will be hearing from Secretary-Treasurer Trumka of the AFL-CIO. I commend to you the resolution on climate change adopted by the AFL-CIO Executive Council, as well as the Senate resolution offered by Senator Byrd.

Let me close by noting again that I am not opposed to our being part of international negotiations on climate change. But I would approach those negotiations the way I would approach a high-stake poker game: with an open mind, but not with a blank check.

CHARLES BEATTY'S DEDICATED SERVICE TO THE SENATE

Mr. BYRD. Mr. President, I would like to commend a fellow West Virginian, Charles E. (''Chuck'') Beatty for his significant contributions to the Senate on the occasion of his recent retirement from the Bell Atlantic Telephone Company after more than 32 years of service.

During the past 11 years, Chuck has faithfully served this institution. He was assigned to the Senate in 1986 when he was involved in the digital telephone switch installation. He has worked diligently and tirelessly throughout these years on any project required by the Senate, regardless of the deadline. Some of his other major accomplishments include overseeing the installation of telecommunications service for the last three Presidential Inaugurations and implementation of the state-of-the-art rewiring of the Russell Senate Office Building, which is nearly completed. No job was ever too big or too small or required too quickly. Chuck always provided the Senate whatever was needed as soon as necessary.

Chuck was born in Cheat Neck, West Virginia, outside of Morgantown, where his parents still reside. He frequently returns to a cabin near Moorefield to enjoy the West Virginia scenery and air as well as canoeing on the North Fork of the Potomac River.

I want to take this opportunity to thank Chuck for his dedicated service to the Senate and wish him well in his future endeavors.

SMALL BUSINESS LOANS FOR INNER CITY

Mr. ALLARD. Mr. President, recently, the Rocky Mountain News reported on a new program in Colorado, the Community Entrepreneurial Program, which provides small business loans to inner city Denver entrepreneurs.

The Community Entrepreneurial Program uses private and nonprofit funds, not government money, to fund these micro-loans. It is part of an international effort to set up small businesses around the world, Enterprise Development International, headquartered in Arlington, VA.

As we continue to find ways to help people help themselves, this program is leading the way in helping individuals with the initiative and drive to start a small business.

To quote Wil Armstrong, a Denver business leader who is very active in the Community Entrepreneurial Program, ''We're backing one little business at a time, trying to make a difference for just one person or one family at a time.''

I ask unanimous consent that the Rocky Mountain News story be printed in the RECORD.

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

[From the Rocky Mountain News, May 25, 1997]

MICRO-LOANS AID DENVER POOR

(By Al Lewis)

Micro-loans have long been heralded as a solution to Third World economic woes. Now a handful of micro-lending organizations are bringing them to Denver.

''We call ourselves the investment banker to the ghetto,'' said Stephen Rosenburgh, chief executive officer of Arlington, Va.-based Enterprise Development International.

''We seek to enable the poorest of the poor.''

Since 1985, his group has helped 660,000 people set up small businesses around the world. It has helped first-time entrepreneurs purchase everything from rickshaws to trucks, hand tools to laptops.

Now the group is contributing to a $240,000 loan pool that will finance small start-ups in low-income areas of Northeast Denver.

The Community Entrepreneurial Program, launched last week, will make 16 to 20 loans of up to $15,000 to entrepreneurs in the Whittier, Five Points, Park Hill and City Park East neighborhoods, said Bill Bridges of Belay Enterprises.

''A lot of inner-city people find it hard to connect with a bank,'' Bridges said. ''But with welfare reform on the horizon, home-based businesses and self-employment are going to become very important.''

Belay received $20,000 from Enterprise Development International to launch the program. it also received $20,000 from Agape Christian Church, Church in the City, Jubilee Community Church and Loving Saints Christian Church; and it received $40,000 from a statewide organization called Colorado Capital Initiatives.

The $80,000 from the various groups will be used to secure $240,000 worth of loans from Northwest Bank Colorado.

The three-year loans carry interest rates of just one point above the prime lending rate.

They will help start businesses ranging from painting and carpentry contractors to home-based medical billing and mortgage brokerage services, Bridges said. Loan candidates will be referred by participating churches.

Micro-lending programs like Belay's may be the wave of the future for corporate charity.

Business people sometimes scoff at the idea of a handout, but they are usually happy to donate money to programs that cultivate an entrepreneurial spirit in beneficiaries, Rosenburgh said.

They also offer their time and expertise.

''I want to use business in a way that impacts others,'' said Wil Armstrong, vice president of Cherry Creek Mortgage Co. Inc.

Armstrong, who once volunteered at Mother Teresa's home for the destitute in India, is director of Enterprise International. His father, former Colorado Republican Sen. William Armstrong, serves on the group's international advisory board, which is chaired by Jack Kemp.

''Mother Teresa was out to change the world for one person at a time,'' Armstrong said. ''In a lot of ways, that's what I believe Enterprise does. We're backing one little business at a time, trying to make a difference for just one person or one family at a time.''

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

The PRESIDING OFFICER (Mr. ENZI). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is now closed.

BALANCED BUDGET ACT OF 1997

The PRESIDING OFFICER. The Senate will now proceed to the consideration of S. 947, which the clerk will report.

The legislative clerk read as follows:

A bill (S. 947) to provide for reconciliation pursuant to section 104(a) of the concurrent resolution on the budget for the fiscal year 1998.

The Senate proceeded to consider the bill.

The PRESIDING OFFICER. The Senator from Alabama.

Mr. SESSIONS. Mr. President, I suggest the absence of a quorum, and I ask that the time be equally divided.

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

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. DOMENICI. Parliamentary inquiry, Mr. President. I understand we are on the reconciliation bill?

The PRESIDING OFFICER. That is correct.

Mr. DOMENICI. Time has been running?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOMENICI. How much time has run?

The PRESIDING OFFICER. Thirty minutes.

Mr. DOMENICI. I understand that the leadership has indicated there will be no votes today, which does not mean there will not be amendments offered. We hope that we will take a few amendments and debate them and then put them over in some stacked regime for tomorrow.

I also understand there are 20 hours of debate equally divided on this bill. Is that correct?

The PRESIDING OFFICER. That is correct.

Mr. DOMENICI. And that there is also an agreement between the leaders that we will use 10 hours of that 20 today before we recess. So I think that sort of sets the stage for those who are interested in attempting to modify the bill before us.

I have a couple of technical consents.

Mr. President, I ask unanimous consent that the presence and use of small electronic computers be permitted on the floor during the debate and discussions on this measure.

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

PRIVILEGE OF THE FLOOR

Mr. DOMENICI. Mr. President, I ask unanimous consent that the following staff of the Budget Committee be permitted to remain on the Senate floor during consideration of S. 947 and the list be printed in the RECORD. This list contains both the majority and minority staff.

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

The list is as follows:

MAJORITY STAFF

Victor Block, Scott Burnison, Amy Call, Jim Capretta, Lisa Cieplak, Kay Davies, Kathleen M. Dorn, Beth Felder, Alice Grant, Jim Hearn, Bill Hoagland, Carole McGuire, Anne Miller, Mieko Nakabayashi, Cheri Reidy, Ricardo Rel, Karen Ricoy, Brian Riley, Mike Ruffner, Andrea Shank, Amy Smith, Austin Smythe, Bob Stevenson, Donald Marc (Javits) Sumerlin, Winslow Wheeler.

MINORITY STAFF

Amy Peck Abraham, Matt Greenwald, Phil Karsting, Bruce King, Jim Klumpner, Sander Lurie, Daniela Mays, Martin S. Morris, Sue Nelson, Jon Rosenwasser, Barry Strumpf, Mitchell S. Warren.

Mr. DOMENICI. In addition, we have two others we want to have full access to the floor. I ask unanimous consent the privilege of the floor be granted to Austin Smythe and Anne Miller during the pendency of S. 947 on the day of Monday, June 23.

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

Mr. DOMENICI. Mr. President, might I inquire, am I correct in assuming that Senator ROTH and Senator MOYNIHAN intend to come to the floor early this afternoon with a modification, an amendment?

Mr. LAUTENBERG. We have heard that Senator MOYNIHAN will be here, as will, I assume, Senator ROTH, at about 1:30.

Mr. DOMENICI. That might be the first matter we take up, I understand, since it is the chairman and ranking member.

Mr. LAUTENBERG. That could be very well the case.

Mr. DOMENICI. What I would like to do is make a few opening remarks, yield to my friend and colleague Senator LAUTENBERG, and see where it turns out.

Today the Senate begins consideration of S. 947, the Balanced Budget Act of 1997. Some people wonder, when we had the debate and told the American people that we finally had reached an agreement, 5 years in duration, that would get us to a balanced budget, some people wanted us to tell them precisely what the agreement contemplated when, as a matter of fact, the agreement covered only a portion of what must be done by Congress. Then, in addition, a budget resolution was taken up on the Senate floor. During the discussion of that budget resolution, people would ask questions like, "What changes are there going to be in Medicare to make it solvent for the 10 years that are being promised?" They might ask the question, "What is going to happen to Medicaid under this budget proposal and this agreement?"

Frankly, for the most part, we told them what we knew and we told them that, in due course, a piece of legislation would be coming through that would change various laws of the land and would accomplish the goals, the savings required over the first 5 years and estimated over 10. And now, today, to put it into perspective and so the process is understood better, the committees that were charged under that budget resolution to do things—for the most part to decrease the cost of programs within their jurisdiction, within their authority; in a couple of instances they were asked to increase slightly, the expenditures—essentially those committees, eight in number, have done their work and now what we have is a law, what could be a law, that is a bill, not a budget resolution.

The bill before us is a very special bill. It is called a reconciliation bill. That is significant in the U.S. Senate, more significant than in the House, because in the U.S. Senate this proposed bill, this reconciliation bill, is granted some very powerful immunity from the rules of the Senate. The biggest one is the bill cannot be filibustered. So you see right off, when I asked the question, is it not correct that there are 20 hours of debate on this bill?—and the Parliamentarian answered yes—that is by law. In other words, we came along and said these bills should not be delayed. They are part of getting you the budget changes you need, and they deserve a privilege of being immune from filibusters. So the law set down how much time would be used for debate.

In addition, you will hear throughout the next 2 days some interesting verbiage. We will talk about amendments to the bill. Again, this bill is not an ordinary bill. Either by the statute that created the process or by subsequent enactment of the Congress, we have said that it is very difficult to amend this bill. So, essentially almost anything you try to do to this bill that changes matters of real substance that are in it are generally subject to a point of order and require 60 votes, if the point of order is made on a waiver, to make them germane and thus subject to being added to this bill.

In the meantime, since that law, we adopted another rule for ourselves. The more we did these the more we found that Senators found ways to get around what was contemplated. So, what we did, with the cooperation and assistance of the distinguished Senator from West Virginia, Senator BYRD, we adopted a rule for ourself about this bill and we have now named it after the Senator. It is called the Byrd rule. Essentially what it says is that matters within this bill or matters attempted to be added to this bill that do not substantially decrease the deficit—that is, if you introduce them, for instance, to do away with a commission, but it really isn't there to save money—then the Parliamentarian will rule that it takes 60 votes to pass them.

This is very different from an ordinary bill that comes before this body, which is the most generous parliamentary body in the world in terms of permitting Members to make amendments and argue what one might even call irrelevant matters to a bill pending. So, as an example, you can have a bill coming through here on education and somebody can get up and say, "I would like to debate the troops in Bosnia." They would get up and they could introduce a resolution or a statute on that education bill that says we are going to be out of Bosnia in 6 months. Frankly, it is debatable for as long as the Senate wants to debate it and it cannot be stricken for germaneness or relevance because, under the Jeffersonian rules that we adopted and parliamentary interpretations, we are free to offer nongermane, extraneous amendments to the bill.

In any event, Members now are familiar enough that they do go ask for some assistance before they up and offer an amendment to just change this reconciliation bill and do things their way. On the other hand, they may offer them even if they are not germane and subject to the Byrd rule, and everybody knows they are apt to be defeated because it requires 60 votes to concur in their adoption.

So that is about where we are. Again, getting back to where we are, this legislation is the first reconciliation bill that was instructed by that budget resolution that we talked to the American people about, in terms of getting to balance. It was about 2 weeks ago we adopted that resolution. It told these eight committees of the U.S. Senate to do some work to change some laws. In a sense, this represents the first leg of a three-legged stool that must be constructed to implement the balanced budget, and the bipartisan budget agreement that attended it, that the Speaker of the House and the majority and minority leaders of the Senate agreed and concurred on on May 15.

I characterize this as the first leg, because that historic agreement, to be fully implemented, requires changes both to entitlement spending, that is this first reconciliation bill; changes to our tax laws, that is the second reconciliation bill; and then, in due course, there will be 13 appropriations bills that are annual spending of money that will have to be kept within the limits prescribed in this agreement and also will have to provide some priority items that were agreed to between the President and Congress for matters that pertain to crime, education, and about 13 different items. Some are small, some are large. We have to try to put those in their appropriate place in the appropriations bills. So, I characterize this as the first leg because the historic agreement, to be fully implemented, requires changes in both the entitlement spending and changes to our tax laws and, also, limits on the annual appropriations spending account.

Obviously, it is complex. I do not know if we could get anywhere near where we are if we did not have these bills, which are privileged, as I indicated, for many of them would go on in debate for 3 or 4 weeks and many of them would be so burdened down with amendments that you would not recognize the bill when you finished. So, we are ready to take the cumbersome nature of it all and work as hard as we can so that by September 1 we have all three legs completed and perhaps the procedural changes that we must get to enforce it, which will come along here shortly, and thus be where we ought to be to reconfirm to the public we are on a path to a balanced budget.

Last week these committees of the Congress completing this bill, this first leg, were quietly adopting spending limits established in the agreement for the upcoming fiscal year. Later in the debate on this reconciliation bill, I will offer an amendment, hopefully with my ranking member, Senator LAUTENBERG, to establish appropriation limits for the next 5 years as required by the agreement. I understand Senator LAUTENBERG is concerned about one aspect of that. We will try to work together on that.

So, before the week is out, the Senate, in rapid succession, will have built the three legs of the stool necessary to carry out the bipartisan agreement which we negotiated over a period, generally now understood to be as long as 5 months of negotiating. Among those three legs, first the entitlement spending bill is before us today and, I repeat, immediately after it the second leg, the tax reduction bill, will follow, and then in due course the appropriations. When completed into law and signed by the President—and I am hopeful the two reconciliation bills will be, and I am hopeful that before September 1 arrives we will have passed all the appropriations bills, thus enabling Government to operate for another year—what we will have is we will have set about to balance the Federal budget by 2002.

If that works, and I have no reason to believe it will not, it will be the first such accomplishment since 1969. Reducing Federal spending compared to current Federal spending projections, spending will slow by nearly $290 billion over the next 5 years. And if the reform policies we adopt this week continue unchanged, we will have reduced Federal spending by nearly $1.1 trillion over the next 10 years, counting the debt service that we will not have to make because of reduced borrowing. Changing the scope of spending measured by the size of a growing economy resulting from this balanced budget plan, Federal spending will decline from 20.8 percent in 1996 to 18.9 percent in 2002.

Frankly, when I started, in 1974, as a member of the Budget Committee, I really was skeptical as to whether we would ever break this 20 or 21 percent of spending versus the gross domestic product. We will be down to 18.9 when this budget agreement is fully implemented. Again, that will be the lowest level since 1974, and, more important, 52 percent of the 5-year savings will be derived from reduced entitlement growth, particularly through the reforms and changes made to Medicare and Medicaid Programs and, in particular, on Medicare, to avoid the bankruptcy of that program.

Funding priority programs will achieve balance in 2002, and the agreement does assume some directing of our limited Federal resources to priority programs, such as children's health, assistance to disabled citizens, education, environment, transportation, crimefighting, and international affairs.

Reducing Federal taxes. When we complete the second reconciliation bill, the agreement will have been achieved to reduce taxes on American families and businesses to provide incentives, savings and investments and to provide relief for families with education expenses.

Enforcing the agreement, when we finally complete work this week, will be extended and strengthened because we are going to add to the Budget Enforcement Act of 1990 and give the American people assurances—as sure as we can—that we will live by these decisions, because to break any of these caps over the next 5 years will require a waiver of this agreement and will require a supermajority of 60 votes.

So, Mr. President, I say to fellow Senators, in short, this could turn out to be a very busy and, hopefully, a very successful week. It will be a week in which the fiscal policy decisions we make will resonate for many years to come. As it relates to the immediate bill before us, I thank the eight committees, their chairmen and ranking members, for acting as quickly as they did to report to the Budget Committee their legislative pieces which will carry out the agreement.

The legislation before us is, in very large part, consistent with the agreement. However, in a few areas, the legislation does not comport with the agreement. An argument can be made that certain provisions are inconsistent with the agreement. Obviously, we will work on those over the next 2 days. Under the Budget Act, the Budget Committee could only bundle the eight committees and the language given to us for this report, and I quote from the statute, "without any substantive revision."

It falls to the leadership and us in the full Senate to attempt, where necessary, and to the extent the rules of the Senate permit, to make changes that might result in it being made more consistent with the agreement and, I also want to mention, to the extent it is not totally inconsistent in some areas. There is one additional opportunity to fix it, and that will be when we go to conference with the House. They will be working on their bills simultaneous with this, and they will be off the mark in a few areas. When we go to conference, we will attempt to reconcile those differences and make them as consistent with the agreement as possible.

I remind all Senators and their staffs, again, that this bill is on a special fast track, as I have alluded to. It is actually the paramount special fast-track legislation provided for in the laws and rules of the Senate. So amending can be tricky. I have already indicated that germaneness and not being extraneous are very important, and you can violate those standards only with 60 votes.

So over the next 20 hours allowed on this legislation, I anticipate we will have four broad areas of amendments, and not all will be germane and probably many will be extraneous, but nonetheless, we will need to consider, first, as I mentioned earlier, the agreement calls for enforcement under the strict rules of the reconciliation budget process. Enforcement could not be considered in the committee. Any enforcement legislation similar to 1990 and 1993 will need to be considered on the floor. The joint Budget Committee staffs and the administration officials have been preparing such an amendment, and other Senators will probably also offer their amendments to enforce the agreement.

Second, there will be a group of amendments that may need to be considered to bring legislative language into compliance. I will work with the leadership and the affected committee chairmen and ranking members to make sure that these amendments are necessary and consistent with the agreement.

Third, the legislation before us falls short of the deficit reduction target assumed in the agreement. It may be necessary to consider some amendment that would bring the legislation before us into compliance, or modifications to the agreement will have to be considered.

Finally, the legislation before us includes provisions on which the agreement was silent. Some of these in the Medicare area have been controversial, such as means testing of the Medicare deductible or gradually increasing the age when individuals will be eligible for Medicare. I am sure we will have some hearty discussions about these provisions, and there will, obviously, be amendments to them.

So now, Mr. President, the Senate business and work lies before us. It is important work for the country's fiscal future. After nearly 2 years of debate with the administration on how to achieve a balanced budget, it is work that, once completed, I think, will become law and will balance the budget. It has been way too long in coming. I look forward to closing a chapter in the Senate at the end of this week, perhaps as late as Saturday, and immediately upon return from the Fourth of July recess, to reconcile with the House our differences and get this completed as early after the Fourth of July as possible.

I thank the Chair, and I thank the Senators for listening. I yield the floor at this point.

Mr. LAUTENBERG addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Jersey.

Mr. LAUTENBERG. I thank the Chair. I want to say, Mr. President, this is my first year as ranking member on the Budget Committee to process the budget resolution, and it has been an interesting experience. It is a fairly complicated process. I had a lot of learning to do. I still feel that I am playing catchup in some areas, but it was largely through the good work of Senator DOMENICI that the process moved fairly expeditiously. We work well together. The relationship, on a personal basis, is excellent. We disagreed without being disagreeable, and we completed this arduous task. It has gone on for several months and I think probably will be a milestone mark in the way a budget is developed because of the target that it has, a balanced budget in the year 2002, 5 years hence. There will be enormous change as we go along.

Mr. President, I have to point out that this comes at a time when things are pretty good. Since President Clinton has been in office, we have seen dramatic changes in our fiscal condition. For instance, the annual deficit came down from $290 billion, in round terms, in 1992, to an expected $70 billion level for the year 1997.

So we have had dramatic declines in the deficits. Our unemployment is at a low point in decades. America is very competitive. We are sending out the kind of high-valued products that we like to see being shipped to other countries, in terms of international commerce. We have the lowest deficit to GDP among all countries of the world, running around 1.5 percent, the envy of almost every nation on this globe. Our ratio of taxes to GDP is the lowest of any nation on the globe. We are talking about large societies, advanced societies.

We just saw completion of the gathering of the heads of government in Denver, eight countries, including ours, in which I guess America boasted a little bit because we have been leading the way. Countries that were so envied for so many years, like Germany and Japan, are trying to figure out how we did it and with a tax base that enables people certainly to succeed, acquire, in some cases, incredible fortunes, fortunes far larger than we ever dreamed possible.

There used to be a time in America when if someone was a billionaire, that was a stand-out person. It is not all inflation, but today they are counting billionaires and multibillionaires. There is success after success of people going into the corporate world, from whence I came, and work a few years with a company and walk out with $20 million, $50 million, some people being paid $25 million a year on a regular routine.

It is quite incredible and quite different, by the way, than the guy who works hard every day and tries to support his family and thinks about where he is, whether his kids are going to be able to get an education so they can move up the economic ladder. He worries about his old age, ''Will my pension be there when I am ready to retire?'' ''Will I be able to give a hand to my mother if she falls sick beyond the capacity of the system as it is presently designed to take care of her?'' ''Will I be able to continue to live on a little plot of land and maintain my home, our home?'' Or, ''Will my wife and I have to work shifts so that she can be home when I am not, and vice versa, to take care of our kids?''

That is the picture we see in America today, with all the good results. People at the top are doing very, very well, and people at the bottom are doing slightly better but still very worried. The price of a college education, the opportunity for the kind of jobs that can sustain a family—it is quite different in the levels of income.

So, Mr. President, when we look at a bill like this which we will be considering very soon, the tax consequences of our deliberation—and we will be running into some difficult discussions here, because I know a lot of my colleagues are worried about tax breaks for those who don't need them and tax opportunities for those who do.

Today, we are talking about the first of the two reconciliation bills, this one called the spending reconciliation bill. Senator DOMENICI went through some explanatory statements to let people understand what it is about this arcane system of ours—frankly, it is a mystery to most and to many even inside this place—about the budget resolution, the reconciliation, enforcement, and all of the terminology that becomes routine when you are working with it every day, and talking about germaneness and relevance. Around here, relevance, to steal a phrase, when they talk about beauty in the eyes of the beholder, relevance here is in the eyes of the bellower. That is where often debate comes about—relevance. But we have a process by which we determine whether or not something is relevant. So that will be considered as we go along.

So, Mr. President, I want to just say once again that I commend the chairman of the Budget Committee for his hard work and cooperative attitude over the past many months. We have spent long days in tight quarters working on this—by the way, no longer smoke-filled; that's out, as we see now with the tobacco legislation in front of us.

Senator DOMENICI is one of the most competent, serious, hard-working Senators in this body. I enjoyed, as I said earlier, working with him over these past few months. The reconciliation bill before us includes provisions that have been, as the chairman noted, reviewed and developed by eight different authorizing committees. Our colleagues on those committees deserve real credit for moving fairly quickly to put these pieces together. I commend them for their hard work.

When I look at the final product, there is much in this legislation to be pleased with. It makes some improvements in Medicare solvency and extending the trust fund. It restores some important benefits to legal immigrants. It includes $3 billion to move people from welfare to work. We want that to happen. And it softens the law that denies food stamps to those who try but are unable to find work.

Despite these positive elements, Mr. President, I have serious concerns about this legislation in its current form. It is blatantly inconsistent in parts with the bipartisan budget agreement. Once again, I have to say that we labored long and hard and honestly, I believe, in trying to establish agreements. They did not always go down easy. Some of these were bitter pills to swallow. But we inched our way at first to get there, and finally it evolved into a consensus that we felt we could live with.

The bipartisan budget agreement had some problematic provisions that now we are seeing—frankly, I would have to use the word ''attacked''—in some ways. I want to touch on a few examples.

First, I think this bill does challenge or violate the provision in the budget agreement that protects senior citizens with modest incomes from increases in Medicare premiums. The bipartisan negotiators set aside $1.5 billion specifically for this purpose. But the Finance Committee has refused to allocate this money. Now, this must be fixed. I understand they are considering it even as we speak.

Second, the bill violates the provision in the budget agreement that protects those who have come into our country legally, paid taxes, played by the rules, who suffer at a future time from a disability, accident, sickness, or otherwise. The budget agreement clearly requires that these innocent victims be protected. However, the Finance Committee has refused to include that in their agreement and included only a temporary restoration of benefits. This, too, must be fixed.

Third, the bill fails to provide Medicaid coverage for the 30,000 children who are losing SSI benefits under last year's welfare bill. This runs counter to the goal of ensuring that America's children have health care coverage. It is another blatant violation of the bipartisan budget agreement.

Mr. President, it is up to the congressional leadership, not the leadership of the committees, to correct these problems and to bring the reconciliation bill back into compliance with the budget agreement. Senators LOTT and DASCHLE have agreed in writing to do this through bipartisan leadership amendments. I am confident that this commitment is going to be fulfilled. But as I mentioned earlier, Mr. President, I am concerned about other provisions as well in this reconciliation bill that go beyond the bipartisan budget agreement. I want to outline some of these.

First, the bill changes the age for eligibility in Medicare from 65 to 67. Mr. President, that may be a worthwhile subject, but not here, not in this bill. There is no legislation to protect the seniors who will be aged 65 and 66 as they wait for eligibility going from one place to another. For many companies, for many situations, the retirement period is age 65. It is common. I do not think it is right to be in here. The issue was never discussed during the negotiations on the budget agreement. So while there may be an argument for considering related proposals as part of a broad review of health care and entitlements, this is not something that we ought to be doing now on a fast-track reconciliation bill. Our senior citizens deserve more than that, or one day to be senior citizens.

Nor, Mr. President, should we be considering a fundamental change in the universal nature of the Medicare Program as part of a fast-track bill? This legislation would introduce means testing to Medicare. Again, I realize that there are Senators here who support this proposal. But the long-term implications for this move are enormous. They deserve much more thorough debate than is possible in this legislation.

Mr. President, the bill before us also includes several other provisions that go beyond the bipartisan budget agreement that are of concern.

The bill would increase the financial burdens on some of our most vulnerable senior citizens, poor people, people impoverished by establishing a new copayment for home health visits.

It would authorize medical savings accounts, a new approach to Medicare that could, in my view, harm its long-term viability, harm the viability of the whole Medicare Program, because it would give people choices outside the system and perhaps would pull out those who are in good health and leave the rest to those who are not quite up to snuff. It would make excessive burdens for them. It cuts the Medicaid payments. The hospitals also would be curtailed, and they serve a disproportionate share of poor and uninsured patients.

So, Mr. President, these and other problematic provisions should not be in a reconciliation bill—again, I remind you, fast track; this will be done sometime tomorrow—that is designed to implement a bipartisan budget agreement. I hope that many of these things can be eliminated before the Senate has to vote on final passage of the legislation.

I want, Mr. President, to caution my colleagues that they are to get here with their amendments because the time continues to pass. As Senator DOMENICI has said, at some point the 20 hours that is allocated for the debate will be consumed by just wasting time. If that is the case, those who have amendments that they care about will be here in the final moments of the time that we have allocated to this debate and they will not be able to bring them up. They may be able to introduce them and get a vote on them, but they are not going to be able to discuss them, they are not going to be able to argue the merits. I think that is something that people ought to pay a lot of attention to if they are serious about the amendments that they are proposing.

So, I plead with our colleagues, get over here, get your amendments in. The fact that there will be no votes today does not have anything to do with the time schedule. If these issues are going to be voted upon, these amendments, that can be done tomorrow, but the debate will have to be held before we run out of time.

So I conclude, Mr. President, by saying this to my friend and colleague, the chairman of the Budget Committee, that despite the various controversies that have pitted our two parties against each other, we have managed to maintain a spirit of bipartisanship in our efforts to balance the budget in the proper way. I believe that we will maintain that cooperative approach. But if we are going to do it, many of these problems will have to be addressed before this legislation is sent to President Clinton. I look forward to working with Senator DOMENICI and with the leadership on both sides of the aisle to make it happen.

Let us get a bill that we can live with, a consensus bill, much in the manner that we shook hands on; maybe with a grimace or two across the table, but we did it. We arrived at a consensus. I need not go to such elementary teachings to say a consensus really reflects a give-up by all parties to a discussion. A consensus is not I win, you lose; it is we both win a little and we both lose a little. That is what we did to get to where we are. Therefore, I express some disappointment in the changes that have been made in the process of reconciliation and hope that we will be able to change the changes and get on with this bipartisan budget agreement that we concluded here on the floor not too long ago.

I yield the floor.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Mexico.

Mr. DOMENICI. I just want to thank Senator LAUTENBERG for his observations and his comments. Whatever words he had to say about me, I appreciate.

I say, I have just an evaluation that is mildly different. I think, considering the great bulk of things the committees had to do—and, you know, we had an agreement for the first time that told them they had to do certain things; before it was a very vague instruction—I think they did fairly well. I mean, I think we can count on the fingers of our hands—probably even if we did not have all five fingers, we could even on less than five—the areas that they did not comply with. I think they are going to work with us to try to get those done.

Obviously, there is one that is difficult that has to do with the radio and television spectrum. That is a little more difficult. The administration told us we could get a lot of money and, if we did not go that far, it would not last. It turns out it is very hard to do that. But we are working on that, in a bipartisan fashion also.

I say to Senator WELLSTONE, you have been here for a while. Senator JUDD GREGG has indicated that it was all right with you if he proceeded.

Mr. WELLSTONE. That is correct.

I just want to ask the managers—it is fine with me if Senator GREGG proceeds. It is my understanding that Senator MOYNIHAN will be coming to the floor seeking a modification.

Is that correct?

Mr. DOMENICI. Yes. He and Senator ROTH or somebody.

Mr. WELLSTONE. When do we expect them to come to the floor?

Mr. DOMENICI. I thought it was 1:30 to 2 o'clock. I think we will have some time for statements before that if you want to make a statement before that.

Mr. WELLSTONE. I say to both my colleagues, I potentially am ready to do an amendment or two. But I would rather wait until after some discussions with other Senators. Also, Senator MOYNIHAN and Senator ROTH will be here.

I thank the Senator for his courtesy.

Mr. DOMENICI. I say to Senator GREGG, how much time would you like?

Mr. GREGG. Fifteen minutes.

Mr. DOMENICI. I will yield the Senator 20 minutes.

I wonder if you could do me a favor. I am going to sneak out and get something to eat. Would you manage the floor for about 15 minutes?

Mr. GREGG. Certainly.

Mr. DOMENICI. I thank the Senator.

I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Hampshire for 20 minutes.

Mr. GREGG. First, I rise to congratulate the Senator from New Mexico and the Senator from New Jersey, the chairman and ranking member of the Budget Committee, for getting us to this point where we are in the process of voting on and hopefully reaching a conclusion on two very important reconciliation bills which deal with the critical elements of how we manage entitlement spending and how we manage tax policy here at the Federal level, and which lead, hopefully, to a conclusion that we can say with certainty that the balanced budget agreement which was reached has been met and that we will therefore have a balanced budget which our children can look to as a benefit and which we can look to as a success.

I want to speak specifically about two elements of the reconciliation bill which I consider to be important, two different bills, the one that deals with the spending, the entitlement bill, and the one that deals with tax policy, and talk about the Medicare Choice Program, reform program, and the pension language within these two bills, because I think these bills have made giant strides in both these areas toward addressing some fundamental public policy needs.

I commend Senator ROTH and the Finance Committee for including these important provisions on both Medicare and on pension reform.

Earlier this year I introduced S. 246, the Choice care bill. It was essentially similar to legislation that I had introduced in the last Congress, which was included in the Balanced Budget Act that year, which unfortunately was vetoed by the President. The Medicare savings achieved in this reconciliation bill represent only a tentative start, however, toward placing the Medicare system on a path toward long-term solvency. But they are an important start. There are still trillions of dollars of unfunded Medicare liability awaiting us, and this legislation does not address it all, but it does get us off on the right foot.

I am pleased we have taken this opportunity to enact some of the structural reforms that are key to real substantive Medicare reform and the stabilization of the Medicare trust funds. In my Choice care bill and in the provisions contained in this legislation, seniors will be able to choose from a large variety of health care purchasing options. They can remain in their traditional Medicare plan, they could instead buy an HMO, or they could buy from a competing medical plan provided that it meets the benefit standards of the present Medicare system. So seniors will have a wide variety of new and exciting choices.

When we offer seniors this great array of choices, we benefit not only the seniors but the system as a whole by bringing it into the marketplace. Traditional Medicare must then effectively compete for the right for seniors' health care spending in the marketplace and the people in the marketplace who are willing to give other options to seniors. Suppose, for example, there are plans that can deliver services more effectively and more efficiently than Medicare in a particular region of this Nation. If they can do that, then they can offer a more substantial package of benefits for the same costs, and, therefore, seniors will have an incentive to buy from these plans.

Take, for example, if a plan was able to offer the seniors not only the basic Medicare benefit but also maybe an eyeglass benefit or a prescription drug benefit. That option is now going to be available to the seniors. This benefits the health of the system because, at the same time, this legislation gains control over the rate of growth of the per capita spending in the Medicare Program. So whenever seniors move into these plans that can offer them a better benefits package, the entire system will save money because the Medicare system will be spending less money per capita on these seniors than it would under the traditional Medicare system.

If they are getting a stronger package, you might say, how can that be? It is called the marketplace, it is called capitalism, it is called what is happening in the private sector today, in the health care system generally. But, unfortunately, it is not helping Medicare, which was designed for a 1960's health care delivery system, which simply is not operable in the 1990's or as we go into the year 2000.

This legislation begins to flatten the wide disparity in reimbursement levels that exist between geographic regions in this country by gradually blending over time local and national reimbursement rates. If we do this, then we make spending patterns in Medicare more fair and reward those regions of the country that have already done well in holding down costs. The disparity between regions is really excessive. For example, in some parts of this country, like New Hampshire and Oregon, and I suspect in Wyoming, where the Presiding Officer is from, the costs of Medicare benefits are significantly lower than in areas like Staten Island. In fact, it is lower by almost $500 a month.

It is imperative we include such reform as a component of the Medicare Choice Program because only by doing so can we be sure that seniors in low-cost areas will ultimately have access to a wide array of benefit packages. As long as reimbursement rates in some parts of the country are unfairly low, it will be difficult to entice plans into those regions to compete for seniors' dollars even though the health care benefits in those areas today are being maintained at a high level.

I believe we should have increased the incentives available to seniors to become cost conscious by offering them opportunities to save money in the manner in which they buy Medicare. That is the incentive that truly moves shoppers, and I believe that Medicare Choice would be a greatly strengthened reform if we had included a cash-rebate incentive. Under my original bill, S. 246, every time a senior bought from a less expensive plan, even though the benefit package in that plan had to meet the same benefit package or exceed the benefit package of the present Medicare system, if the plan costs less because of competition and efficiencies within that plan, then 75 percent of the savings would have gone to the individual, and the remaining 25 percent would have been deposited in the trust fund. Thus, the trust fund would never lose money due to such rebates.

On the contrary, the trust fund would receive money every time a senior sees this incentive to make a cost-conscious decision. Unfortunately, this language was left out of this bill, and, in fact, there is some language in this bill which undermines the ability to create incentives in the Medicare system under the Medicare Choice plan. I expect I will be offering an amendment to correct this, an amendment to strike that section which limits the ability to offer incentives, because lacking that important incentive we cannot, in my opinion, create the huge marketplace forces which we need in order to significantly control the costs of health care and to create marketplace forces within the health care systems.

Even considering that, this package still offers the incentive to seniors that where their plan can be more efficient, they will be offered an enhanced package of benefits. That is a significant incentive. While perhaps not as powerful a purchasing incentive as an actual cash rebate, for example, it is my hope that the prospect of strengthened benefits will prove a powerful enticement that allows seniors to move more comfortably into buying Medicare Choice plans.

I am reminded of the old saying that you begin a trip, a long journey, with one small step. Well, this package that has been brought forth by the Finance Committee is a series of small steps. It has gotten us well into the journey. It has not gotten us to the end, but it has gotten us down the road by giving seniors more choices and more opportunities in the way they purchase their health care.

At the same time that the Finance Committee has made significant strides in the area of Medicare by making Choice care available to them in the Choice care plan which I introduced, it is also contained in the tax resolution which will be coming forward later in the week, a significant incentive to increase retirement savings. I congratulate, again, and thank Senator ROTH, the chairman of the Finance Committee, for including so many of the ideas and initiatives which

I was able to participate in pulling together as chairman of the Retirement Task Force. I also want to particularly thank Senator BOB GRAHAM and other members of the bipartisan working group for their aggressiveness in promoting pension reform which will promote savings.

Some months ago, I was asked by Majority Leader TRENT LOTT to chair the Republican task force on retirement security, and in that capacity I worked with Senator ROTH and the rest of the task force to develop a package of proposals introduced a week ago as Senate bill S. 883.

I will not use this time here to describe again the dire circumstances of this Nation with respect to retirement savings. When we introduced S. 883, we detailed the vast gap between our Nation's retirement income and the inadequate amount of funding we are currently putting aside to meet those retirement needs. Approximately $7 trillion of unfunded liability sits in our different retirement accounts. I am very pleased to note that no fewer than 13 of the provisions, 13 of the provisions of S. 883 have been included in some form in this budget reconciliation package. While many of them are small or technical corrections without significant revenue impacts, enacting these reforms will do much to improve the prospects for expanding pension coverage and retirement savings.

Because time is limited, let me list only a few of the reforms that have come to be included in this package which I think are positive for encouraging people to save for their retirement.

This budget reconciliation package includes the first title of the WISE bill, S. 260. This part of the WISE bill—the WISE bill being a bill directed at giving more equity to women in the area of being able to save for their retirement—strengthens the homemaker IRA. I, personally, have placed a higher priority on this provision than on any other of our task force savings initiatives, so I am particularly pleased to see it was included. This provision received the active support of a bipartisan group of Senators, including, most notably, Senator CAROL MOSELEY-BRAUN from the other side of the aisle.

This provision, Mr. President, will sever the link between the homemaker's ability to make a fully tax deductible contribution to IRA and allow her to make that contribution whether or not her husband or her spouse who is in the workplace has a pension plan. This is an important provision not only because it will stimulate additional savings but because it will enable homemakers, especially women, to generate additional savings in their own name. It is about time we do that. I especially want to congratulate, of course, Senator ROTH, the chairman of the Finance Committee, who has been a tireless advocate for this idea.

This reconciliation bill also will gradually raise the income limits on the tax deductible contributions to IRA's. Our Republican task force endorsed the Roth-Breaux legislation that would have completely phased out the income limits so that every American will be eligible to fully deduct their IRA contributions. I believe that Finance Committee Chairman ROTH exerted every effort to achieve as much as he could in this area, and I am pleased he included at least a version of the language from the task force bill, gradually phasing up the income limits, doubling them by the year 2004. This will do a tremendous amount to spur savings in our marketplace and as people head toward retirement.

This budget reconciliation package also includes the backloaded IRA, an important new option in retirement savings in which the contributions are not tax deductible and the tax advantages come up upon withdrawal. This expands the capacity of individuals to take advantage of retirement incentives in a way that works best for them. It also limits the revenue loss in the short term from IRA expansion, because the contributions today will be taxed when they are made. I know many individuals will wish to use this alternative backloaded-IRA structure, and thus this will be an important incentive for additional long-term savings.

Mr. President, one thing we must do as a nation is simply make it easier and more convenient for people to save. The fact is that if we do not do this, we as a nation are going to face bankruptcy as a result of the costs of our pension systems as the postwar babyboom generation fully retires in the year 2010 and beyond. One reason why the thrift savings plan worked so well for Federal employees is that it has the feature of automatic deduction from one's payroll, automatic investment, automatic savings. I am pleased that the Finance Committee has also included the provision to allow for automatic payroll deductions into IRA accounts. This will also stimulate additional retirement savings simply by making IRA investment easier.

I am also pleased this reconciliation package recognizes we must continue to do more to stimulate retirement savings not only through individual savings but also through employer-provided pensions. I have long been troubled by the limitations that have been placed on employer funding of future pension liabilities. Employers must fund these liabilities sooner or later, and it is good policy to put more of the funding upfront to allow that funding to be invested and to use the compounding interest to increase the investment and to assure an adequate amount of funds when people retire.

The reconciliation package picks up most of the provisions authored by the task force to raise the limits on full funding by 5 percent every 2 years. I believe that our Nation's workers will be more secure by their pension benefits being funded more fully. This is a critical point because so many of our pension benefits are underfunded. The capacity of the employer to be able to fully fund the pension benefits at an earlier time in the cycle is critical to assure people will have a pension when they retire.

Some of the technical changes made by this bill are very significant. This reconciliation bill would exempt State and local government plans from the cumbersome nondiscrimination rules. This was a prime example of how many of our pension laws and regulations have been unduly complicated. Nondiscrimination rules were not created to apply to Government plans, where it is difficult to find exactly who the employer is and thus to compare employer and employee benefits. This type of commonsense change will make it easier for States and local governments to plan for functions around the country.

Another task force-endorsed reform picked up by the reconciliation bill will do much to help small business. Until now, the matching contributions made by the self-employed were treated differently under tax law than the matching contributions made by employers. By straightening out the discrepancy, we will remove another obstacle from among the many that deter small business owners from providing pension coverage. As we all know, small business is where we most need to increase participation in pension plans.

There is not time, Mr. President, to discuss every reform that was inserted into this reconciliation bill in the pension area. But I am pleased that this bill draws from reform initiatives in a variety of areas. In the area of portability—I am talking now about the tax bill coming to us after we complete the bill on spending—this bill will add extra protection to defined benefit plans that accept rollovers, protecting them from disqualification if they do facilitate that kind of portability. Moreover, the bill includes a few provisions that will streamline the paperwork process. The bill will facilitate the use of new technologies to replace old paperwork filing, and also eliminate some paperwork requirements that should no longer be required. Finally, various technical inconsistencies within the law will be eliminated if we retain those provisions in conference.

Let me close by thanking Chairman ROTH for his extraordinary effort and for his willingness to include so many provisions to promote pension reform and Medicare Choice in both reconciliation bills, as well as several other Finance Committee Senators, including Senators BOB GRAHAM, CHUCK GRASSLEY, ORRIN HATCH, JIM JEFFORDS, and others. Although I am not on the Finance Committee, I was certainly pleased to be able to work with this group to advance efforts to increase retirement savings. Savings incentives are an effective and important use of tax relief—one of the very best things that we can do with our opportunity this year to relieve the tax burden on American taxpayers. I do hope and expect that we can retain these critical provisions in these two bills.

Now let me express one area that I have concern about, and that is the area of how we handle the Medicaid expansion, or the new program for the purposes of assisting child health. I have read the bill. I understand that States have the right to choose between a capped grants program and the expansion of the Medicaid Program. It is not, however, clear to me what the requirements are relative to coverage, and how demanding the Federal Government is going to be on each State as to how and what must be covered on each child. I would have serious reservations if we have created a new entitlement program. This would be a mistake, at a time when we are trying to control the rate of growth of the Federal Government and growth of the most explosive side of the Federal Government, the entitlement accounts of this Government; it would be a serious error for us to embark on a new entitlement program.

It is not clear to me, after having read this, whether or not we have done that. It is clear to me that there was an intention not to do that. At least, in the language of the bill, and in the explanation of the bill, statements were made that it was not the intention of the committee to move down the road of a new entitlement program. Whether or not the operable language in fact creates such an event, demanding that certain action be taken, that certain expenditures be made and not funding those, or creating a situation where people can come in and demand those expenditures in a way that creates an entitlement or a mandatory program is not absolutely clear. As we go forward with this debate, I hope we will get clarification on this point. Should it turn out that this is a new entitlement program, I hope we will change that, either here on the floor or in conference, so that the intent of the language is clear, which is to create a grant program to benefit children and their health needs.

Mr. President, I yield the floor.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. GREGG. Mr. President, is the time being controlled?

The PRESIDING OFFICER. Yes. The Senator would need time yielded to him to speak, but could offer an amendment that would then be debated for 2 hours equally divided.

Mr. DOMENICI. How much time would the Senator need?

Mr. GREGG. I would need about 15 minutes.

Mr. DOMENICI. Would the Senator be agreeable at a later date, in the stacking process, to rearrange the order of his amendment if the Committee on Finance wants to have an amendment before it?

Mr. GREGG. Absolutely. I would agree to a unanimous consent to place my amendment behind whatever amendments are offered by the chairman and ranking members of the committee.

Mr. DOMENICI. Would the Senator also agree that it can be sequenced in a manner that helps the manager work this bill through? It won't take a long time. But it may be second or third.

Mr. GREGG. As long as it is not eliminated.

Mr. DOMENICI. Right.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. Mr. President, it is my intention to shortly offer an amendment which is technical in nature but goes to one of the philosophies of the Choice care issue. The Choice care, as presented in this bill which is an excellent step forward in trying to make the Medicare system more viable, efficient, and most importantly more effective for our senior citizens, is a concept where seniors are going to be given an opportunity to go out in the marketplace and choose between the variety of different care providers.

Today under the Medicare system, basically seniors are limited to the traditional Medicare and to a very limited HMO option. The traditional Medicare, of course, is a 1960's program designed to meet a 1950's medical system structure. It is not current or effective for today. It is a cost-plus system, for all intents and purposes. It is extraordinarily inefficient, and it does not allow very much flexibility in the marketplace.

The pre-Medicare system, as is structured today for the delivery of its different options to seniors, is like driving a 1961 Chevrolet down a highway in 1997 with the understanding that you are going to have to go into the year 2000 still driving a 1961 car. Everything on the car has been replaced. Very little of it works. It is blowing out a lot of smoke. It is chugging along at 45 miles an hour top speed. It simply isn't working correctly.

So, in order to try to redress that, the committee has put in place a very creative initiative in the area of Choice care, which essentially says that seniors are now going to have the ability to go out in the marketplace and choose between a variety of different health care providers. That variety of health care providers could involve an HMO. It could involve a PPO where a group of physicians get together. It can be called a PSO, again, a group of physicians getting together. Or it could involve some new way, I suspect, where hospital and doctors and somebody else designs a new way of delivering services. But the services they deliver must equal the benefits package which is presently under the Medicare system.

So seniors lose nothing in the definition of the size or nature of their benefits package. And it must equal the benefits package in the area of quality so that seniors lose nothing in the area of quality of their health care.

What they get is a marketplace which will come forward and compete for the seniors' health care. What does that do? Well, as we have seen in the private sector, that will give the seniors a whole new variety of choices, a whole new panoply of choices, from which to choose the health care provider group that they want to give them Medicare.

They may get options coming at them which say, ''Here, we are going to give you the basic Medicare package, but we are going to also throw in eyeglass care. We are also going to throw in pharmaceutical care. It is not going to cost you any more, but we will put that in to try to attract you to our supplier of health care, to our HMO, to our PPO.''

So seniors are going to get more choices. Under this benefits structure, as put forward in the reconciliation bill, new benefits can be added on top of the benefits that are supplied by the basic Medicare plan. That is a given. That is an incentive that can be put in. But what is not allowed under this package, or what is specifically disallowed, is the concept that a senior could pay less for the same benefit package.

You have to remember here that what you are dealing with is the market system. So it is more than likely—in fact, it is expected—that a variety of health care providers, as a result of being efficient, as a result of cost-saving structures which they put in place, are going to be able to supply the health care basic benefits structure of the Medicare system to a senior citizen for less than what it costs today.

For example, we pay out $4,800 a year for health care benefit. Insurance pays about $4,800 a year for insurance for seniors. That is a very high price, by the way. It is very likely that you are going to see provider groups come forward at $4,300 a year. There is going to be a $500 saving in that provider group.

Under this bill, the way the provider group adjusts for that is they must put more benefits into the package. That is the only option they have. They have to put in eyeglasses. They have to put in drug benefits. That is a reasonable approach. Yes; to give the senior more options at the same price for more health care types of health care. But another option, of course, would be let's sell it to the senior for less. That is probably going to happen, too. You are going to probably see some health care providers give the same package of options but be able to give it at less than $4,800. Under this bill as it is presently structured, if that were to occur, the health care provider would get all the savings. There would not be any incentive for the health care provider to turn some of that savings back to the

Government or back to the senior citizen.

In the original Choice care plan that I drafted—I do not say this to try to be too expansive about my own efforts—I believe was essentially one of the cores from which this plan was put together, which is in the reconciliation bill. In my original health care plan, I had language which said, if a senior is able to purchase their health care—the same package, the same benefit structure—from a health care provider, that health care provider cannot use that for selection. They cannot try to pick and choose seniors. It must take all comers. If a senior is able to find a health care provider who is willing to charge less—and the quality must be maintained under the standards we have here—then the senior, rather than having only the option of getting more benefits, would also have the option of getting a return on the lower cost premium.

So, if you paid $4,800 for seniors' health care but you could purchase health care at say $4,300, there would be a $500 savings annually. We would take that $500 savings. And the health care provider could as an option, rather than buying eyeglass care for the senior or buying health prescription drugs for a senior, could say to the senior, ''We are going to turn that $500 back to you.'' If the health care provider decided to do that, then the senior, under my original bill, would get to keep 75 percent of that and 25 percent goes back to the Federal Treasury.

That was the plan of the original bill.

This language of this bill says a Medicare Choice organization is not authorized to provide cash or other monetary repayments as an inducement for enrollment. That makes it impossible for an incentive system to be put in place. Markets work on incentives, not only benefit incentives but money incentives.

Thus, I believe that subject to the limitations of what HCFA will put on the provider, subject to the limitations that it has to be a quality system, subject to the limitations that it has to be a system which meets a health care insurance plan that meets the basic Medicare requirements of what must be covered, subject to the fact there cannot be adverse selection, there is no disincentive, no downside to creating a marketplace in force beyond added benefits of added cash, of the potential of refunding cash.

So, basically, I think this language is counterproductive to the basic goal of Choice care, which is to create market forces not only on behalf of the provider groups but within the senior community to go out and be cost-conscious purchasers. The whole idea of Choice care is to give seniors more options to choose from and create a more efficient marketplace, which will in turn create a lower cost of health care for the basic benefits package of Medicare, or at least slow the rate of growth of the cost of that health care package.

That is the whole concept of Choice care. But if you take out of Choice care any financial incentive to save, if you say to seniors: Your only incentive to purchase another plan may be additional benefits, which they may not need, then you have reduced dramatically the marketplace forces. If you take out of the system any incentive for the provider group to rebate those savings, then you have created an atmosphere where provider groups may generate savings, but they will keep them themselves. In that way, I think you skew the marketplace because in an open market when somebody is able to sell a product for less, they pass the benefit of that lower cost on to the consumer, and that is what we are trying to do in the language of the original bill—pass the benefit of the lower cost of health care on to the consumer.

So in order to address that, without putting in place the incentive system that I design in my bill—we are not suggesting that that incentive system should go in as I designed it. We are just suggesting there should be the opportunity for HCFA and for the regulatory agencies to be able to look at incentive systems and not be barred from looking at incentive systems, cash incentive systems, monetary incentive systems. In order to allow that to occur, we need to remove this language. In order to make this Choice care more effective, a potentially more dynamic force to create more of a marketplace event where seniors are actually out there thinking, hey, I intend to look around and see how much I can buy insurance for, and one of the reasons I am looking around is while I might get better benefits, the second reason I am looking around is I may get it at less cost—in order to create that type of market dynamic, which is absolutely critical if you are going to have Choice care work effectively, you cannot have language which says under no circumstances, even if HCFA were to find that it would work, can you in any way create an incentive system that involves monetary consideration.

So this language, I believe, is counterproductive to the basic goal of Choice care. I think it should be noted as an aside here also that the concept of Choice care is to make seniors more cost-conscious purchasers, but in doing that you have to remember that, yes, those seniors who are on the system today probably are not going to change. They probably are not going to change their health care system. They have been there. They have been in the system. They came out of the 1950's and 1960's when they had a sole care provider. They are used to less health care. That is the way they are brought up, most of the seniors on the system today. So we are not really targeting the Choice care concept at that group. What we are targeting the Choice care concept at is the next generation of seniors coming into the system, that generation which has already been through the health care explosion of the late 1980's and early 1990's. A variety of health care providers were made available to them, where HMO's became commonplace in the private sector and in the marketplace. These folks are going to be familiar with the concept of a PPO, PSO, or HMO as a provider group, so they are going to be comfortable with going out and shopping around.

If we create a disincentive for them to do that by saying, well, if you shop around, you do not get any of the benefits of shopping around other than some higher benefit package which you may not want to begin with, then we will be undermining a culture which already exists. We will be saying to people who are coming out of the private sector, having been used to shopping around—maybe they were in a cafeteria program where they actually got a refund of some of the costs of the lower cost health insurance since they purchased it. We are going to be saying to those people, when you get into the public system, it is basically a cost-plus system and you are not going to be able to get any of benefits of the thoughtful purchase of lower priced health care in relationship to your needs or in relationship to a one-size-fits-all package.

So I do believe that to leave this language in not only undermines one of the options that might make Choice care much more effective, but it undermines the natural, inherent attitude that is going to be coming with this new generation of people who receive funds from Choice care, who participate in Medicare, and who have been brought up in a marketplace where Choice care is the typical type of health care approach.

AMENDMENT NO. 426

So, in light of that explanation, Mr. President, which I know the Presiding Officer was closely following, which I very much appreciate, I would send the amendment to the desk.

The PRESIDING OFFICER (Mr. COATS). The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from New Hampshire [Mr. GREGG] proposes an amendment numbered 426.

Mr. GREGG. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 213 strike all of (d) and insert the following:

''(d) TERMS AND CONDITIONS OF IMPOSING PREMIUMS.—Each Medicare Choice organization shall permit the payment of net monthly premiums on a monthly basis and may terminate election of individuals for a Medicare Choice plan for failure to make premium payments only in accordance with section 1851(g)(3)(B)(i).''

Mr. GREGG. Mr. President, I make a point of order that a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. GREGG. Mr. President, I ask unanimous consent that no second degree amendments be in order relative to the amendment which I just offered.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. GREGG. I yield the floor and make a point of order that a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

AMENDMENT NO. 426, AS MODIFIED

Mr. DOMENICI. Mr. President, I understand that the unanimous consent request Senator GREGG proposed with reference to his amendment is technically insufficient to accomplish the purposes that we intended when we concurred, and so in lieu thereof I ask unanimous consent that with respect to amendment 426 no amendments be in order to the amendment or the language proposed to be stricken and the amendment be modified to reflect a straight strike of all after (i) through line 16.

The PRESIDING OFFICER. Is there objection?

Mr. GREGG. Reserving the right to object.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. I would like to ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. First the Chair would ask, is there objection to the unanimous consent request of the Senator from New Mexico to modify the amendment?

Without objection, it is so ordered.

The amendment, as modified, is as follows:

On page 213, line 13, strike beginning with ''A Medicare'' through the period on line 16.

Mr. GREGG. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. The yeas and nays have been requested. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

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

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Delaware is recognized.

Mr. ROTH. Mr. President, I am pleased by the work and cooperation that was exhibited last week in the Senate Finance Committee. It was an encouraging display of bipartisanship—both sides of the aisle working together to craft a proposal that meets the guidelines of the budget agreement and achieves needed reforms in spending programs while protecting America's vulnerable.

Out of this tremendous effort that went into the Finance Committee markup of the budget came two distinct themes that we would do well to keep in mind as we take this issue up to the floor. First, that the time has come, as President Clinton expressed in an earlier State of the Union Address, to end big Government as we know it. This is no longer an objective held by one side of the aisle over the other. It is a necessity.

We are blessed with the greatest Nation on Earth. We have the most productive citizens, the finest resources and materials, and we have the ingenuity and spirit of enterprise. We realize, however, that our resources are finite and Government's role is limited. Yet, we are willing, on both sides of the aisle, to make certain that Government efficiently and effectively provides for those with whom Government has a contractual or moral obligation to provide. Medicare is contractual. Medicaid, when it serves the most vulnerable, particularly America's children, is moral. And these feelings are shared mutually by Republicans on the committee as well as Democrats. This became obviously clear last week.

Second, we demonstrated the power of bipartisanship. I can safely say that no one, but no one, on the Finance Committee got everything he or she wanted. No one was completely satisfied with everything, as it is a compromise between differing political philosophies and between deeply held views. So while what we have passed and addressed on the floor today is not the budget package that any of us would have drafted, it represents a major step forward, a step forward that, through balancing the budget, can help assure continued growth, jobs and opportunity.

As we worked on the committee to report out this budget, I was led by two primary goals. First, to implement the budget agreement in such a manner that we not only balance the budget but that we do so in a manner that preserves and strengthens the programs impacted. As I said during the committee markup, ''It is not enough to reduce the cost of such critical programs as Medicare and Medicaid, but it must be done in a way that provides better service to beneficiaries of these programs.''

My second objective was to implement the budget agreement in a manner that assured bipartisan support for the program. I believe we have accomplished both of these. What we offer today is a workable balance, a critical balance that protects our most vulnerable populations while addressing necessary reforms in important entitlement programs.

Let me give some specifics. The largest program we concerned ourselves with was, of course, Medicare. Much has been written and said about the future of this program and the need to strengthen it for the long term. We did this. We took a critical first step towards addressing the long-term solvency of the Medicare Program while at the same time making certain that the program meets the needs and expectations of its current beneficiaries. The changes we made in Medicare actually allow us to expand Medicare coverage for certain important preventive services including mammography, colorectal screening, bone mass measurement and diabetes self-management. We are able to offer this expanded coverage and protect and preserve Medicare by incorporating choice and competition into the current program, and by slowing Medicare's rate of spending growth. Our measures will save Medicare from bankruptcy for another 10 years, while still increasing Medicare spending per beneficiary from $5,450 this year to $6,950 in the year 2002.

In expanding choice in the Medicare Program, we have used the highly successful Federal Employees Health Benefit Program as a model. Under our new Medicare Choice Program, seniors will have the opportunity to choose from a variety of private health plan options and select the health care plan that best suits their needs and preferences. These choices will include the whole range of health plan options available to the under-65 population—fee-for-service, varieties of managed care, and medical savings accounts. Through these options, seniors will be able to obtain important benefits, like prescription drugs, that are not covered by traditional Medicare.

It is clear to see how these commonsense and, again, I want to say, these bipartisan solutions will preserve and strengthen the program. We were not content to stop there. The Finance Committee proposal calls for a National Bipartisan Commission on the Future of Medicare. This will be a 15-member commission, established for 1 year, charged with making recommendations to Congress on actions necessary to ensure the long-term fiscal health of the Medicare Program, something of great concern to the ranking member, PAT MOYNIHAN, and myself.

The Finance Committee report also creates a demonstration project within the Medicare Program for medical savings accounts. This demonstration project will allow up to 100,000 Medicare beneficiaries to opt into an MSA program, a program that will allow them to choose a high-deductible Medicare Choice plan.

These changes to Medicare will result in a net savings of $115 billion, savings that will not only help us meet the budget compromise but savings and reforms that will preserve the Medicare Program while ensuring that it continues to serve those who depend on it now. Again, these important reforms were made possible only through sincere bipartisan efforts, and it is my hope that such bipartisanship will continue as we address these reforms on the floor.

Such bipartisanship also marks our treatment of Medicaid. Working together, we passed reforms that will control the growth of the program, resulting in a net savings of over $13 billion. For more than a decade, there has been a constant tug of war between the Federal Government and the States over Medicaid, as each side has asserted its will over the other. From the mid-1980's through the early 1990's, the Federal Government imposed mandates on the States and, in turn, the States shifted costs to the Federal Government. The result was devastating to all of our budgets as Medicaid routinely grew at a double-digit pace, reaching as high as a 29-percent increase in 1992. This Finance Committee proposal signals an important change in the program.

Having said this, let me be clear. We are not cutting Medicaid. Under this proposal, Medicaid spending will continue to grow. The Federal commitment to Medicaid will grow from $99 billion in fiscal year 1997 to $140 billion in 2002. The President originally proposed $22 billion in savings in the Medicaid Program. We achieved approximately $14 billion in savings.

The first part of our Medicaid reform is to give the Governors the tools they need to control this program. This will be able to move more individuals into managed care without waiting years for waivers from the Federal Government. They will be able to contract with selected providers for service. The States will be able to ask families to take some responsibility for the decisions they make when seeking health care services.

In short, our plan gives the States many of the same tools that the private sector has in stretching health care dollars. The fact is, health care as a whole has changed, and the Medicaid Program needs to catch up. Our proposal gives the States the tools necessary to act as many large employers do, to get the greatest value for Medicaid dollars. So we are taking the important next step to move both the States and the Federal Government out of the waiver process.

But we also want to ensure that as the old program requirements are replaced, quality is still assured. As I have said, in addressing the Medicaid Program, we also provided many of the reforms requested by the bipartisan National Governors' Association. These include repealing the Boren amendment provision. The history of the Boren amendment is a classic example of unintended consequences as it has been used to increase the costs of the program, rather than control costs.

The Governors and the administration agree on the repeal of this provision. It will take the providers and the States out of the Federal courts and put them back at the contract negotiating table.

As we repeal the Boren amendment, we must be very careful that we do not simply create a new round of lawsuits over what Congress means in terms of Medicaid payments to facilities.

Another major provision of our plan to control the growth of Medicaid is the reduction in spending on the Disproportionate Share Hospital Program. This DSH Program provides funding for indigent individuals who are not enrolled in Medicaid. Under current law, DSH spending is projected to increase from $10.3 billion in fiscal year 1998, to $13.6 billion in 2002. In 1990, Federal and State DSH spending combined totaled less than $1 billion, and in 1995, Federal and State DSH payments totaled nearly $19 billion.

Without reform, Federal DSH payments alone will total nearly $60 billion over the next 5 years, and we need to exert some discipline in this program.

This bill reforms the DSH Program through a combination of controls.

First, a State which spends less than 3 percent of its Medicaid Program on DSH will be frozen at its 1995 level. For these States, there will be no reduction, but also no growth.

Second, beginning in 1999, high-DSH States and low-DSH States will be reduced from their 1995 actual spending levels. A high-DSH State or a State that spends more than 12 percent of its Medicaid dollars on indigent hospital costs will be reduced from its 1995 spending levels for inpatient hospitals only. It will not be allowed to count spending on institutes for mental diseases. These high-DSH States will be reduced from 1995 spending by 14 percent in 1999 and by 20 percent in the years thereafter.

Low-DSH States are those that spend less than 12 percent, but more than 3 percent of the Medicaid dollars will be reduced from their 1995 spending by 2 percent in 1999. In the year 2000, they will be reduced 5 percent from the 1995 level. In 2001, the reduction will be 10 percent, and in 2002, it will be 15 percent.

As I mentioned, our proposal places restrictions on the States' ability to fund their State mental health facilities with Federal funds. Over the past few years, the States have shifted the cost of these facilities to the Federal Government. As you check with your State, many will find huge increases in Federal costs associated with these facilities. It is time to close this loophole.

Let me say that the President proposed $22 billion in savings from the Medicaid Program. Two-thirds of these savings were to be realized out of the DSH Program and one-third from per capita caps. The savings target has been reduced, but the potential reforms for achieving these savings are also limited.

I believe there is general agreement that through the DSH Program, the use of DSH payments had been expanded well beyond the original intent. The DSH formula has been developed with consultation and in bipartisan cooperation. The formula has been carefully designed, based on past problems in this program and with input from Members.

Concerning the steps which we take in this package to address children's health, let me begin by saying that we all share the same goal of increasing access to health care for as many children as we can. And it is clear that Members on both sides of the aisle are committed to finding an answer to the problem of uninsured children in this country.

Of the 71 million children in the United States, more than 86 percent are covered by some type of health insurance; two-thirds are covered by insurance through the private sector; 23 percent of all children in the United States under age 18 are covered by Medicaid, and another 3 percent are covered by other public insurance programs.

Of the 9.8 million children who are not insured, 2.9 million children live in families with incomes above 200 percent of the Federal poverty level. Half of these children live in families with incomes of about 300 percent of the Federal poverty level. Mr. President, 300 percent of the poverty level is over $48,000 for a family of four. This tells us that insurance coverage is more than an issue of family income. It is, in fact, a complex issue which does not yield easy to Washington-knows-best solutions.

The proposal we offer today provides the States with a choice concerning how they will expand coverage to more children. They can expand their Medicaid coverage, or they can offer a package of benefits which is actuarially equivalent to the Federal Employees Health Benefits Program.

Our intention is to build on the successes the States have been realizing. This year, the States will be increasing coverage to more than 800,000 children through initiatives proposed by the Governors.

We should learn from these initiatives and encourage the States to develop them. This proposal will allow the States to choose how best to extend coverage to children.

Expanding Medicaid is certainly a choice States have made. Thirty-nine States have expanded Medicaid eligibility for pregnant women and children beyond the Federal requirement, but States are also developing other strategies for increasing coverage of children as well. There are already public-private partnerships in more than half the States.

There are successful programs, such as New York's Child Health Plus and

Florida's Healthy Kids. These innovative programs, and programs like them, can grow with additional resources.

The Children's Health Initiative that we include in our committee proposal is a bold new approach to support the States in the drive to provide coverage for more of our Nation's children. As I have said, the States will be given a choice to expand coverage through the existing Medicaid Program or through a new initiative in which they can subsidize private programs for children or provide a new benefit package which is actuarially equivalent to what Federal employees receive.

Under either choice, the Federal Government will provide the same matching rates to the States. A State would pay the same rate as it does currently in the Medicaid Program. We recognize this may not be enough to encourage States to participate. Therefore, under this proposal, the Federal Government would send to the States an additional incentive bonus for each child who is covered in this new initiative. We call this an enhanced match. The State will receive a 10-percent bonus for each new child they cover and 5 percent for a child who is already covered under a State health program for children. These bonuses will be provided for children who are receiving health care coverage from the State that is beyond Federal Government requirements for Medicaid.

A critical component of this agreement is what type of health insurance coverage is provided. Let me stress that this truly is insurance. A State would be required to provide either its current Medicaid benefits package or one which is equal to what the children of Federal employees receive. The Secretary of Health and Human Services will review these plans to ensure that they meet this test.

The welfare of our children was a critical component in the bipartisan plan we achieved in the Finance Committee. The result of our work will be to cover more children and to provide them with real health insurance. Again, this children's health care initiative will build upon the leadership in the States. It passed the Senate Finance Committee with strong bipartisan support, and I thank all the Members who made a contribution to this special effort.

As you see, Mr. President, each of these reforms is necessary. Together they meet the requirements and responsibilities that were given to us. During the next 5 years, we reduce deficit spending by $100 billion, including Medicare reductions of $115 billion, and net Medicaid reductions by $13.6 billion.

At the same time, we increase spending for children's health care in this bill by $16 billion, SSI support for elderly and disabled immigrants by $10.4 billion and welfare to work by $3 billion. We extend the solvency of the part A trust fund for Medicare for at least 10 years, while introducing structural reform to give beneficiaries more choice among competing health plans.

Our goal is to give the Medicare beneficiary the same choices that Federal employees have within our Federal health program, including the traditional fee-for-service, and this is an excellent beginning.

We were able to produce such a strong bipartisan package because of the spirit of cooperation shared by members of the Finance Committee. Views were solicited actively, from all members of the Finance Committee. They were asked to submit in writing the recommendations as to how the budget agreement should be implemented, and their ideas were incorporated in the initial chairman's mark. Informal meetings were then held to seek the further advice and recommendations from Members. These, in turn, were incorporated into the proposal we address today.

As chairman of the Finance Committee, I say with certainty that this proposal has substantial support on both sides of the political aisle and it is, again, my sincere hope that the spirit of bipartisanship that existed within our committee will prevail as we move forward. I hope the objectives that guided us will remain those that carry us through the next few days as we consider this budget. I particularly express my sincere appreciation to Senator MOYNIHAN for his leadership in this monumental effort, as well as my appreciation to all the members of the committee who reported this proposal out of the Finance Committee unanimously. Senator GRAMM provided invaluable leadership on the Medicare Subcommittee, and I thank all the committee staff members who worked around the clock day after day to ensure that the objectives we were given to meet would be met in the most efficient and effective way possible.

Mr. President, I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I would like first to thank our revered chairman for his concise and comprehensive account of this epic legislation. It comes to the floor from a unanimous Finance Committee.

These are the first substantive changes made in Medicare and Medicaid since these measures were enacted a generation ago. I was present in 1965. I am here in 1997. I so state, our problem —and it is a curious problem in social policy, is that I am not sure we will be heard because we are not making enough noise. And we are not making enough noise, Mr. President, for the simple reason that we are in agreement. We have changed our minds about certain basic things. We have recognized the events of the past generation that require us to do so.

We came into these programs little expecting how much they would come to take over in the Federal fisc at a time when medicine was just on the verge of a great shift in its capacity, its ability to cure, to treat, to heal. Fee for service was the only form of medicine available to most persons, not otherwise known, and Medicaid was thought to be a very minor aside.

We reached a point where health care, partly because we have so much better health care, became hugely expensive. The chairman noted that in 1992, Medicaid grew by 29 percent.

Mr. President, that means it doubles every 3 years, or more accurately, doubles every 30 months. You cannot sustain that. We are therefore profoundly reforming the system, not so much returning it to an earlier good state, as bringing it forward to deal with the present realities and possibilities offered by managed care and the general change in medicine of recent years.

I say again, before there was agreement in these matters, we could have had a markup in our committee that went on for 3 months, we could have had rallies, speeches, petitions, filibusters, heavens knows what, because there was not in fact agreement. When agreement is arrived at, when there is consensus, the most extraordinary changes can take place in a seemingly everyday manner, without a voice raised or a single dissent. This is also particularly owed to the work of the Senator from Texas, who chairs the Subcommittee on Health, as the chairman observed, and whom I am happy to note is here on the floor. He found that agreement and he put it in place.

There are other things in the legislation. I do want to note that we have added $8 billion for child health care in the form of insurance, for a total in the two reconciliation bills of $24 billion. I can recall the days when Wilbur Cohen assured us the whole program would cost $24 billion a year, and indeed for a while there it did. I think it should be clear that this was the work of Senator HATCH, who cares so very much about this matter. Equally, Senator ROCKEFELLER was able to bring about an increase in the moneys that will be available to low-income families as part of the child tax credit in combination with the earned-income tax credit.

Senator BOB KERREY, who does not intend that things should always be done the way they always have been done—save perhaps in the U.S. Navy—proposed, and we agreed, that the time had come to begin to ask higher income persons to pay a higher premium to get this insurance, which they do not have to take. It is optional, but which if they can afford to pay something more like the original anticipated contribution, well then, they ought to. That is just good sense. I think this will be understood by the Senate and in time by our colleagues in the House. We also move the Medicare eligibility age from age 65 to 67, bringing it into conformity with Social Security.

Finally, Mr. President, I think it has to be said—and I know the chairman will agree with me—that we did miss an opportunity of lasting consequence for Federal finance this year by failing to take action on how we measure the cost of living.

Our chairman has been an outspoken advocate of developing an accurate cost-of-living index, which we do not now have. We have cost-of-living indexes all over the place. You find them in the Department of Labor, the Department of Commerce, and the Health Care Financing Administration.

But we had agreement, from an initiative taken in the Finance Committee, to produce an adjustment to the Consumer Price Index—which is not cost of living—by 1.1 percentage points. It would have produced $1 trillion in 12 years, and it would have put the Social Security trust funds in actuarial balance until the year 2052. This was in our hands, and it was let slip at the last moment. We blinked, and the opportunity is now history.

But part of that history is also that the chairman of the Finance Committee and the members of the Finance Committee—I do not speak for all of them; I certainly speak for myself—realized this should be done. It is a correction that should be made. The sooner we do, the more we will be able to address other problems that remain because, as the chairman said, we have a series of measures here that ensure the viability of Medicare for 10 years. But we mean to be around more than 10 years, and we will have to address this subject also.

Finally, there are exceptional measures in this bill to make provision for teaching hospitals and medical schools. One of the unanticipated consequences, to use the chairman's phrase, the phrase of Robert K. Merton in 1935, I think, that the economic rationalization of health care has been that the teaching hospitals and medical schools, which necessarily must charge more for the care they provide because they are teaching and training and do research, find themselves in an exposed situation which we can take care of from the gains we acquire in the course of rationalization. But if we do not, we shall find that one of the unanticipated consequences is that we spoiled our medical schools at this moment in the great age of medical science. This bill precisely addresses the matter in ways I think are constructive. And we will look into the issue further in the commission which the chairman proposes.

It remains for me, sir, simply once again to congratulate our revered chairman. If you would so measure the quality of his achievement, observe the silent awe which is now observed in the Nation.

Mr. President, I yield the floor.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER (Ms. COLLINS). The Senator from Texas.

Mr. GRAMM. Mr. President, I want to join our distinguished colleague from New York in commending the chairman of the Finance Committee.

The PRESIDING OFFICER. If the Senator would suspend.

The Chair would like to know who yields time to the Senator.

Mr. ROTH. I yield to the distinguished Senator 10 minutes.

The PRESIDING OFFICER. The Senator is recognized for 10 minutes.

Mr. GRAMM. Mr. President, I want to join our colleague from New York in commending our chairman of the Finance Committee for his excellent work and leadership. I think it is a great testament to his leadership that we have before us a bill that will spend less money on Medicare than another bill we debated 2 years ago which was deemed to be a partisan effort which ruptured the bipartisan nature of our work on health care.

Today we have before us a bill that is superior in virtually every way to that bill. And this bill that is now before us passed the Finance Committee on a unanimous vote and was strongly supported and praised by every member of the Finance Committee.

I think it is a testament to the leadership and fairness of the chairman that we have achieved this goal. I can say, as a person who has watched now many chairmen work, both in the House and the Senate, I have never seen anybody be fairer to every single member of the committee from the most senior member to the most junior member than Senator ROTH was.

I think it is a lesson to all of us. That is, when you have heavy lifting to do, if you give people an opportunity to speak their mind, to have a fair hearing for their ideas, in the end they are a lot more willing to be part of that effort than if they feel you are trying to ram it down their throat or treat them unfairly. We have all heard, from our teenage years, if you want me with you on the landing, you need to have me there on the takeoff. But we often forget it in real life. And I think our chairman has reminded us of it again here.

We have before us a very thick bill which is the composite of all of the so-called reconciliation bills that are supposed to save money. I want to note that there is only one bill in here that saves any real money, and that is the bill that we are talking about today, the bill that came out of the Finance Committee.

Now, lest someone jump up and say the Commerce Committee saved money, what the Commerce Committee did was to sell spectrum, the right to broadcast. We had the Agriculture Committee that was actually ordered to spend $1.5 billion, and remarkably they had no trouble doing it. But the Finance Committee portion of the bill that is before us saves $100 billion with a ''b'' dollars. And it does it in some of the most sensitive programs of the Federal Government. I want to talk very briefly about some of these changes because they are important.

We are going to have a lot of debate here in the Senate tomorrow when we start shooting real bullets and start having amendments offered about Medicare. We are going to have questions about the need for long-term reform. I am proud to say that the bill before us is the most dramatic reform of Medicare in the history of the program, and, in fact, if you combine all of the other reforms in Medicare that we have adopted in the last 32 years into one package, it is relatively insignificant as compared to this bill.

I know there will be those who question the need for this dramatic reform, but I just want to remind my colleagues that over the next 10 years Medicare will be a $1.6 trillion drain on the Federal Treasury. If you take all the money we collect in payroll taxes and you compare that to how much money we are going to spend on Medicare over the next 10 years, we are going to fail to pay for the program by a cumulative total of $1.6 trillion.

We have an unfunded liability in Medicare under the best of circumstances. With all the right reforms, if they could be made and done immediately, we still have an unfunded liability bigger than the current inflation adjusted costs of winning World War II. We have promised Medicare to two succeeding generations and we have set no money aside to pay for those benefits. As the baby-boomer generation—79 million people strong—begins to go into retirement 11 years from now, we are going to go from 5.9 workers to 3.9 workers to 2.2 workers per retiree, and the impact of it is going to be cataclysmic on the Federal budget.

That is why this bill is so important because it takes the first step toward saving Medicare. I believe if we can save these reforms not just in the Senate but through the House and to the President with his signature, that every Member of the Congress will be able to say of this bill that they truly did something worthy of being remembered.

Now, let me outline some of the major components of the bill that I think are important. First of all, this bill gives our seniors who qualify for Medicare a broad range of choices. Today they have two choices. They can stay in the old fee-for-service Medicare policy or they can go into a massive all-encompassing HMO. What we do is fill in all the areas in between by giving our seniors the same kind of competitive choices that are available in private medicine today. I think this is a dramatic reform. I think it is a reform that is going to enhance the quality of health care. It is certainly going to expand freedom. Since we know competition has an impact on health care costs because the competition of the last 8 years in the private sector has driven the medical price index that measures inflation in medicine below the Consumer Price Index which measures the costs of all goods and services in the economy, we are confident that expanded choice, expanded competition, and the efficiency that it will ultimately bring will benefit every Medicare beneficiary and will benefit the 110 million people that are paying Medicare taxes.

This is a very important reform. It is a reform that now, I think, we can be proud to say, is virtually noncontroversial.

One thing we have done in the bill which I say that had it been left up to me I would not have done is we have transferred home health care out of the trust fund into general revenue. Those who have wanted to be unkind have said it is a phony reform; not only are they unkind, they are correct. In fact, when we initially debated this so-called reform I said that you can buy 10 years of solvency in Medicare by taking the fastest growing item in Medicare out of the trust fund and putting it in general revenue and not counting it as part of Medicare anymore as part of the part A trust fund. If that is real reform, I can save Medicare for 100 years by simply taking hospital care out of the trust fund and putting it into general revenue and not counting it as part A Medicare, but would anybody believe that I had done anything when I did it?

So, one part of this bill which was dictated by the budget agreement is the transfer of home health care. But there are two things that we have done as part of this transfer which really represents an accounting gimmick, but two things we have done are real. No. 1, we are going to build over time 25 percent of the cost of home health care into the Medicare premium that people pay for part B services or physician services after retirement; and also for the first time in this bill we have a $5 copayment for home health care. Now I know that there will be an amendment offered and that people will scream and holler that this $5 copayment represents the end of the world. But I want to remind my colleagues that home health care now spends more money than the National Institutes of Health. It now spends more money than the space program. This is a massive uncontrolled program.

Some of you probably saw the big article in the Wall Street Journal about how people have gotten out of the garbage collection business and gone into home health care and become instant millionaires, how fraudulent much of this program is in terms of people who were providing services and overbilling and how the whole system is completely out of control. We are trying to begin to tighten up on that but there is nothing that will be better for tightening up on it than asking for a small nominal payment so that people will look at the cost, so that people will make rational choices. So it is a small copayment. But if we know anything about the world we live in, it is that small costs affect behavior on a substantial basis.

We have very important long-term reform in this bill. The reform has already been denounced by most of the major special interest groups in the country that tend to speak out on these issues, and I want to talk about the two long-term reforms. The first reform has to do with retirement age. I remind my colleagues that we changed the retirement age in 1983 for Social Security. I remind you of the circumstances. We were on the verge of having Social Security go bankrupt. We were down to the point where we could not have sent out the July checks. We had a commission that had not reached any kind of conclusion, and under the leadership of Ronald Reagan we were ultimately able to get a recommendation to make some changes. The only real substantive change that the commission made and Congress adopted was changing the retirement age. They set out to change the retirement age over a 35-year period where, as we recognize that people are living longer, as we are healthier, as we are working longer, that ultimately Social Security had to change.

People forget that when Social Security went into effect in 1935 the average American worker did not have a life expectancy that was high enough that they would ever receive any benefits from Social Security. It was the exceptional person who lived longer than normal who ever got a penny out of Social Security. Our lifetimes, thank God, have grown tremendously since 1935 due to improvements in public health, due to improvements in medical care, due to improvements in nutrition, and due to the improvements that would come as income has risen with our strong free-enterprise economy and we have all been able to do a better job taking care of ourself and our children.

But we raised the retirement age to 67 for Social Security—that will become effective in the year 2027—but we did not raise the eligibility date for Medicare. In this bill we make the conforming changes so that Social Security and Medicare will again be brought together. What it means is for people who were born in 1960 and who are, therefore, 37 years old today, they will know, with 30 years to plan for it, that they are not going to qualify for Social Security and for Medicare until they are 67. So they have 30 years to plan for that change. In my case, I was born in 1942. So I know that if this bill is adopted, along with the changes that have already been made in Social Security, that I will not be eligible to retire until I am 65 years and 10 months old. So I have 11 years to adjust to the fact that under this bill I am going to be required and can expect to work 10 months longer.

Now, we have a lot of people who are saying that this is unreasonable, outrageous, that the end of the world is going to come as a result of it, but this is the reality of the world we live in. We are healthier, we are working longer, and we are living longer. So if this program that we all depend on is going to be there to serve us, this is a change that needs to be made. I intend to defend it vigorously.

The second change that was made had to do with asking very high-income retirees to pay the full cost of the voluntary part of this program. Some people will recall that the part A of the trust fund, the hospital part, you pay for during your working life by paying 2.9 percent of your wages into a trust fund, and that pay is for part A. Actually it is a long way from paying for it but that is the system. The part A section of Medicare which pays for hospital care, you do not pay for while you are working, you pay 25 percent of the costs of the part B premium. When the program was started in 1965 it was going to be 50 percent of the costs.

What we do under this bill is ask our high-income seniors, who as individuals, make between $50,000 and $100,000 a year and as couples from $75,000 to $125,000, to phase up that part B premium from that 25 percent of the cost which is $526 a year to approximately $2,100 a year of costs, which is the full cost of that voluntary program.

Now, again, some people will say this is an outrage, but the plain truth is this is a voluntary program. It is still a better buy than anybody can get in the marketplace. Nobody paid for this program during their working life. It makes no sense for my son in the labor market and 21 years old to be paying taxes to subsidize voluntary insurance for a senior who is making $125,000 a year. It is just not right. This is a good Government program. I note that the savings from this higher part B premium for very high-income seniors and from the retirement age change, that the savings from those two programs we do not even count them in this bill. They are not counted for budget purposes. We are not using them to balance the budget. We are not using them to fund tax cuts. We are simply doing them and dedicating all the savings to the Medicare trust fund to keep the system solvent. No one has ever done anything like this before in the name of trying to save Medicare.

Finally, we did have a provision that would have used the higher costs for very high-income seniors as a deductible instead of as a payment. We have had so many questions raised about it that I have decided, along with others, to go ahead and simply charge the premium and then do a study and a test of using the deductible instead of the premium. I will submit for the RECORD two letters, one from the American Enterprise Institute and one from the Heritage Foundation, explaining why doing it where we would raise the deductible instead of the premium would be better and would save more money and would improve the efficiency of the system. The logic which seems to escape many people is that if I am a high-income retiree and I pay $1,577 more for an insurance policy, once I paid that, then the cost of medical care that I would then buy with that policy is totally unchanged.

So all the Government did that helped Medicare was it got $1,577 out of my pocket and put it into the trust fund to help keep the program alive—good work, important work, but by doing it as a deductible, which I hope some day we can do when people understand it, you are going to get high income seniors who will be more cost conscious because they will be paying the first $2,100 as a deductible, and so they will actually be consuming medical care more efficiently, getting out their bills and reading them, and reporting when somebody over charges them. They will actually be shopping around for the best buy. That is what we want people to do. But this whole idea is so important, I don't want a new idea to threaten it.

So I will submit these two letters for the RECORD. I ask unanimous consent that they be printed in the RECORD.

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

THE HERITAGE FOUNDATION,
June 20, 1997.

Hon. PHIL GRAMM,
Russell Senate Office Building,
Washington, DC.

DEAR SENATOR GRAMM: I was delighted to hear that your amendment concerning the Medicare Part B deductible was added to the Finance Committee bill.

We have long argued, as you have, that raising the Part B deductible for upper-income Americans is wise policy. Moreover, given the choice between raising the deductible and raising premiums, increasing the deductible makes far more sense. While raising the premium for upper-income retirees, like raising the deductible, would reduce the taxpayer-financed subsidy now going to people who do not need it, raising the deductible would have the added advantage of also significantly changing patient incentives. That would lay the groundwork for long term structural reform of Medicare.

I should add that the criticisms leveled at your amendment are quite remarkable. At a time when Medicare is increasingly incapable of promising continued service to lower-income retirees, it seems incredible that some liberal members and organizations are defending a huge subsidy to the rich. And it is almost amusing to hear the claim that the amendment is unworkable. We have been means-testing programs for the poor for many years, but now we are told that designing an income-adjusted Medicare deductible for the rich is beyond the capability of the human mind.

Keep up the good work, Senator!

Sincerely,

STUART BUTLER, Ph.D.,
Vice President, Director of Domestic and Economic Policy Studies.

AMERICAN ENTERPRISE INSTITUTE FOR PUBLIC POLICY RESEARCH,
Washington, DC, June 20, 1997.

Hon. PHIL GRAMM,
U.S. Senate,
Washington, DC.

DEAR SENATOR GRAMM: I would like to congratulate the Senate Finance Committee on its recent action to introduce income-related deductibles into the Medicare program. In my personal view, this proposed change is long overdue for the following reasons:

The original Part B deductible was $50. After over 30 years, it has only been allowed to increase to $100. If it had been indexed to per capita health care costs, it would today be about $1,200.

75 percent of Part B is now financed from general revenues. This means that each Medicare recipient receives a subsidy from other taxpayers of about $1,700 per year. It is highly appropriate that higher income Medicare recipients pay a higher portion of the cost of their insurance coverage.

The long-term reform of Medicare is not just a matter of raising more revenue from payroll taxes or premiums. It will require reforms that give recipients incentives to seek more cost-effective providers when they need care and to avoid using medical care unless it is actually needed. Higher deductibles are a useful first step on the long road to reform since they will give those with the greatest ability to pay an incentive to use medical care more carefully. You will not get these behavioral effects from higher premiums.

Since Medigap policies impose extra costs of approximately $1,000 per beneficiary on the Medicare program and reduce the behavioral effects of deductibles and co-payments, I urge the Congress to investigate and eventually pass reforms affecting the Medigap insurance market.

The views expressed here are my own and do not necessarily reflect the views of the American Enterprise Institute or any of my colleagues.

Sincerely yours,

ROBERT B. HELMS,
Resident Scholar,
Director of Health Policy Studies.

Mr. GRAMM. Madam President, I yield the floor.

Mr. ASHCROFT addressed the Chair.

The PRESIDING OFFICER. The Senator from Missouri is recognized.

Mr. ASHCROFT. Madam President, I ask unanimous consent that I be allowed to yield 20 minutes from the majority time for purposes of making remarks.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

COMMUNIST CHINA: AMERICA'S MOST FAVORED NATION

Mr. ASHCROFT. Madam President, freedom is, and always has been, the great moving force of American history. It was freedom that inspired patriots to give their lives at Concord and Lexington. Freedom that compelled American Rangers to scale the cliffs at Normandy. And freedom that filled Ronald Reagan's heart in Berlin as he exhorted Mr. Gorbachev to "tear down this wall."

Freedom. The essential ingredient of what Reagan called "the American purpose." At our highest and best, we Americans are believers in the "blessings of liberty," the idea that "all men are endowed by their Creator with certain unalienable rights." And these rights are not America's alone, but extend to all those who would seek to know freedom's warm embrace.

So today, from Stettin in the Baltic to Trieste on the Adriatic, the Iron Curtain has lifted, and a wave of democracy has descended on the globe. The "simple, vivid, peaceable world" of which John Cheever wrote is more a reality today than at any time in our history.

But evil knows no resting place. The cold war is over. And still how many have yet to taste the fruit of freedom? For there is a regime in the world today that runs against the tide of history; that denies liberty and human dignity to its people; a regime whose brutal repression at home betrays its intentions abroad; a regime that aspires to superpower status.

I am speaking of Communist China. And I rise today to say, "No more." No more should we watch as China uses its illegitimate gains to purchase military hardware and weapons of mass destruction. No more should we ignore Beijing's mercantilist trade policies that block U.S. products and destroy American jobs. No more should we accept a playing field for our products that is not level. No more, Mr. President. No more unconditional most-favored-nation status for Communist China.

My decision to oppose most-favored-nation status was not an easy one. It was reached after countless meetings with foreign policy experts, economists, and the CEO's of major corporations. To the businessmen whose passion for the status quo was surprising, I posed many questions.

Has China embraced the rule of law, put their regulations and laws in writing, stopped subjecting them to differential application? No. Are her people more free? Well, not really. Is America more secure with China selling weaponry to rogue nations and extending its own influence far beyond appropriate levels into the South China Sea? Tragically, those I questioned could only plead for more time. But time alone cannot heal these wounds. We must say: No more.

The truth is, America has dedicated over two decades to the policies of engagement, and the results have been far from compelling or convincing. Less than 2 percent of United States exports went to China last year. America sold more goods and services individually to Belgium, Brazil, and Singapore than to the People's Republic of China. Meanwhile, the United States took more than 30 percent of China's exports creating a $39.5 billion merchandise trade deficit. This represents a threefold increase since 1990. A 200-percent increase in just 6 years!

On Friday, more bad news. The Commerce Department reported that our trade gap is widening—fully 41 percent higher in the first 4 months of this year than in 1996. This led the Wall Street Journal to speculate that China will soon have the largest deficit of any United States trading partner, surpassing even Japan.

If our growing trade deficit has been the source of great attention, the causal factors behind the inequity have gone all but ignored. At their core, they are twofold. The first element is the anti-American, predatory trade practices of the Chinese Government. The second is a United States-China policy that has been an abject failure,