that is too expensive and too great to overcome.

Clearly, when we deal with the major problems we ought not cause significant problems for the smaller, growing entrepreneurial sector of our country.

As for publicly traded companies, the bill also places new requirements for auditing committees and for corporate responsibility. Again, many of these may be necessary. However, we need to look at how these requirements will affect the small, publicly traded companies.

The entrepreneurial spirit of our country is really the envy of the world. People know that entrepreneurship works in America. That is where we get the new ideas. That is where we get the growth. That is where we get the new services and the products. We should be careful as we adopt reforms not to put a disproportionate burden on these companies, dampening the entrepreneurial spirit or impeding access to the public markets.

I fully support accounting reform and the taking of steps necessary to restore investor confidence in the market. I think we should pass a balanced bill that will not overburden small firms and not create additional hurdles that will impede them from growing. We don't want an incidental consequence of this bill to be a monopoly of large accounting firms when it comes to corporate audits.

I agree with the other speakers that the American public is looking to us for answers. I intend to work to see that the needs of the small businesses, publicly traded small companies, and small auditing firms are protected. I am committed, and I think we all are committed, to restoring the public's confidence in the markets so families can feel safe once again in investing in America and in America's future.

I look forward to working with my colleagues to secure a balanced bill which will do that without bringing unnecessary hardship on the entrepreneurial sector of our economy.

I thank my colleague from Wyoming for the courtesy in allowing me to go ahead. I yield the floor.

Mr. ENZI. 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. SPECTER. Mr. President, during the course of the Fourth of July recess, I traveled through Pennsylvania holding some 16 town meetings, and I found many concerns among my constituents: The issue of prescription drugs; the concern about what is happening with respect to Iraq; the issue of terrorism, which confronts the United States; the concern about what might happen on July 4; concern about the suicide bombers from the Palestinians terrorizing Israel.

But high on the list of public concern was what has happened with Enron, WorldCom, and many other companies on the stock exchange, where so many of my constituents in Pennsylvania—like tens of millions of Americans, really, and even more—have had their savings decimated in their retirement accounts of a variety of sorts. The issue that was raised consistently was: What happens next?

I think it is very good that the Senate is now considering legislation to deal with the fraudulent conduct that has plagued so many companies in corporate America. There is no doubt that there is a clear-cut conflict of interest for an accounting firm to be both an adviser and an auditor. An adviser has a close relationship with a company—call it cozy, or intimate, or friendly—but that is very different from the function of an auditor, which ought to be at arm's length, scrutinizing what the company has done. That kind of a conflict should certainly be prohibited in the future. If the accounting firms do not have enough understanding of the ethics, then laws have to be enacted, with very tough penalties to follow. When you find companies having so much debt off the books, subsidiary corporations, that is a matter of fraud. Fraud is a misrepresentation of a fact where someone relies to their detriment, and that is a crime. When you have companies putting expenses in, say, a capital account that shows billions of dollars in additional income or assets of the corporation, that too is fraud.

A good part of my career has been as an assistant DA and then as district attorney. I believe this kind of white-collar crime is certainly susceptible of deterrence, providing that standards are established and penalties are provided for a breach. It is my hope that from the Senate's current consideration, some very tough legislation will follow.

(Mr. DAYTON assumed the Chair.)

LOW MEDICARE REIMBURSEMENTS

Mr. SPECTER. Mr. President, for a considerable period of time, there have been a number of counties in Pennsylvania that have been suffering from low Medicare reimbursements, which have caused them great disadvantage because their nurses, their medical personnel, are moving to surrounding areas. I refer specifically to Luzerne County, Lackawanna County, Wyoming County, Lycoming County, Mercer County, and Columbia County in northeastern Pennsylvania. Those counties are surrounded by MSAs—metropolitan statistical areas—in Newport, New York, to the north; in Allentown to the southeast; and to the Harrisburg MSA to the southwest.

When these counties are so surrounded by—and a similar situation exists in Mercer County, which has higher rates in immediately adjacent areas—there has been a flight of very necessary medical personnel. Last year, in the conference on the appropriations bill covering the Departments of Labor, Health and Human Services, and Education, the conferees were in agreement that there should be relief for these areas in Pennsylvania that were surrounded by areas that had higher MSA ratings. At the last minute, word came from the chairman of the Appropriations Committee that there would be an objection to including language in our conference report because it was not included in either bill—in the House or in the Senate. That does make it subject to a point of order, so we had a discussion. I went to the office of the chairman of the Appropriations Committee, Senator BYRD, and did my best to persuade him to make an exception in this case because of the extraordinary hardship. Senator BYRD, understandably, declined.

We then talked about bringing the matter forward in the supplemental appropriations bill. I thought it highly likely that, given the immediate history, we could accomplish this accommodation, this correction, in this appropriations bill. The House of Representatives came forward, and the House leadership on the Ways and Means Committee and the House leadership generally agreed with Congressman SHERWOOD, who represents these counties in northeastern Pennsylvania in the House of Representatives, and also Congressman PHIL ENGLISH, who represents Mercer County, that these were indeed meritorious—not that there were not other counties that had similar problems, but these counties were meritorious and should have a change in the MSA.

When the matter reached the Senate floor and I filed an amendment to have a similar result, there was resistance because, after all, it was in the House bill and it could be taken up in conference. It is custom on a matter that a colloquy was entered into between Senator BYRD and myself, and Senator BYRD said he would give every consideration to it in the conference.

It is true that there are other places in the United States that have problems, but I believe none is so pressing as what is occurring in these counties in Pennsylvania, as is evidenced by the fact that the leadership in the House of Representatives—as I say, the Ways and Means Committee chairman and the leadership of the House—agreed to these changes.

A week ago today, on July 1, I visited in Wilkes-Barre, PA, at the Gossinger Clinic, with representatives of the hospitals and went over with them the situation that had occurred and asked that they submit memoranda, which showed the extreme plight, which I could then share with my colleagues in the Senate, which I am now doing, and it will be in the CONGRESSIONAL RECORD for everyone to see.

A memorandum prepared by Bernard C. Rudegeair of the Greater Hazleton Health Alliance pointed out the following:

With competing institutions located within a 30- to 60-minute drive from our front

doors—and able to pay up to $4 per hour more to attract staff—the Greater Hazleton Health Alliance has experienced an outmigration of clinical staff to those areas.

In the last 18 months, 52 employees—including registered nurses, licensed practical nurses, pharmacists, radiology technologists and physical therapists—have resigned.

Then he goes on to say:

Nearly three-quarters of our inpatient population are Medicare recipients. It is often difficult for them to find reliable transportation to out-of-town healthcare facilities.

So they are serviced at Greater Hazleton causing these hardships and losses.

The senior vice president of operations at Geisinger Wyoming Valley Medical Center, Conrad W. Schintz, wrote on July 3 as follows:

There are 10 vacancies in the support departments, such as laboratory and radiology. A significant factor in these vacancies is the higher wages and benefits that are paid in the Philadelphia and New York metropolitan areas that are within a 2.5 hour drive from our hospital.

Similar concerns were noted by the Community Medical Health Care System of Scranton, PA, where Dr. C. Richard Hartman, president and CEO, wrote a detailed memorandum, a part of which is as follows:

Community Medical Center Healthcare System's exit interviews with employees indicate greater opportunities outside the MSA.

The hospital currently has 67 openings, 45 full-time-equivalent positions, and further noted the problems with retaining nurses there.

Similar concerns were expressed in a memorandum from Mr. William Roe, vice president of finance for the Moses Taylor Health Care System, pointing out that ''while 30 percent of all hospitals in Pennsylvania had negative total margins for the 3-year period between 1999 to 2001, nine (9) of the thirteen (13) hospitals located in this MSA have had negative total margins.''

Then the memorandum from Mr. Roe goes on to point out the difficulties which have occurred as a result of outmigration of medical personnel.

Similar comments were made by Vice President William J. Schoen of Allied Services from Clarks Summit who points out:

Pocono and Allentown area hospitals are recruiting [our] workers by offering more generous wage and benefit packages.

Of course, that is made possible by the higher reimbursement because the MSA area is different.

A similar note was offered by Mr. James E. May, president and chief executive officer of Mercy Health Partners who pointed out:

The Scranton/Wilkes-Barre/Hazleton MSA is surrounded by facilities with significantly higher Medicare reimbursements.

The balance of his memo, which I will ask be printed in the RECORD, details further the difficulties which his hospital system faces.

The Wyoming Valley Health Care System, in a letter dated July 5 from Dr. William Host and Mr. Michael Scherneck, the president and chief executive officer and the senior vice president and chief financial officer point out the problems in retaining registered nurses because of the lower MSA which the Wyoming Valley Health Care System has.

CEO Robert Spinelli from Bloomsburg Hospital wrote to my executive director in Harrisburg, Andrew M. Wallace, dated July 3:

The current wage index rates have contributed to three years of deficit income, which has resulted in the inability to recruit qualified staff.

The Wayne Memorial Hospital, which is in the Newburgh, NY, area in a letter from director of finance, Michael J. Clifford, dated July 3 made the same point:

The increase in Medicare payments that would result from this change in MSA to Newburgh, New York, would mean approximately $450,000 of additional Medicare reimbursement for Wayne Memorial.

Tyler Memorial Hospital in Tunkhannock, PA, sent a memorandum expressing the same basic point.

A similar letter has been submitted by the Marian Community Hospital by Chief Financial Officer Thomas L. Heron from Carbondale, PA.

Mr. President, I ask unanimous consent that these memoranda and letters all be printed in the RECORD following my statement.

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

(See exhibit 1.)

Mr. SPECTER. These letters set forth in some detail, Mr. President, which I will not take the time to read now, but the theme is the same. These are hospitals in great financial distress. These are hospitals which are serving an aging population in northeastern Pennsylvania. Similar circumstances exist in Mercer County. The way to correct this is to make the adjustment which is present in the House bill which can be accomplished by the Senate receding to the House position.

As I say, last year on our conference report, we had agreed among the conferees to make the adjustment, and then did not proceed in that way because there was a technical problem with the provision not having been included in either bill. But this year, the leadership of the House of Representatives has included these corrections for these areas, and now I call upon my colleagues on the Appropriations Committee to recede and I call upon my colleagues in the full Senate to approve a conference report which will include these very important corrections for these six counties in Pennsylvania which perform great service. But because of their being surrounded by other hospitals with MSAs, metropolitan statistical areas giving greater reimbursement, they cannot compete with nurses and other medical personnel.

I thank the Chair. I yield the floor.

EXHIBIT 1

POINTS FOR CONFERENCE COMMITTEE ON WAGE INDEX—BERNARD C. RUDEGEHIR, GREATER HAZLETON HEALTH ALLIANCE

With competing institutions located within a 30- to 60-minute drive from our front doors—and able to pay up to $4 per hour more to attract staff—GHHA has experienced an outmigration of clinical staff to those areas.

In the last 18 months, 52 employees—including registered nurses, licensed practical nurses, pharmacists, radiology technologists and physical therapists—have resigned. More than half of them cited the opportunity to earn higher wages at other hospitals as the reason for their departure.

And though our staff is mobile and may be willing to commute up to an hour for a more lucrative position, our patient base is not.

Nearly three-quarters of our inpatient population are Medicare recipients. It is often difficult for them to find reliable transportation to out-of-town healthcare facilities.

As of July 1st, our malpractice insurance increased nearly 50 percent. Staff continues to find opportunities elsewhere, driven by higher wages and attractive sign-on bonuses. We have been forced to adjust salaries to stay competitive. That has had a significant impact on our bottom line—a $3.2 million loss in fiscal year 2000.

In this new age of domestic security awareness, our hospitals have become even more important fixtures in our communities. In the event of a tragedy or terrorist event (a nuclear power plant is located just miles away), our communities would look to our hospitals, not only as sources of emergency medical care, but as places of refuge, information and comfort.

Our elderly patients are the ones who need us most. Many of them toiled in the local coal mines and served our country in foreign wars. Their strong work ethic and love of country has often led to illness and injury that will plague them for the rest of their lives. This is a proud population that we are committed to caring for far into the future.

GEISINGER HEALTH SYSTEM,
Wilkes Barre, PA, July 8, 2002.

Senator ARLEN SPECTER,
Scranton, PA.

DEAR SENATOR SPECTER: Thank you very much for your continued work on the Metropolitan Statistical Area (MSA) Amendment Issue. This is a most important topic for the future well-being of hospitals in Northeastern Pennsylvania, including Geisinger Wyoming Valley Medical Center.

There are a number of ways in which Geisinger Wyoming Valley Medical Center is currently disadvantaged due to our region's rural designation for Medicare reimbursement.

Our area is losing a tremendous amount of health care professional talent to neighboring areas with urban classifications and higher wage and salary structures. RNs R Us advertised in the Wilkes-Barre last week specifically to transport nurses to both the Allentown and Philadelphia areas. Geisinger Wyoming Valley Medical Center recently lost one registered nurse to the Philadelphia area and two registered nurses to Sacred Heart Hospital in Bethlehem for better wages.

Despite our intensive recruitment efforts over the past 6–12 months, it is obvious that we cannot recruit nurses from the Allentown/Bethlehem area due to the higher wages offered in that area.

Geisinger Wyoming Valley Medical Center and other local hospitals have lost numerous nurses over the years to Philadelphia hospitals—where the nurses work two, 16 hours

weekend shifts, receive full time wages and full time benefits.

Geisinger Wyoming Valley experienced a 47% increase in insurance costs from the previous year ($1.8 to $2.7 million).

Uncompensated Care for fiscal year 2002 (annualized May) at Geisinger Wyoming Valley Medical Center is approximately $2.4 million. This includes charity care, bad debt and community services.

Reclassification of the MSA would result in an approximately $2 million Geisinger Wyoming Valley Medical Center. Such an improvement to our bottom line would allow us to further invest in providing excellent health care for the people of Northeastern Pennsylvania. Once again, thank you for your efforts on our behalf.

Sincerely,

CONRAD W. SCHINTZ,
Senior Vice President/Operations.

COMMUNITY MEDICAL CENTER
HEALTHCARE SYSTEM,
Scranton, PA, July 3, 2002.

Re Wage Index (Medicare), Scranton/Wilkes Barre/Hazleton MSA, Financial Condition of Hospitals.

Senator ARLEN SPECTER,
Hart Senate Office Building,
Washington, DC.

DEAR SENATOR SPECTER: I want to thank you for your commitment expressed July 1, 2002 and your efforts on behalf of the hospitals in the Scranton/Wilkes Barre/Hazleton MSA relative to rectifying the Medicare Wage Index issue. As requested, and knowing of your active interest and efforts in attempting to find solutions to restoring the financial viability to the hospitals of Northeastern Pennsylvania, I am writing to you on the issue and request your continued assistance and support. The events of September 11 and bioterrorism threat have reinforced the need to ensure that the healthcare delivery system's infrastructure of Northeastern Pennsylvania, by virtue of its location to multiple major metropolitan areas, remains intact.

Nationally, operating margins of hospitals continue to exceed that of Northeastern Pennsylvania. The Voluntary Hospital Association's (VHA) HBS International benchmarking system is reporting a 3.7% operating return nationally and a 2.6% Mid-Atlantic Region for 2001. Pennsylvania continues to be viewed negatively on Wall Street, thus placing access to capital in jeopardy. Moody's short term forecast cites risk and uncertainty arising from the sector.

Healthcare providers here in Northeastern Pennsylvania have not received adequate, fair reimbursement under the Medicare Program. Our facilities have been and continue to be penalized for managing the costs of delivering healthcare in light of this. The May 2002 release from the Pennsylvania Health Care Cost Containment Council's Annual Report on the Financial Health of Pennsylvania's Hospitals regarding the Fiscal Year 2001 financial performance confirms this. According to the report, Pennsylvania's average operating margin is 2.1%. Region 6 facilities, which include Northeastern Pennsylvania and the majority of Scranton/Wilkes Barre/Hazleton MSA hospitals, collectively produced an average negative 1.51% operating margin, the worst in the Commonwealth.

As requested, I am providing you some specific information relative to Community Medical Center, Scranton, PA, and my concerns despite CMC's ability to continue to provide access to vital services to our community as of this date. CMC provides many tertiary and secondary services including being the Regional Trauma Center, and Cardiac Surgery, Neurosurgery, Neonatal Intensive Care Program, etc. CMC incurred a $3.1 Million operating loss during Fiscal Year 2001 and will be posting another year of operating losses this year. CMC's Net Patient Service Revenue Per Adjusted Discharge, when compared against similar facilities, is approximately $1,200 per adjusted discharge less. (Note: CMC's annual adjusted discharges approximates 20,000.) With respect to Medicare reimbursement above, CMC receives significantly less than others providing the same services in surrounding MSAs. The need to retain our talent critical to these highly specialized services cannot be underestimated.

Medicare—Base Rate: CMC's current Medicare Base Rate is $3,708; July 1, 1984's Medicare Base Rate was $3,421.

Net increase over 18 years to CMC: $287; 8.4% change over 18 years.

Re: Not kept pace with inflation, wage increases, technology etc. A comparison of all MSA's Base Rates (today vs 1984) would demonstrate Northeastern Pennsylvania's dilemma. In the material attached, you will find a graphical representation of CMC's Medicare Base Rate vs the Market Basket Increase. A lot has happened in healthcare since 1984.

In addition, the uncertainty surrounding the further regulations (HIPAA) effects of the new Outpatient Prospective Payment System and proposed less than Market Basket increases for FY 2003 make this initiative critical for NEPA.

I am disappointed to learn that without this ''area adjustment'', based on the Preliminary regulations (Federal Resister Vol. 67, No. 90) and despite the collective efforts of the fiscal intermediary, and the hospitals in the Scranton/Wilkes Barre/Hazleton MSA, our Medicare Regional Wage Index, a critical variable in calculating Medicare reimbursements to provides in projected to not exceed the rural wage index for all of Pennsylvania (.8525).

The issues facing Northeastern Pennsylvania hospitals include:

Immediate financial pressures on ''core operations'', medical malpractice crisis. CMC's medical malpractice increase alone on the primary layer went from $512K to $1.2 Million on 9/1/01 and our carrier has exited writing medical professional liability insurance in our Commonwealth. In addition, number of our physicians (OB) have retired or left the state to practice elsewhere (e.g., Neurosurgery) as a result of the increases. We are concerned with what we face I just over 2 months (anticipate > 100% increase) in addition to the continued exportation of talent.

Labor/Wage pressures as a result of shortages, retention needs, and an industry need to attract talent. CMC's exit interviews with employees indicate greater opportunities outside the MSA. For example, a significant number of vacancies exist at CMC. Currently CMC has 67 openings (45 FTEs). CMC's RN vacancy rate is 18%. Recruitment activity from outside the MSA is commonplace. CMC has seen a 15% RN turnover rate.

Dramatic reductions (greater than 2x anticipated) in Medicare reimbursement along the delivery continum as a result of the Balance Budget Act (''BBA'') of 1997 with a partial return of the excess reduction retrieved through the Balanced Budget Refinement Act and BIPA.

Managed Care (''cost'') pressures on operating margins through a variety of techniques including the domination of few payers, utilization management, and further reimbursement pressures.

Soaring pharmaceutical expenditures and new technological introductions at a rate far in advance of appropriate reimbursement recognition with little supply side pricing constraints.

An increase in uncompensated care being provided by our hospitals, in particular our Trauma Center. In addition, access to services such as CMC's trauma services, given the malpractice crisis, for our community is threatened. CMC has incurred in excess of $5 Million in uncompensated care year-to-date.

Employer Health Insurance premium cost are increasing in the double digit ranges (Financing Side of the System) with limited or no relief to hospitals (Delivery System) as providers of care for such cost exigency.

The financial market's performance that its effect on earnings and cash reserves of the organization directly limiting our ability to plan for and reinvest in facilities, etc.

In closing, thank you for the opportunity to express my concerns for our delivery system and allowing the expression of the desire that a fair, adequate return be provided to hospitals, specifically here in Northeastern Pennsylvania, which have served the residents of Northeastern Pennsylvania with quality, cost effective healthcare. The economic impact of the healthcare system on Northeastern Pennsylvania is significant.

As you have seen day in and day out, our healthcare delivery system in Northeastern Pennsylvania is undergoing rapid change and challenges. As such, time is of the essence within this marketplace. I look forward to your support and successful outcome in the Conference Committee. Feel free to contact me should you require further information.

Sincerely,

C. RICHARD HARTMAN,
President/CEO.

MOSES TAYLOR
HEALTHCARE SYSTEM,
July 8, 2002.

MEMO

ReMSA Amendment

Senator ARLEN SPECTER.

Several important factors highlight why the thirteen hospitals located in the Wilkes-Barre Scranton Hazleton-MSA need relief. Reports produced by the Pennsylvania Health Care Cost Containment Council (PCH4) and the American Hospital Association indicate that all of the hospitals are very efficient and effective healthcare institutions. Despite that fact this region has suffered losses substantially above both the state and national level.

The Financial Analysis of all Pennsylvania Hospitals is a report produced by PHC4. The most recent report shows that while thirty (30) percent of all hospitals in Pennsylvania had negative total margins for the three year period between 1999–2001, nine (9) of the thirteen (13) hospitals located in this MSA have had negative total margins.

Every hospital in the MSA has had a negative operating margin over that period. These losses are causing a significant reduction in the capital base of the institutions in this MSA. An MSA where over 45% of the Net Patient Revenues are provided by Medicare patients.

In the AHA Hospital Statistics guide from 2001, the efficiency of the Hospitals in this MSA is apparent.

In terms of the total labor expense per adjusted inpatient day, the MSA is 25% below the national average and 22% below the state average. (MSA—$826.92, United States—$1,102.61, Pennsylavania—$1,052.53).

In terms of total full time equivalent personnel compared to volume the MSA also compares favorably. The MSA utilizes 15% less FTE's than the nation and 12% less than the state. (MSA—4.01 fte's per adjusted occupied bed, United States 4.61, Pennsylvania 4.52).

This MSA has very efficient, very effective hospitals (see the Hospital Performance report published by PHC4) that are losing significant amounts of money while serving the Medicare population.

In addition to losing significant amounts of capital, the MSA like the nation is undergoing a nursing shortage. Every institution in the MSA has a number of open nursing positions, especially RN's. The situation is exacerbated by the fact that most if not all of the adjacent MSA's advertise locally for nurses. Ads appear on a regular basis from Allentown, Philadelphia, Harrisburg, and Monroe County each extolling the fact that they can offer higher wages. This has forced the local hospitals to use agency nurses at considerable expense.

As I am sure, you are aware CMS recognizes that there are issues with the data used for the wage index. For one example most if not all hospitals in our MSA, employ their own dietary and housekeeping personnel and provide benefits to these positions. This decision actually hurts our wage index number as many other areas of the country now contract for those services. Quoting from the Federal Register of May 9th page 31433, ''Therefore, excluding the costs and hours of these services if they are provided under contract, while including them if the services are provided directly by the Hospital, creates an incentive for hospitals to contract for these services in order to increase their hourly wage for wage index purposes.'' I do not believe that the Congress intended the wage index to drive low hourly rate employees off hospital payrolls.

There are other examples including the amount and type of administrative personnel that affect the wage index. 'We believe that several of the proposed alterations to the data collection process for the wage index will help to address some of those concerns. However, our MSA cannot wait for these measures to take effect, the wage index currently lags 3 to 4 years behind the current data. Any substantive change will take at least 5 to 7 years to make an impact on the payments to our MSA. We need help now.

Thank you for your efforts in this regard.

WILLIAM ROE,
Vice President of Finance.

ALLIED SERVICES,
Clarks Summit, PA, July 1, 2002.

Hon. ARLEN SPECTER,
Hart Senate Office Building,
Washington, DC.

SENATOR SPECTER: The following are some information points regarding the wage index and how a re-classification would aid Allied Services:

As northeastern Pennsylvania's largest rehabilitation medicine provider, Allied experiences a high volume of patients covered under Medicare. This, coupled with a low wage index rate, impacts Allied's ability to recruit and retain healthcare workers. Reclassification to the Newburg, NY, MSA would provide over $6 million in additional funds while re-classification to Allentown adds over $3 million for use in employee recruitment/retention programs.

Pocono and Allentown area hospitals are recruiting NEPA workers by offering more generous wage and benefit packages. This is being promoted through ads in local newspapers, on radio stations and on billboards. This impacts our workers as recruitment for healthcare workers is extremely difficult. This problem is further exacerbated when competing providers recruit away workers thanks to their higher wage rate reimbursements.

Despite staff shortages, the need to provide services continues to be high. This is particularly so given the large elderly population in northeastern Pennsylvania. A wage rate re-classification is a fair way to ''level the playing field'' for healthcare providers.

In 2001, Allied Services provided $2,751,610 in charity care/uncompensated care/and governmental subsidy. Services are provided without regard to patients' abilities to pay. This impacts Allied's financial health.

Hopefully, this helps outline some important points regarding the wage index issue. All of us here thank you for your work on this issue and stand ready to assist in helping you achieve a successful conclusion.

Sincerely,

WILLIAM J. SCHOEN,
Vice President.

MERCY HEALTH PARTNERS,
Scranton, PA, July 3, 2002.

Hon. ARLEN SPECTER,
U.S. Senate, Hart Senate Office Building,
Washington, DC.

DEAR SENATOR SPECTER: I want to thank you and Congressman Sherwood for meeting with the representatives of all the hospitals in Northeastern Pennsylvania on June 1, 2002. Your continual efforts in seeking a resolution to our Medicare wage index problem, and in particular your support of Congressman Sherwood's amendment to the 2002 Supplemental Appropriations Bill, is critical for the survival of our hospitals.

The Scranton/Wilkes-Barre/Hazelton MSA is surrounded by facilities with significantly higher Medicare reimbursement. Our hospitals have struggled for many years now with an unfair Medicare reimbursement rate. We at Mercy have continued to lose health professionals to other regions around us. On a weekly basis our local newspapers carry employment ads recruiting these individuals from our facilities as well as local colleges and universities outside our area. An example of these ads are attached for your review. Even billboards have sprung up within our MSA such as the one discussed in the November 11, 2001 Times Leader. I have attached this as well to illustrate our point.

Our problem will further deteriorate when the proposed Fiscal Year 2003 wage indexes based on our 1999 fiscal year that we were published in the May 2002 Federal Register are finalized in September 2002. Our MSA has once again fallen below the Pennsylvania rural rate. This has occurred from 1999 through 2001, a period when employment expenses have risen 14%.

This will put even greater pressure on our institutions which in turn jeopardizes the quality of care that our institutions provide to our communities in general and our large Medicare age population in particular.

This reduction could not come at a worse time. Per the most recent Pennsylvania Cost Containment Council Financial Analysis. Our region, Region 6-Northeastern Pennsylvania, had the worst operating margin of all Pennsylvania Hospitals—1.51% and a total margin at -0.23%. I have attached this report for your review as well.

These statistics are even more eye-opening when you compare them to national averages. The average total margin for hospitals across the country is 4.5% based on the latest American Hospital Association data in conjunction with the Center for Medicare Services.

In closing, I would like to once again emphasize the importance of this legislation and its impact on the Mercy Health System. Listed below is our Net Operating Income for our last three fiscal years and the first five months of 2002.

FY 1999 ($1,827,000).
FY 2000 ($7,071,000).
FY 2001 ($6,001,000).
May 2002 ($2,582,000).

These net operating losses couples with competition in recruitment from surrounding areas make it imperative that this legislation be passed.

Thank you again. I hope this information will be helpful as you work on our behalf.

Sincerely,

JAMES E. MAY,
President and Chief Executive Officer.

WYOMING VALLEY, HEALTH CARE SYSTEM, WILKES-BARRE GENERAL HOSPITAL,
Wilkes-Barre, PA, July 5, 2002.

Hon. ARLEN SPECTER,
U.S. Senate, Hart Senate Office Building,
Washington, DC.

DEAR SENATOR SPECTER: On behalf of Wyoming Valley Health Care System, Its Board of Directors, and the entire Wilkes-Barre/Scranton community, we would like to thank you for the efforts that you, Representative Sherwood, and your respective staffs have committed to addressing the disparity caused by the Medicare wage index.

While you certainly have developed an appreciation for the challenges facing the hospitals in our region, we would like to share with you the following points that we believe are relevant to our situation:

WVHCS-Hospital (comprised of Wilkes-Barre General Hospital and Nesbitt memorial Hospital), the largest provider in both the Scranton/Wilkes-Barre Metropolitan Statistical Area and the Northeastern Pennsylvania region (Region 6) as defined by the Pennsylvania Health Care Cost Containment Council (HC[4]), has suffered operating deficits in each of the fiscal years since the year ended June 30, 1998. The smallest operating deficit was $5,542,000 in 1998, and the operating loss for the year just ended is expected to exceed $10,000,000.

In the face of adversity, our Hospital has done everything possible to manage the extent of those losses, including numerous staff reductions. The total number of paid full time equivalents (FTE's) for 1998 was 2,708 FTE's As of may 31, 2002, that figure had dropped to just over 1,809 FTE's, a reduction of almost 900 FTE positions.

Medicare beneficiaries account for almost ⅔'s of the inpatient days within our Hospital. Furthermore, the Medicare payment program has become the basis for several other payment programs in the Commonwealth of Pennsylvania, including auto insurance and workers compensation services. There is no opportunity for a shortfall in Medicare payments to be absorbed by other payers, which had lead to our significant operating deficits.

Luzerne and Lackawanna counties have the highest concentration of Medicare beneficiaries of all counties throughout the Commonwealth of Pennsylvania with populations of 200,000 residents or greater. And, the proportion of Medicare beneficiaries within those counties are among the highest of any major county throughout the country.

Based upon data presented by the HC[4] for the 2001 fiscal year, seven of nine regions within Pennsylvania enjoyed positive operating results ranging from 0.81% (Northwestern Pennsylvania) to 3.75% (Lehigh Valley). Altoona area hospitals experienced a slight operating deficit of −0.27%. Most notable in the most recent HC[4] release was the fact that hospitals in Northeastern Pennsylvania were faced with operating deficits averaging −1.51% of revenue.

Of the 13 hospitals within our metropolitan statistical area, the four largest providers experienced operating deficits ranging between −2.56% and −4.81%. Five of the remaining nine hospitals also experienced significant operating deficits.

As the largest hospital in Luzerne County, and sponsor of a very active family practice residency program, WVHCS-Hospital provides a significant amount of free care. For

the year just ended, it is estimated that WVHCS-Hospital provided uncompensated care valued at over $6,000,000. In addition, there were almost 18,000 patient encounters within our family practice residency program, the majority of which were to Medical Assistance or other uninsured/underinsured patients who otherwise would have ended up in emergency rooms.

Under the current rules, Medicare applies the wage index to about 71% of the average hospital's non-capital cost pool. Based upon our calculations, the portion of our costs to which that index should be applied is estimated to be far less, approximately 58%. The result is that areas like ours, where the wage index is less than 1.00, are paid less than cost for a portion of their supply expenses.

For the 2002 fiscal year, we have experienced registered nurse (RN) staffing turnover approximating 15% of our total RN pool. This is driven by the fact that the average wage rate which we can afford to offer for a registered nurse is $20.28, well below other contiguous metropolitan statistical areas. In addition, the current vacancy rate for certified registered nurse anesthetists is 25%. Despite the fact we operate one of the largest and most successful schools of nurse anesthetists in the nation, surrounding areas are paying $5 to $6/per hour more than our region.

Registered nurses are not the only area of need with which we are faced. For example, radiology/imaging technologists are earning (an average hourly rate of $14.88, again, well below other nearby metropolitan statistical areas). The result is that for the first half of 2002, we have experienced almost 20% turnover in imaging technicians, particularly in the areas of nuclear medicine, CT scanning, magnetic resonance imaging (MRI) and general radiology services.

Without additional relief, we are losing staff to surrounding communities!

In addition to these labor related pressures, we are faced with other issues affecting costs including the malpractice insurance crisis, bioterrorism preparedness, as well as, added regulatory requirements under the Health Insurance Portability and Accountability Act (HIPAA). While it is not our intention to redirect wage-related reimbursements to those areas, the fact remains that the amount of funds which we will have available to address our staffing needs will be even further limited.

Once again, we would like to thank you, Representative Sherwood, Representative Kanjorski, Senator Santorum and each of your respective staffs for all of the efforts which you have put into this important cause. In particular, we would like to thank you and Representative Sherwood for spending time with representatives from area hospitals on Monday, July 1, 2002.

We look forward to hearing from you as to when the conference committee hearings will be scheduled as we would like to be present to represent our community and this critical issue.

Sincerely,

WILLIAM R. HOST,
President and Chief Executive Officer.
MICHAEL D. SCHERNECK,
Senior Vice President and Chief Financial Officer.

THE BLOOMSBURG HOSPITAL,
Bloomsburg, PA, July 3, 2002.

Memo to: Andrew M. Wallace, Executive Director, Northeast Region.

From: Robert J. Spinelli, CEO, The Bloomsburg Hospital, Bloomsburg, PA.

The Medicare Reimbursement issue currently debated is extremely important for The Bloomsburg Hospital. As a community hospital located in Northeast Pennsylvania, the current wage index rates have contributed to three years of deficit income, which has resulted in the inability to recruit qualified staff. In addition, our hospital has had to furlough individuals and not fill positions as vacancies become available.

Your help in this wage index change is greatly appreciated. Thank you.

I will be available to attend the Conference Committee meeting. Please contact me.

WAYNE MEMORIAL HOSPITAL,
Honesdale, PA, July 3, 2002.

Senator ARLEN SPECTER,
Scranton, PA.

DEAR SENATOR SPECTER: Thank you for holding the briefing on the Medicare reimbursement issues and the Wage Index issue in particular. We truly appreciate all your efforts on our behalf to assure that Medicare Reimbursements to providers of services are adequate.

I am summarizing a few of the issues facing us in our fiscal 2003, which began on Monday, July 1, 2002, the same day as your briefing.

We are anticipating an increase in our Medicare payment rate of approximately 3% effective with the beginning of the next federal fiscal year on 10–1–02. The increase is based on a Market Basket increase less .55%, as I recall has been the reduction factor over the last several years. Medicare is saying that, inflation is running 3.55% and we'll give you a 3.00% increase in rates. This makes it extremely difficult to keep net revenues above expenses when by definition, expenses are increasing faster than revenue or rates. Capital costs are included in this same methodology. Wayne Memorial is currently in a planning process that may well identify the need to spend capital dollars. Medicare reimbursement will not change as a result of this capital project and the proposed increase for fiscal 2003 will make it difficult to cover additional debt service on any new debt that may be required.

We have also recently absorbed an 80% increase in our annual General and Professional liability (malpractice) insurance premium that must be paid from this 3% increase from Medicare. We are facing serious physician recruitment issues related to the malpractice crisis here in Pennsylvania, as well. The increase in our malpractice premium will total over $725,000 on an annual basis. The increase in Medicare payments that would result from this change in MSA to Newburg, New York would mean approximately $450,000 of additional Medicare reimbursement for Wayne Memorial.

I want to thank you again for your hard work on these serious issues facing healthcare providers in Pennsylvania and hope that all of our efforts, together, can move us toward a Medicare payment system that is more adequate.

Sincerely,

MICHAEL J. CLIFFORD,
Director of Finance.

Mr. SPECTER. In the absence of any other Senator seeking recognition, 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. REID. 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. REID. Mr. President, are we in a period of morning business?

The PRESIDING OFFICER. We are not.

MORNING BUSINESS

Mr. REID. Mr. President, I ask unanimous consent that we now proceed to a period for morning business with Senators allowed to speak therein for a period not to exceed 5 minutes each.

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

FOURTH OF JULY DEDICATION OF THE LOVELL VETERANS MEMORIAL CENTER

Mr. ENZI. Mr. President, all of us are just returning from the Fourth of July recess. It is a grand time, I am sure, across the United States. It was particularly a grand time in Wyoming. I get to go to a lot of parades and fairs and rodeos. It is really our only time outdoors to get a little bit of suntan that, unfortunately, goes from the wrist to the tip of the fingers, and the neck up. But it is a grand time. I want to share with my colleagues one of the adventures of this Fourth of July recess.

I got to be in a place called Lovell, WY. It is in the northern part of Wyoming. They had a dedication of a veterans memorial center that features a huge mural that includes pictures from all of the wars in which we have participated. The mural goes down into a rocky beach that contains rocks from different wars that we have been in as well. They had a dedication of this veterans memorial center.

The dedication was also attended by Commander Lovell, whose town is now his namesake. That is the Lovell of Apollo 13 fame and ingenuity.

Of course, it reminded me of that time in 1957 when the United States realized that we were behind in all of the scientific races. It challenged many of us to improve education in the United States. I think that continues today. The United States met that challenge. I remember when Sputnik went up I was appalled and I immediately became one of those rocket boys, one who was anxious to learn as much about science and space as possible.

I am pleased to say the Explorer Post that I was in launched a rocket with electronic ignition the second time we did it. We also learned on the first one that you have to clear that with the FAA so you don't shoot down airplanes. There have been a lot changes in that.

I got to go to this parade and dedication of the mural. It was very patriotic. At the beginning, as they unfurled this new flag on a huge new pole, we did say the Pledge of Allegiance. There was a reaction to the previous Wednesday's Ninth Circuit announcement because when the words, ''under God'' were said, they were louder than the whole rest of the pledge, just as an affirmation that the people of Wyoming were upset with the decision that had