alike are strongly committed to? That is what the issue is before the Senate. I am very hopeful that common sense and the needs of the American people will be put first and we will still be able to pass this very good bill that has been sponsored by our distinguished colleague, the Senator from Kansas, Senator KASSE-BAUM.

# Ехнівіт 1

[From the Washington Post, May 8, 1996] DUBIOUS CRUSADE FOR MEDICAL SAVINGS ACCOUNTS

(By Robert J. Samuelson)

Just why some Republicans have chosen Medical Savings Accounts (MSAs) for their latest crusade is a mystery known only to them. Some issues assume symbolic meaning well beyond their practical significance—the minimum wage, for example. Its mainly liberal advocates wrongly portray it as an important way of reducing poverty. Medical savings accounts are a similar phenomenon. Their mainly conservative supporters see them as a bold way to control health costs and expand patient choice. All this is dubious.

Judgments must be hedged because, unlike the minimum wage—where there's ample experience—MSAs are mostly an untested concept. They would allow people to combine a catastrophic health insurance policy with an annual tax-exempt contribution (made either by employers or by individuals) into an MSA. People would use their MSAs for normal health expenses (checkups, colds, minor injuries) and rely on insurance for crises. This, the theory holds, would inspire cost consciousness. Americans would shop for doctors and hospitals with the lowest prices and best care.

On their face, MSAs are not a nutty idea. If we were starting a health insurance system, they might make sense. One basic problem of the present system is that comprehensive insurance made almost everyone indifferent to costs. Patients wanted the best care. Doctors and hospitals benefited financially by maximizing care. Arguably, the health cost spiral might have slowed if insurance had covered only expensive disasters.

But we aren't starting from scratch. Government policies have created a different system. Tax subsidies encouraged companies to provide workers comprehensive insurance. The subsidy is the exclusion of the employer's insurance contribution from taxes. Suppose a company buys \$4,500 of insurance for each worker; the workers don't pay taxes on that \$4,500. In 1995 these subsidies cost the Treasury \$59 billion. And of course, there's Medicare and Medicaid for more than 65 million elderly and poor. As a result, most Americans have broad insurance and like it.

This is why tax-free MSAs, if offered, might not attract many takers. Congressional Republicans have twice tried to create MSAs; first for Medicare recipients in legislation vetoed by President Clinton; and now for the under-65 population in the House version of the Kassebaum-Kennedy bill, which would protect workers against insurance loss. The Congressional Budget Office projected that 2 percent of Medicare recipients would switch; for the under-65 population, the congressional Joint Committee on Taxation put usage at about one percent.

If accurate, these estimates mean that MSAs wouldn't do much to cut costs or expand choice. Moreover, the basic theory may be flawed. Buying health care is not like buying groceries. With their money at stake, people may not rush to the doctor at the first sniffle; and competitive pressures might trim prices for some routine services. But 70 percent of health spending stems from 10 percent of seriously sick Americans. These people have heart attacks, AIDS or complicated pregnancies. Catastrophic insurance would cover these costs; MSAs wouldn't matter.

The explosion of "managed care" has also undermined MSAs' potential. Competition has already come to the health care market in the form of massive groups of buyers and sellers—companies, local governments, health maintenance organizations—haggling over prices, coverage and quality. At least temporarily, this has dramatically slowed health spending. MSAs embody a different philosophy of cost control. Individuals wouldn't have much clout in today's medical market.

What's the fuss then? If MSAs wouldn't matter much, why not authorize them and be done with it? The main reason for caution is that all the predictions of modest usage could prove wrong—and if MSAs became hugely popular, they could radically change the health care system. Under today's insurance system, the premiums of younger and healthier workers subsidize the higher health spending of less healthy middle-aged and older workers. MSAs would, in theory, enable millions of younger workers to opt out of this invisible subsidy.

They could take the cheaper catastrophic coverage and keep the unused portion of their MSAs as tax-free saving to be withdrawn at age 59½. A mass defection of younger workers could have a devastating effect on the premiums of older workers. A study by the Urban Institute estimates that if 20 percent of workers switched to MSAs, premium costs for those sticking with comprehensive insurance would rise almost 60 percent. Just what would happen then is anyone's guess. Businesses might abandon comprehensive insurance or lower workers' salaries to pay for it.

Cross subsidies and managed care (which many MSA advocates dislike) are legitimate subjects of debate. But we should not unleash a health care upheaval simply as an afterthought. If MSAs are as good as claimed, let them prevail as a stand-alone measure after a full debate. Right now, they're simply hitchhiking on other health care legislation. (The same objection also applies to a rider on the Senate-passed Kassebaum-Kennedy bill: the requirement that mental health benefits be included with insurance. No one knows the consequences of this; it could be immensely expensive.)

The political puzzle is why so many Republicans are obsessed with MSAs. There's no public clamor for them. Portraying them as a truimph of individualism over government control is a rhetorical delusion. MSAs are simply another government health care subsidy in a system already swamped with them. Like other subsidies, MSAs would channel and constrict people's freedom. The funds in these accounts, for example, could not easily be used to buy "managed care" policies.

Yet again Republicans seem to be falling into a self-made trap. The White House cited MSAs as one reason for rejecting the congressional plan to curb Medicare spending. And now the president has threatened to veto the Kassebaum-Kennedy bill if it authorizes MSAs, even though the bill's main feature—protecting workers with "preexisting" health conditions against losing insurance—have wide support. If Republicans let their ideological fantasies obstruct useful legislation, they risk being attacked ruthlessly. And they will deserve it.

[From the Los Angeles Times, June 6, 1996] U.S. DESERVES THIS HEALTH REFORM—CON-GRESS SHOULD FIND A WAY TO SAVE KEY LEGISLATION

That the Kennedy-Kassebaum health Insurance Reform Bill passed 100 to 0 in the U.S. Senate on April 23 was no fluke. Both Republicans and Democrats knew it incorporated the best and most pragmatic elements of the ambitious Clinton health reforms that crashed in 1994, reforms that would limit exclusions still existing in more than half of all Americans' health insurance policies and that would make health coverage portable so workers would not lose their insurance if they changed or left their jobs.

The bill enjoys the support of both President Clinton, who applauded it in his State of the Union address in January, and Senate Majority Leader Bob Dole, who as recently as Tuesday said he would like a reasonable facsimile of it passed before he retires from office next week.

Nevertheless, many on Capitol Hill say the bill is doomed because of the failure of House and Senate members to nail down a workable compromise. Progress has been made in recent days on two key provisions, dubbed NEWAs and parity. House members have informally agreed to drop their insistence on exempting small insurance pools called NEWAs (multiple employer welfare arrangements) from state regulation. This is good news for consumers, because otherwise MEWAs would not have to comply with state mandates that require plans to offer such essential procedures as mammography screenings and newborn infant care.

The other compromise has been on socalled parity, the Senate bill's requirement that mental illnesses be covered as fully as physical health conditions. The new language instead simply calls for more study. Given the Senate bill's fuzzy definition of what constitutes "mental illness," there is certainly a need to look at studies before drafting further legislation. The real stickler is medical savings accounts, or MSAs. These would allow Americans covered by high-dedcutible "catastrophic" insurance (a deductible of \$1,500 for individuals, \$3,000 for families) to make taxfree contributions to private accounts and either use that money to pay medical expenses or roll it over into IRAs or pension plans

The basis idea behind the MSAs is sound: to encourage ordinary citizens to assume some of the responsibility for the country's spiraling health care costs (expected to reach \$1 trillion by the end of this year). But large, national consumer groups like Citizen Action have argued reasonably that the MSA provision, being pushed primarily by House Republicans with the backing of the American Medical Assn., would encourage the wealthy, who could afford to pay high deductible, to opt out of low-deductible or comprehensive plans, thus raising the costs for everyone else, and could tempt the presumably healthy to avoid wellness checkups that might save them money in the short term but could raise their medical costs down the line.

The only politician on the Hill powerful enough to persuade the Republicans to accent a compromise on MSAs—such as Sen Edward Kennedy's notion of testing them in key states—is Dole. The presumptive Republican presidential candidate has much to gain from marshaling his formidable negotiating skills, for he insisted on a workable compromise when it became clear that Clinton's health care bill was doomed. The presdient stands to gain as well, for in his State of the Union address he declared passage of a compromise health bill a top priority. Both have much to lose if they don't get behind this bill in the coming week, but given the bill's indispensable provisions, the sorest loser may be the average American.

#### [From the New York Times, May 30, 1996] Mr. Dole's Health-Care Task

Bob Dole says he wants to pass health-care reform before he steps down as majority leader and leaves the Senate next month. The task will not be easy. Bills passed by the House and Senate would perform a valuable service by requiring insurers to offer coverage to workers who lost or quit their jobs, a requirement known as portability, though nothing in these modest bills guarantees that coverage would be affordable for individual workers. But Congress is hung up over three ideology-laden provisions added to one bill or the other. Mr. Dole has yet to resolve the wrangling.

The House bill would enshrine a favorite conservative remedy, the so-called medical savings accounts. The bill would provide a tax break for money deposited into these special accounts and the money would be used to pay routine medical bills. The owners of these accounts would cover their large medical bills by buying a high-deductible, or catastrophic, policy.

Proponents say the accounts will discourage wasteful care because individuals will be aware of each dollar they spend. But the accounts will probably do little to discourage waste because an overwhelming percentage of medical expenditures are accounted for by the 15 percent or so of the population that rack up huge bills and therefore are well beyond the deductible of their catastrophic policies. Even worse, medical savings accounts will siphon healthy patients out of the market for traditional coverage, leaving a concentrated pool of sick applicants who will be forced to pay sky-high rates for ordinary coverage.

Mr. Dole knows he cannot push the savings accounts, which conservatives love as a gov-

ernment-free solution to health reform, past a Presidential veto. Some in his party are willing to settle on a demonstration project. Demonstration projects of an untested idea make sense. But President Clinton ought to be wary. For a demonstration project to provide a valid test, it would need to last at least six years-enough time to watch how healthy people who own the accounts react when they become sick. Will they junk catastrophic coverage? will they save money after sick years balance out healthy years? Will they forgo preventive care, driving them to high-cost specialists? Shorter periods would not suffice because more than 85 percent of the population are healthy at any one time and would not need to dip far into their tax-subsidized deposits.

Another obstacle to compromise concerns purchasing pools, a sensible way for small employers to join to negotiate discounts with hospitals and physicians. The Senate would encourage such small-employer pools, but keep them under strict state regulation. The House bill would unwisely create loopholes through which small employers could escape government oversight, even state monitoring of solvency and grievance procedures.

The third obstacle is the Senate's well-meaning provision to require insurers to cover mental illness on a par with other conditions. Americans do need adequate coverage of mental illness. But the hastily adopted provision would create major economic problems that will probably doom the measure to defeat. The provision is likely to boost insurance costs by as much as 10 percent and drive employers to drop coverage of 400 000 workers

The Senate is right that health-care policies should include adequate coverage of mental illness. But the proper way to achieve that goal is for Congress to appoint a commission to come up with a cost-effective package of federally defined basic health benefits. Piecemeal mandates, conceived in haste, are likely to produce unintended adverse consequences.

The only bill that has a realistic chance of passing Congress and getting past the White House is one that sticks close to the Senate bill but forgoes mental-health parity until another day. This is an obvious compromise for Mr. Dole to seize.

[From the Dallas Morning News]
No Cure-All, Medical Savings Accounts
Present a Flawed Solution

(By Lisa McGiffert)

Two time-tested adages come to mind when I hear about medical savings accounts: If it sounds too good to be true, it probably

The devil is in the details.

Empowering people to make their own health care choices and cutting wasteful spending are worthwhile goals. But medical savings accounts are a misguided attempt at health care reform.

Although the concept being proposed to lawmakers stands to enrich the coffers of some major insurance companies, it has the potential to limit access to health care for millions of Americans and to cost taxpayers billions of dollars.

Medical savings accounts will provide little help to the vast majority of families that are excluded from insurance because of preexisting conditions or modest means.

Nevertheless, the idea is being sold by insurance lobbyists as a market-based solution for controlling health care costs. It is attracting attention both among Texas law-makers and in Congress.

In Texas, the state Senate Economic Development Committee is studying the potential benefits and liabilities of medical savings accounts. In Washington, Rep. Bill Archer, R-Houston, is authoring legislation on medical savings accounts.

In a typical medical savings account, a person purchases an individual catastrophic insurance policy (as opposed to a group policy) with a high deductible of, say, \$3,000. To

pay for health care expenses below that amount, the individual sets up a tax-free medical savings account. After the deductible is met, the catastrophic policy—which can have struck limitations on coverage—be-

comes effective.

Medical savings accounts also can be offered by employers, who fund the employee's account and pay for the catastrophic coverage. If you are fortunate enough not to incur medical expenses, you can roll over the year-end account balance, tax free, into the new year. Or you can pocket it, pay taxes on the money and use it for other purposes.

But medical savings accounts aren't the magic pills envisioned by their promoters. Quite the contrary, they run counter to good health insurance principles.

Good health policies should:

Be available and affordable. Medical savings accounts target mostly young, healthy subscribers leaving other health insurance plans with a pool of more expensive subscribers. Some individuals and small employers in those other plans could be forced to terminate their coverage due to the resulting cost increases.

Even people who choose medical savings accounts run the risk of higher costs. Individuals who gamble on being healthy and guess wrong could face higher health costs after their accounts are depleted and before the catastrophic coverage kicks in or if they need services that are excluded by the plan.

Offer full benefits with proper consumer protections. Medical savings accounts will be exempt from all mandated state benefits that guarantee protections to consumers, such as requiring policies to include newborns during their first 31 days of life and to cover complications of pregnancy just like any other illness.

Most medical savings account legislation hasn't specified what the policies should cover, opening the door to stripped-down, low-value plans. What's more, medical savings accounts will move more people from group policies into individual policies, leaving them with the least consumer-friendly of insurance products.

Be easy to administer. Most medical savings accounts allow administrative fees for managing the accounts, making them incrative for insurers and bankers but a poor deal for consumers. Under one proposal, consumers could be charged 10 percent of the amount in their medical savings accounts.

Offer a good value for the premium dollar. The sellers of catastrophe insurance plans are betting that medical savings accounts will deliver healthy profits. That is a good bet, considering that only about 12 percent of adults spend more than \$5,000 per year on health care. Most medical savings account holders never will have the kind of "catastrophic illness" their high deductible insurance plan covers.

Medical savings accounts represent special-interest legislation at it worst. They have been subject of extraordinary lobbying efforts in state legislatures and Congress. That an idea as flawed as this has gone so far with lawmakers is a tribute to the power of money and influence. What this country needs is major reform that guarantees full health care coverage to everyone, not another junk insurance plan.

Medical savings accounts are a bad idea.

[From the Baltimore Sun, Apr. 25, 1996]
ANOTHER CHANCE FOR HEALTH CARE REFORM

Not since Dorothy skipped up the yellow brick road has Kansas presented anyone quite as appealing as its junior senator, Nancy Landon Kassebaum. As she moves toward the close of a distinguished 18-year legislative career, Senator Kassebaum is cosponsor (along with Democrat Edward M. Kennedy) of a sensible first-step reform of the nation's health care system.

Senate passage of the Kassebaum-Kennedy measure by a rare 100–0 vote reflects strong popular backing. It would be unforgivable if this measure were encrusted in conference committee with amendments that would lead to its defeat or veto. Mrs. Kassebaum set the right course when she voted against additions she herself favors.

Americans should spurn complaints that her bill fails to achieve the grandiose transformation proposed by the administration in 1993. President Clinton now acknowledges he "set the Congress up for failure" by seeking to do too much too soon and by "dissing" Republican alternatives that would have gone much further than the Kassebaum-Kennedy measure.

Of more immediate concern, however, is whether Kansas' senior senator, presidential hopeful Bob Dole, will also overreach by not sticking with the Nancy Kassebaum approach. He's on the conference committee; she is not.

The Senate bill is neither incremental nor inconsequential. Some 25 million Americans are caught in "job lock"—fearful of quitting their jobs because they cannot take their health insurance with them or because they have an existing medical condition that could lead to the denial of a new policy. The pending legislation would guarantee the "portability" of such insurance coverage. It would also increase the tax deduction for health insurance costs incurred by some 17 million self-employed.

Against Mrs. Kassebaum's advice, the Senate tacked an amendment to her legislation that would require health insurance coverage of mental as well as physical ailments. This is a laudable concept—one that will someday materialize—but it has drawn fierce opposition from a cost-conscious business community.

Far more partisan is a Republican proposal to allow tax deductions for so-called medical savings accounts. Senator Dole was humiliated last week when five GOP senators combined with Senate Democrats to defeat his effort to add this to the Kassebaum-Kennedy bill. Senator Dole would be well advised to drop this idea, which is in the House bill, rather than make it a veto-bait amendment that would wreck prospects for any health care reform this year. He should, in short, skip along on Nancy Kassebaum's road to realism

### [From the Washington Post, June 3, 1996] SENATOR DOLE'S FINAL BUSINESS

Bob Dole has only a few days left in the Senate. How will he spend them? He said last month that he hoped before stepping down to stage one more vote on a balanced budget amendment to the Constitution, even though it's pretty clear that the proposition would fail—as well it should. He has also said that he would like to see to enactment of the so-called Kassebaum-Kennedy health insurance bill, meant to help people keep their coverage when they fall ill or are between jobs.

The latter surely is the better use of his remaining time. The balanced budget amendment is show horse legislation—a deceptive, destructive proposal whose likely effect would be less to balance the budget than to weaken the structure of government by en-

trenching minority over majority role. The health insurance bill would allow Mr. Dole to leave the Senate having, fittingly, as his last act, accomplished something substantive instead. The bill is a modest step only. It mainly would help the already insured, and not so much with the crushing cost of insurance as by preserving their eligibility for it. But that's a useful thing to do. It's exactly the kind of constructive compromise with which Mr. Dole should want to seal his congressional career.

To make it into law, however, the bill needs to be kept clean. That means stripping out three provisions, two of which would be downright harmful and one of which would confer a benefit without sufficient examination of its costs.

The first is a House-passed proposal to subsidize so-called medical savings accounts. Instead of buying conventional health insurance, people would be allowed to accumulate cash tax-free to pay their routine medical bills. The notion is that the country would be better off if people were buying health care more carefully with what they regarded as their own money: the shift from insurance to savings accounts would, according to this view, help to hold down costs. But in fact the effect would be to fracture the insurance market; the healthy, for whom the savings accounts would have greatest appeal, would no longer be in the pool to help pay the bills of the sick, whose costs would rise. Mr. Dole supports the idea, a favorite of conservatives, but the president has rightly said he would veto a bill that contained it; it should be struck.

The second provision, also in the House bill, would allow insurance pools created to help small businesses and others cut their costs escape state regulation. The pools are a good idea, but not the escape from scrutiny. Among much else, they too should be kept from serving only the healthy and further fragmenting the insurance market. Finally, the Senate bill includes a requirement that insurance plans treat mental and physical illnesses essentially the same; they could no longer "discriminate" against the mentally ill by imposing tighter limits on the one than on the other, as most do now. Even health care economists who would like to confer the benefit warn that the effect would be to add to both the cost of insurance and the number of uninsured. The proposal is better intentioned than it is thought through.

Maybe Mr. Dole can't broker a clean bill like this in the time he has left, and perhaps he doesn't want to. But if he doesn't, it isn't clear who later will. The reputation he has always cherished is that, in the end, he gets things done. Here's a last one well worth doing.

Mr. KENNEDY. Mr. President, I withhold the remainder of our time.

## DEMOCRACY IN CAMBODIA

Mr. THOMAS. Mr. President, I come to the floor today as the chairman of the Subcommittee on East Asian and Pacific Affairs to discuss what in my view is the continuing deterioration of the democratic process in Cambodia.

In October 1991, the signing of the Paris peace accords ended years of devastating civil war in Cambodia and started that country on the road to instituting a democratic civil society. Cambodia's leaders agreed to support a democratic resolution of the country's longstanding civil war, to protect and advance human and political rights and