

Their proposals crowd out our ability to protect the solvency of the social security and Medicare trust fund.

So there is a tremendous cost for these proposals. I think when the American people recognize the cost of these so-called free lunch tax cuts for the wealthiest Americans, I think they are going to be outraged by it.

Mr. POMEROY. If the gentleman will yield further, Mr. Speaker, for my final participation tonight in the special order, and I still commend the gentleman for hosting it, as we look at this in context we can only conclude that the totality of what they are doing is not responsible, does not pay down the debt as its first priority, and depends upon 10-year projections. Who knows whether we are going to hit those projections or not?

It is not fair and is hopelessly skewed to the wealthiest families, leaving the rest getting pennies while the wealthiest few come out like bandits under this proposal.

Finally, it crowds out doing what we ought to do for middle American families.

Mr. EDWARDS. Mr. Speaker, I thank the gentleman from North Dakota (Mr. POMEROY) and the gentlewoman from Florida (Mrs. THURMAN) for their participation on this vital national issue.

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REPORT ON H.R. 4871, TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS ACT, 2001

Mr. KOLBE (during the Special Order of Mr. EDWARDS) from the Committee on Appropriations, submitted a privileged report (Rept. No. 106-756) on the bill (H.R. 4871) making appropriations for the Treasury Department, the United States Postal Service, the Executive Office of the President, and certain Independent Agencies, for the fiscal year ending September 30, 200, and for other purposes, which was referred to the Union Calendar and ordered to be printed.

The SPEAKER pro tempore (Mr. HUNTER). Pursuant to clause 1 of Rule XXI, all points of order are reserved.

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WHAT IS THE FATE OF THE NORWOOD-DINGELL-GANSKE BIPARTISAN CONSENSUS MANAGED CARE REFORM ACT OF 1999?

The SPEAKER pro tempore (Mr. HUNTER). Under the Speaker's announced policy of January 6, 1999, the gentleman from Iowa (Mr. GANSKE) is recognized for 30 minutes.

Mr. GANSKE. Mr. Speaker, 10 months ago this House of Representatives passed real patient protection legislation to correct HMO abuses. We passed the Norwood-Dingell-Ganske Bipartisan Consensus Managed Care Reform Act of 1999 with a vote of 275 to 151.

So, Members ask, why is that bill not law yet? Why is not the congressional leadership leaning on the chairman of

the conference committee to hold meetings? Is the conference dead? If so, then Senator NICKLES should say so, so that we can move beyond the failure of the conferences committee.

Mr. Speaker, every day that goes by without passage into law of a real patient protection bill means that people are being harmed by HMOs that care more about their bottom line, more about their most recent stock quotes on Wall Street, than they care about patients.

Let me give some examples of people who have been harmed by HMOs. Before coming to Congress, I was a reconstructive surgeon. I took care of little children that were born with birth defects like this little baby with a cleft lip and palate.

Do my colleagues know that in the last several years, more than 50 percent of the surgeons who care for children born with this birth defect have had cases like these refused by HMOs, who call this a "cosmetic deformity"? This is a birth defect. The operation to repair this would be to restore towards normalcy. That is not a cosmetic case under any definition.

A couple of years ago now this lady's case was profiled on the cover of Time Magazine. This woman lived in California. Her HMO did not tell her all that she needed to know. Furthermore, they put pressure on the Medicare center treating her not to tell her. Because she did not get that information in a timely fashion, and because her HMO did not play straight with her on getting her the treatment that she needed as medically necessary, she died. Today her children and her husband do not have a mother and a wife.

A couple of years ago a young woman was hiking in the mountains about 70 miles west of Washington, D.C. She fell off a 40-foot cliff. She broke her pelvis, fractured her arm, broke her skull, was lying at the bottom of this 40-foot cliff, when her boyfriend, who had a cellular phone, managed to get a helicopter in. They took her to the emergency room. She was treated. She lived.

But then, do Members know what? The HMO would not pay her bill because she had not phoned ahead for prior authorization. Mr. Speaker, was she supposed to have a crystal ball that was going to tell her that she was going to fall off a 40-foot cliff so she could make a phone call to her HMO?

I have shared these stories with my colleagues in the past, but I have some new ones tonight that are going to amaze my colleagues. This is also a story, a true story about a little boy. We can see him here tagging on his sister's sleeve. One night his temperature was about 104 or 105 degrees, and his mother phoned the 1-800 number for their HMO and said, my baby needs to go to the emergency room. He is really sick.

She got somebody thousands of miles away who said, well, I will only authorize you to take him to one emergency room. And when the mother asked

where it was, the person said, I do not know. Find a map. It turned out that the HMO was about 60 or 70 miles away. En route, this little baby had a cardiac arrest.

If one is a mom and dad driving this little baby to the hospital, Members can imagine what that was like. When they finally found it, the mother leaped out of the car holding her little baby screaming, save my baby, save my baby. A nurse came out, started resuscitation. They put in the i.v. lines, gave him mouth-to-mouth resuscitation, gave him the medicines, and they managed to bring his life back.

All because that HMO did not have the common sense or decency to say, if your baby is really sick take him to the nearest emergency room, because en route, they passed three emergency rooms, but they were not authorized by that HMO, this little baby managed to survive, but because he had that cardiac arrest, he lost the circulation to his hands and his feet and he had to have both hands and both feet amputated.

Why do 80 percent-plus of the American public think that Congress should pass an HMO reform bill, a patient protection bill, a real bill? Because their friends and neighbors have had problems just like some of those that I have shown the Members.

A few years ago there was a movie, *As Good as It Gets*. In that movie Helen Hunt is talking to her friend, Jack Nicholson, and explaining how this HMO that they belong to will not properly take care of her son, who has asthma. Then she let loose a string of expletives that I cannot repeat on the floor of Congress, but I can tell the Members what happened in the theater that my wife and I were in. It happened all across the country. People started cheering and clapping and even standing up in applause, because they knew the truth of that allegation.

No law has passed because the HMOs have spent over \$100 million lobbying against real patient protection legislation. They have given generously to keep that legislation bottled up in conference committee.

Even worse, the HMO industry is trying to get legislation passed that would undo the progress that is being made on behalf of patients in State legislatures and in the courts.

The GOP bill that recently passed the Senate, the Nickles amendment, is worse than no bill at all. In fact, it is an HMO protection bill, not a patient protection bill. Would Members like some proof of this? Let me tell the Members about some of the things that have been documented in a recent article in *Smart Money Magazine* in their July issue.

□ 2000

Consider the case of Jim Ridler. It was shortly after noon on a Friday back in August 1995, and Jim Ridler, then 35 years old, had been out doing some errands. He was returning to his

home in a small town in Minnesota on his motorcycle when a minivan coming from the opposite direction swerved into his lane. It hit Jim head on. It threw him more than 200 feet into a ditch. He broke his neck, his collar bone, his hip, several ribs, all of the bones in both legs. It ripped his triceps muscle clean through.

Over the next 4 months, after a dozen surgeries, he still did not know whether he would ever walk again, when he got a phone call from his lawyer who had started legal proceedings against the driver of that minivan who had swerved into his path.

That call that he got from his lawyer really shook him up. "I'm afraid I've got some bad news for you," said his lawyer. He told Jim that, even if Jim won his lawsuit, his health plan wanted to take a big chunk out of it that they had spent on his care.

"You're joking, right?," said Jim.

Nope, said the lawyer, Jim's health plan had a clause in its contract that allowed the HMO to stake a claim in his settlement, a claim known in insurance as subrogation.

"So I pay the premium, and then something happens that I need the insurance for, and they want their money back?," Ridler asked incredulously. "The way I figure it, my health insurance is just a loan."

Well, Ridler eventually settled his lawsuit for \$450,000 which was all the liability insurance available. His health plan then took \$406,000, leaving him after expenses with a grand total of \$29,000.

"I feel like I was raped by the system", he says.

Do my colleagues know what, Mr. Speaker, most people are not even aware that these subrogation clauses exist until they have been in an accident and try to recover from a negligent individual like the person who almost killed Jim Ridler.

Originally, subrogation was used for cases in which care was provided to patients that had no health insurance but who might receive a settlement. However, HMOs are now even seeking to be reimbursed for care that they have not even paid for.

Susan DeGarmo found that out 10 years ago when her HMO asked for reimbursement on her son's medical bills. In 1990, Stephen DeGarmo, age 10, was hit by a pickup truck while riding his bike to football practice near his home in West Virginia. That accident left him paralyzed from the waist down. His parents sued the driver, and they collected \$750,000 in settlement plus \$200,000 from the underinsured motorist policy. Now, that is to last this little boy the rest of his life as a paralyzed person.

The health plan of Upper Ohio Valley wanted \$128,000 in subrogation from Stephen's bills. Now Stephen's mother thought that that was a high amount, so she phoned the hospital in Columbus Ohio where Stephen had been treated, and she got an itemized list of charges.

What she found out infuriated her. The HMO had paid much less than the \$128,000 it was now seeking.

Mrs. DeGarmo had found another dirty little secret of managed care, and that was that HMOs often use subrogation to go after a hospital's billed charges, the fee for full-paying patients, even though the HMO gets a discount off the billed charges.

According to DeGarmo's lawyer, the health plan of Upper Ohio Valley actually paid \$70,000 to treat Stephen. That meant they were trying to take \$50,000 from Stephen's settlement that they had not even paid for. They were going to make money off this little boy who had become paralyzed.

When the DeGarmos refused to pay, the HMO had the gall to sue them. Well, others found out about this HMO's action; and in 1999, the HMO settled suits for \$9 million spread among roughly 3,000 patients that they had treated like the DeGarmos.

Now, when HMOs get compensation in excess of their costs, I believe they are depriving victims of funds that those victims need to recover. This subrogation process has even spawned an industry of companies that handle collections for a fee, typically 25 percent to 33 percent of the settlement.

The biggest of these subrogation collection companies is Louisville, Kentucky based Healthcare Recoveries, Incorporated. Last year, HRI, whose biggest customer, not surprisingly, is United Healthcare, recovered \$226 million for its clients, and its cut was 27 percent.

According to one former claims examiner for HRI, Steve Pope, the company is so intent on maximizing collections that it crosses the line into questionable practices.

Take the case of 16-year-old Courtney Ashmore who had been riding a four-wheeler on a country road near her home by Tupelo, Mississippi. The owner of the bordering land had strung a cable across the road, and Courtney ran into it, almost decapitating herself. Her family collected \$100,000 from the property owner.

Their health plan paid \$26,000 for Courtney's care. Steve Pope, the claims examiner for HRI, contacted the family's lawyer and wanted that \$26,000 back. The lawyer asked for a copy of the contract showing the subrogation clause. Well, they could not find a copy of the contract. So Mr. Pope told his supervisor at HRI of this, and he was told to send out a page from a generic contract that did have a subrogation clause in it.

Later, Pope found out that Courtney's health plan did not, in fact, mention subrogation. Still, he has testified, he was told to pursue the money anyway.

Steve Pope has testified, "These practices were so widespread, and I just got tired of being told to cheat and steal from people."

Well, Mr. Speaker, the notion that subrogation should be prohibited or at

least restricted is gaining ground. Twenty-five States have adopted doctrine that injured people get fully compensated before health plans can collect any share of personal injury money.

In March, a Maryland appeals court went even further. It ruled that the State's HMO Act prohibits managed care companies from pursuing subrogation at all. The court said, "An HMO, by its definition, provides health care services on a prepaid basis. A subscriber has no further obligation beyond his or her fee."

So what did Senator NICKLES' bill do to address this problem with subrogation? Did the Senate GOP bill try to make the system more fair for patients? Did it protect those State laws which are being passed to prevent subrogation abuses by HMOs?

Oh, no, Mr. Speaker. The Senate GOP goes even further than subrogation in protecting HMOs. It says that the total amount of damages to a patient like Jim Ridler or Steve DeGarmo or Ashley Courtland would be reduced by the amount of care cost whether they have a subrogation clause in their contract or not. In other words, the Senate GOP bill that passed a couple weeks ago would preclude State laws being passed on subrogation entirely.

If that were not enough of a sop to the HMO industry, the Nickles bill says that the reduction in the award would be determined in a pretrial proceeding and that any evidence regarding this reduction would be inadmissible in a trial between the injured patient and the HMO.

What does that mean? Well, let us say one is hit by a drunk driver while crossing the street. One's HMO subsequently refuses to pay for necessary physical therapy, even though these are covered services under one's employer's plan. So one files two separate lawsuits, one against the drunk driver in the State court and the other against the HMO in the Federal court, because the HMO is not treating one fairly.

The civil case against the drunk driver is delayed because criminal charges are pending against him. If the Federal case proceeds to trial, under the Senate GOP bill, the Federal judge would have to guess how much a State jury would award one, and the Federal judge would have no way of knowing what one might actually collect.

This collateral source damages rule in the Nickles bill would leave patients uncompensated for very real injuries. For example, if one is injured in a car accident by another driver who has a \$50,000 insurance policy, but one has medical costs of \$100,000 that one's HMO refuses to cover when one goes to collect the \$50,000 from the negligent driver, one might get nothing. Why? Because whether one has brain damage or broken legs or one's loved one is dead, one gets nothing because, under the Senate GOP bill, the HMO gets to collect all \$50,000, even though it denied one necessary medical care for

one's injuries, and one does not get a penny.

Mr. Speaker, the Senate GOP bill values the financial well-being of the HMO more than it values the well-being of the patient. That is only part of the reason why I say that Senate GOP bill is an HMO protection bill, it is not a patient protection bill.

Mr. Speaker, we can do a lot better than that. The House did a lot better than that. It passed the Norwood-Dingell-Ganske Bipartisan Consensus Managed Care Reform Act of 1999. Mr. Speaker, we better do better than that Senate GOP bill, because the voters are watching; and because their friends and family members are being injured by HMOs, and we need to fix this.

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FEDERAL RESERVE MONETARY POLICY: IS GREENSPAN'S FED THE WORLD'S CENTRAL BANK?

The SPEAKER pro tempore (Mr. HUNTER). Under the Speaker's announced policy of January 6, 1999, the gentleman from Washington (Mr. METCALF) is recognized for 30 minutes.

Mr. METCALF. Mr. Speaker, the topic of my speech tonight is Federal Reserve monetary policy: Is Greenspan's Fed the world's Central Bank?

Some years ago, William McDonough of the Federal Reserve Bank of New York stated the most important asset a central bank possesses is public confidence. He went on in that speech to note that, "I am increasingly concerned that in a democracy a central bank can maintain price stability over the intermediate and long term only when it has public support for the necessary policies."

Public confidence here can only mean the confidence of the Members of Congress in our oversight capacity. Most of the American public, to this very day, have not the least interest in, awareness of, or knowledge of the Federal Reserve System, our central bank. But most Members feel that Allan Sproul, another former president of the New York Federal Reserve Bank, was quite correct in his letter, still quoted by Fed officials, that Fed independence does not mean independence from the government but independence within the government.

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In performing its major task, the administration of monetary policy, the Federal Reserve System is an agency of the Congress, set up in a special form to bear the responsibility for that particular task which constitutionally belongs to the legislative branch of government."

Clearly, that form of argument appeals to most Members today. The construct is a masterpiece not just for being true, Congress did abdicate its enumerated powers, but for letting even those of us responsible for oversight off the hook: The Treasury does not rule the Fed, the White House does not rule the Fed, but this Congress does not write the script either.

The current Fed chairman, Alan Greenspan, will soon testify before this House expressing his independence. As the journal *Central Banking* recently noted regarding the Fed, "It has acquired an air of sanctity. Politicians hesitate to bait the Fed for fear of looking stupid." As a result, still quoting, "the Fed's accountability is less than it appears. The Fed is always accountable in the sense that Congress could bring it to heel if it really wanted to."

And the Fed has not done too badly in some areas, as the economy demonstrates, most notably where inflation and interest rates are today resting. Whether they remain even close to where they are come a year or two from now may indeed be an all together different story.

Mr. Greenspan has been pretty clear about what is now important in Fed policy. Let me quote from some past testimony: "The Federal Reserve believes that the main contribution it can make to enhancing the long-term health of the U.S. economy is to promote price stability over time. Our short-run policy adjustments, while necessarily undertaken against the background of the current condition of the U.S. economy, must be consistent with moving toward the long-run goal of price stability."

The reality is that monetary policy can never put the economy exactly where Greenspan might want it to be. He knows full well that supply shocks that drive up prices suddenly, like the two major oil shocks of the 1970s, are always going to be with us, and more so than ever as the process of globalization continues to transform the world's economies. And the United States Federal Reserve is leading this global transformation. Some are quietly arguing, over lunch mostly, that Greenspan is in charge of what he may already believe to be the World Federal Reserve, the World Central Bank.

There is good reason to suggest this. As Robert Pringle noted some time ago in *Central Banking*, "Central banks, rather than governments, are laying down the rules of the game for the new international financial system. The Fed is in the lead."

Pringle went on to argue, and I am quoting him at length here, "If the Fed's record during the debt crisis and in exchange rate management is mixed, most observers would give it full marks for the way it dealt with the stock market crash of October 1987. It is not clear that the verdict of history will be as favorable. After being prodded into action, some central banks, notably those of Japan and England, went on madly pumping money into the system long after the danger had passed, creating an unsustainable boom and reigniting inflationary pressures."

"Well, the Fed can hardly be blamed for that. The real problem was that Greenspan's action risked creating the expectation among investors that the Board of Governors would support U.S.

stock markets in the future. Clearly, the action was prompted by the need to protect the banks from the risks to which they were exposed to firms in the securities markets.

"Equally, this support signalled an extension of the central banks' safety net to an area of the financial system where investors are traditionally expected to bear the risks themselves. It is no accident that after 1987 the bull market really took off, and it has never looked back."

I have quoted this section in the article by Robert Pringle that appeared in *Central Banking* because we are hearing the very same fears expressed today, though quietly, over lunch, by phone, by rumor, by investors and money managers throughout the U.S. Not too long ago former Fed chairman Paul Volker strongly suggested that our current boom is driven almost exclusively by the major international firms in the high-tech industry and the 40 industrials. Clearly, this is due to the fact that these few giant monopolies dominate the world market. Therefore, this boom reflects less what is happening here in America than what is going on in the world to these few monopolies' financial benefit.

I am not entirely complaining. Where these few giant firms are concerned, some American workers do benefit. But more foreign workers benefit than American. More investors and owners benefit than workers; more very wealthy individuals than the middle class bedrock.

My problem is that Greenspan's Fed seems to believe money does not matter; that we can create vast sums of cash and pump it into financial markets at will, manipulate the Adjusted Monetary Base to even greater height or plummet to the depths. All this is done toward long-term price stability? Has Greenspan so rejected Milton Friedman's theory that to do so one guarantees inflationary pressures in the road ahead along with savage corrections when actions become necessary by, once again, the same Fed?

Can Greenspan seriously argue the Fed has not created the worst bubble in history; the worst speculation ever witnessed, with millions of day traders gambling their small fortunes on meek wills, wishing to become, each of them, another Bill Gates? Clearly, Greenspan has sent a signal once again to investors that the stock market bears no risk for the middle class citizen.

During 1995, it was Mexico's turn again, and as Pringle pointed out, "The American administration panicked. Again, the Federal Reserve was there to help, even though there was less reason for central banks to get involved than in 1982, since there was less risk to the international banking system."

And as Pringle goes on to state, "Again, European bankers were annoyed at the lack of consultation. You do not need to be a populist politician to expect that Wall Street was calling the shots, especially with former senior