did with the different majority is they increased taxes a record $252 billion over the 5 years of that budget.

Our conference met and decided that if we wanted to stimulate job growth and savings and cap investment in this country, then we should offset that $252 billion tax increase with some kind of tax decrease. That is what we did. This tax decrease is totally paid for out of spending cuts and it is going to stimulate the economy.

Mr. KINGSTON. Now, as I recall, one of your statistics was that 87 percent of the people who benefit from the tax reduction make a combined income of $75,000 or less, 87 percent of the American people. Is that true?

Mr. SMITH of Michigan. Yes, that is true. I wonder if this is not good. I mean, probably people do not understand, the other side, when they say this is tax cuts for the rich. But see, what they are saying is by taking a $500 tax credit per child, the person that is making the $50,000 or the $100,000 or the $150,000 is in a higher tax bracket, therefore that $500 tax credit is worth more, therefore these are tax credits for the rich.

Everybody should understand where this rhetoric comes from when they say tax breaks for the rich. Some people say well, we are reducing the taxes that corporations pay because we are allowing them to deduct the cost of buying new machinery and equipment to put better tools in the hands of our workers to be more competitive.

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You can call that tax breaks for the rich but what it is trying to do is encourage capital investment and job formation.

Mr. KINGSTON. Is it not true that if the economic growth is 1 percent over the projected growth rate of 2.1 percent over the next 7 years, because of economic growth, we will reduce the deficit $640 billion because of increased revenues because businesses expand, they create jobs, more revenue comes into the Federal budget?

Mr. SMITH of Michigan. You are such an excellent person to have a colloquy with because you know all the statistics and all the figures.

Mr. KINGSTON. Is the gentleman suggesting some of these questions are staged? I am highly offended.

Mr. SMITH of Michigan. It is interesting to note that when CBO comes up with their cost figures, when we have anything to stimulate the economy and job growth, they do not take that into consideration in deciding how much it is going to cost. So if it is a tax decrease, regardless of how business and industry and jobs react to that to bring in ultimately more revenues, they consider it flat. It is a nondynamic scoring.

But you are so correct, if something we do encourages businesses to be a little more competitive and to allow them to expand, then it is going to bring in so much more revenues to totally offset everything and balance our budget much quicker.

MEDICARE

The SPEAKER pro tempore (Mr. FOX of Pennsylvania). Under the Speaker's announced policy of January 4, 1995, the gentleman from New Jersey [Mr. PALLONE] is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, I would like to spend my time today talking about Medicare. In light of what some of the previous speakers said today, I would point out that I am not really interested in the issue of whether or not we call the changes that the Republicans have talked about in their budget as cuts or modifications or whatever. I am satisfied to call them changes.

The bottom line is, the Republicans in their budget proposals, both in the Senate as well as in this House, have suggested some major changes that are going to have major impacts on the Medicare program. Some of the previous speakers suggested today that perhaps seniors are not worried about it or that perhaps Democrats are making them worried unnecessarily.

Let me tell you the reality is seniors are worried, and they are not worried because of anything that the Democrats have said to them. They are worried because they hear that some of these changes that are coming in the proposed Republican budget are going to have a major impact on Medicare, on Medicaid, which is also of importance to seniors, as well as on Social Security, which as you know was previously said to be off the table.

I guess I was a little concerned when I heard the previous speaker, the gentleman from Georgia [Mr. KINGSTON], mention his mom. I guess it is that we are getting close to Mother's Day now. Different speakers talked about their moms. The gentleman from Georgia specifically said that in his case his mother or his family, I guess, was not really that worried about the Federal Government and Federal programs, that he felt that it was increasingly important for us to sort of not depend on Federal programs or forget about these Federal programs.

The bottom line is, when you talk about these three Federal programs that I mentioned, Medicare, Medicaid, and Social Security, these are Federal programs that a lot of people in this country do depend on. They are watching very carefully, in my opinion, what we do here in the next few weeks or the next few months that might impact on those programs.

If I could just use my own mom for an example, and I do not usually do that but, since it has already been stated by some of the others, she called me up just a couple of days ago and she was very worried. She just turned 65 a few weeks ago, is now eligible for Medicare for the first time, relied on the fact that when she became of age that she was going to have the benefits of Medicare. And now all of a sudden, when she first feels that she can take advantage of the program that she and my dad have been paying into all these years, realizes that there may be some major changes and she will not be able to benefit from what she expected in the program.

This is of major concern to seniors. This is not something that is abstract. This is something that the average person is concerned about.

In my district, when we held a number of forums for senior citizens during the April 3 weeks that were in the district, when we were not voting in Washington, I heard over and over again from senior citizens in my district, which is not a very poor district. I consider my congressional district very much the average. I have some wealthy seniors. I have poor seniors and most of my seniors are simply middle class. But they are very scared. When they hear about the changes in Medicare that might make them have to pay more out of their pocket for a copayment or a higher deductible before they get benefits or changes that might limit their options in terms of whether or not they go to a particular doctor or hospital, these are things they are concerned about.

When they hear about Medicaid changes that might impact their ability to get long-term care, they are very concerned. And they are particularly concerned about what they consider a broken promise on the part of the Republicans when the budget, when the House Republican budget proposals talk about a change in the Consumer Price Index that will actually lower the COLA. Seniors worry about that COLA, that cost-of-living adjustment.

Mr. Speaker, many of them budget, and their budget depends on every dollar that they receive on a monthly basis from Social Security. And when you talk about changing the Consumer Price Index so that the amount of the COLA is reduced, that extra few dollars a month or annually that they receive makes a big difference to them.

What I wanted to do today was to basically go through some of the suggested changes that are being discussed by the Republicans in the budget that affect Medicare. I think many have heard the last few days that the Senate Republican plan would pare about $250 billion from projected spending on Medicare and that the House plan ups that ante, if you will, to $270 billion.

What does all this mean? What do these cuts or changes or modifications mean? How do the Republicans propose to go about implementing that? What does it mean for the average person?

Well, we heard today, or at least I heard for the first time today that there was some detailed recommendations, about three dozen recommendations that were made on the House side by Republicans on the House Committee on the Budget to slow the growth of Federal Medicare cost; in other words,

to implement these so-called cuts or changes. And those proposals, I understand, have been put forward by a task force from some of the Republican Members, which was made available today, that was actually sent to the chairman of my Subcommittee on Health and Environment of the Committee on Commerce.

I would like to go through some of those proposals by reference to an article that was in the New York Times today that sort of summarized some of them. If I could read from the New York Times article, it says that Republicans on the House Committee on the Budget recommended three dozen ways to slow the growth of federal Medicare costs. They include higher premium deductibles and copayment for beneficiaries and strong new incentives for them to join health maintenance organizations—we call them HMO's—which provide comprehensive care in return for a fixed monthly fee.

The gentleman from Ohio [Mr. KASICH], the chairman of the Committee on the Budget, said the Republican proposals would expand health care choices for the elderly. But a Mr. Corey, who is the director of Federal affairs for the AARP, the American Association of Retired Persons, said the Republicans were creating a coercive environment in which Medicare beneficiaries will be herded into managed care and out of traditional fee-for-service arrangements.

Under one of the leading options, Medicare beneficiaries would receive Federal vouchers worth a fixed amount, around $5,100 a year, to enroll in an HMO or other private health plan. They would have to use their own money to make up the difference if the cost exceeded the amount of vouchers, but they could keep most of the savings if they chose less expensive plans.

Now, this voucher proposal is just one of the proposals that has been put forth by Republicans on the House Committee on the Budget to try to cut back, if you will, on Medicare.

I would like to go through some of this and some of the others that are mentioned. When you talk about a voucher worth $5,100 to enroll in an HMO or other private health care plan, again, you have to make up your own money for the difference.

One of the things that a lot of seniors are worried about is that right now Medicare is largely a fee-for-service program, which means that you can go out to the doctor of your choice or to the hospital of your choice, if you happen to live in an area where there are a number of hospitals, and that doctor or hospital performs a service and then they send a bill and Medicare pays for it on what we call a fee-for-service basis. The idea is choice. You have your own choice of doctors.

Seniors traditionally had their choice of doctors both when they were working and now as part of the Medicare Program. In many parts of the country, including my own, the seniors do not feel that the HMO's or managed care systems are as good or do not include some of the physicians or hospitals that they may want to go to. But now all of a sudden under this proposal, if it is implemented, they would not have a choice. They basically get a voucher for $5,100 and they can find an HMO that will take them, or they can find another private health plan that operates on the traditional fee-for-service basis.

But think about it a minute. Most of these managed care systems or other private health care plans that operate on a fee-for-service basis are not going to be particularly interested in someone who is older, who might have disabilities, who might have some previous condition that is going to make them a high risk individual. How likely is it that they are going to be able to find a plan that satisfies them for that $5,100?

Ultimately, many of them are going to have to basically take that additional money out of their pocket if they have it to pay for a plan. And I have to tell you, and I think most people understand that a lot of seniors simply do not have the money. So this idea of the voucher is a serious change, that is being talked about, that would have a major implication and for many seniors might result in them not having health care at all.

The next proposal that comes from the Republicans on the Committee on the Budget, and again reading now from the New York Times summary, the Republicans also recommend a stiff financial penalty for new Medicare beneficiaries who refuse to join HMO's. Beginning in 1999, all new enrollees choosing Medicare fee for service would pay a premium $20 higher than that of current Medicare beneficiaries one of the Republican recommendations says. The premium is now $46 a month.

So basically what they are saying is that if you enter, for example—this is not until 1999, but I will use my mom as an example again; she just entered the system within the last month. But let us say she was entering in 1999. If she basically decides that she does not want to go to an HMO or managed care system that limits the doctors or the hospitals, then she has to pay more to continue in a fee-for-service system out of her own pocket.

The amount that they are talking about here, $20 higher than that of the current beneficiaries, which is now $46 a month, is significant. But I would maintain that as time goes on, that differential between what the senior is going to be charged if they enter the managed care system versus the fee-for-service system will grow. And the greatest fear that many of the seniors have in my district, the greatest fear that they have is that ultimately, if they are given a choice, which is not really a choice, between a managed care HMO and a fee-for-service system, that if the cost of the fee for service becomes so prohibitive that they cannot pay for it, they are essentially forced into an HMO or managed care system. That is what we are talking about here with this second Republican recommendation.

Ultimately the cost of the fee-for-service system would be so expensive that seniors would be forced into an HMO where they would not, given the choice, have their choice of doctors or even hospitals in many cases.

The third proposal that comes from the House Republican budget group task force is they would reduce payments to doctors and hospitals, especially teaching hospitals and those that serve large numbers of low-income patients. Well, this is what I would call a reduction in the reimbursement rate. Many of you know that in terms of Medicare, a rate is established to pay for doctors or hospitals by Medicare, and that is what they get reimbursed for the different services that are provided.

Some people and some of you, my own seniors, have said to me: So what, the doctors get a lot of money. The hospitals make too much money. So you reduce their reimbursement rate. What do I care, maybe it is good.

The bottom line is maybe it is not good, because many hospitals, particularly those who have a high number of seniors, as is the case with my district in New Jersey, are basically dependent on Medicare reimbursement and are just basically managing with the budget they have, because they have so many senior citizens or they have so many poor people.

If you reduce the reimbursement rate to hospitals, some hospitals will simply close. Others will not be able to provide the level of service or the quality of service that they are providing now. What happens if you reduce the reimbursement rate to doctors? Some may say ''So what, the doctors make too much money''. The reality is that doctors do not have to take Medicare patients. If the reimbursement rate becomes significantly lower or does not increase as much as it should to keep up with inflation, then a lot of doctors will just say ''I'm not going to take Medicare patients.'' Seniors have already complained to me about how, in many cases, they cannot find a doctor who will take Medicare. If more doctors do not take Medicare, fewer doctors are going to be available to senior citizens.

''The fourth thing that was recommended by the Republicans on the House Committee on the Budget,'' and again I am reading from the New York Times article, ''was to double the amount that beneficiaries must pay for doctors' services before Medicare coverage begins. This is the deductible.''

The annual deductible, now $100, would be raised to $200 and then increased automatically to keep pace with the growth of the program. The deductible has been raised only three times in the 30-year history of Medicare.

Here we get to the real nub of the question. This option increased the deductible. Of course, everyone knows what that means. The deductible goes up, the senior has to pay more out of pocket before they are actually able to take advantage of Medicare. It may sound nice, but most or many seniors simply cannot afford it. What they will do is they will simply forego care, because they know that that care will be less than the deductible that they have to pay out, the last thing in the world that we could possibly want.

The fifth thing that was mentioned by this Republican Committee on the Budget, or by Members recommending how to deal with Medicare, is to ''increase the monthly $46 premium by $5 in each of the next 4 years, and then by $6 in 2000 and in each of the following 2 years.'' I assume that what we are talking about here probably is the part B premium that seniors pay for doctors, so again, we are talking about an increased amount of money out of seniors' pockets if they can afford it.

There are two more options that I wanted to talk about today that have been suggested by the Republicans on the Committee on the Budget to deal with these changes they have suggested in Medicare. This next one says that ''They would charge higher premiums for beneficiaries with incomes exceeding $70,000 a year. The premium would more than triple, to $164 a month for individuals with more than $95,000 a year, and couples with more than $115,000.''

Here we are talking about means testing. I think many of you know that historically, and certainly when the Medicare program was started under President Lyndon Johnson, that Medicare was not going to be income-based. You paid into it. When you reached the age of 65, you took advantage of it. It did not matter what your income was, it was not meant to be a welfare program. It was for all senior citizens.

Now we are talking, under this proposal, of turning Medicare basically into an income-based program, I will call it a welfare program, and basically reneging on the contract that was made with those Americans, that was made 30 years ago by the President then and this Congress, that this was not going to be an income-based program.

Some may say ''So what? Changing times, we have to change the reality of things.'' Let me assure you that in those States, and I will use my State as an example, which have a very high cost of living, some of these income categories that are being used, for example, $70,000 a year, I would maintain that as time goes on we will see that level be reduced. If it is now 70, it will go to 60, then to 50, then to 30.

Think about people who live in States where the cost of living is very high. These arbitrary numbers that are going to be used, in my opinion, are going to make a lot of people who can really ill afford it, based on this means testing plan, have to pay out of their pocket more money for their health care, when they happen to be senior citizens. It goes against the contract that was made with seniors by this original enacting legislation, and ultimately, I think it will have more and more impact on middle-class seniors.

The last thing, and there are many others, I am only citing 6 but I think there are something like 35 recommendations that were put forward by these 4 members of the Committee on the Budget in the letter they sent to the chairman of my Subcommittee on Health and Commerce, but the seventh and last one that I want to mention says ''They will charge patients for a portion of the cost of home health care provided to elderly people residing in their homes. Republicans said such a change would discourage overuse of home health services.''

Again, one of the most serious problems we face now is the need for long-term care for seniors. I think everyone knows that if you can provide seniors with home-based health care, where someone comes into the home to help them get out of bed, to help them clean up, or to help them with the various disabilities that they have, that is a very cheap, preventive way of dealing with health care problems that face the elderly, much better than having to go to the hospital and the costs entailed with a hospital, or a nursing home, or other kinds of institutions.

Why in the world would we want to discourage home health care or build in an extra charge for home health care? All that is going to do is discourage seniors from using home health care, or not use it at all if they cannot afford it, and the ultimate cost of that is that people become institutionalized and it costs even more money to the Federal Government.

Mr. Speaker, the point I am trying to make here today is very simple. Whether we call it a cut, whether we call it a modification, whatever we call it, of the changes that are being discussed by the House Republicans on the Committee on the Budget, and they are going to be coming before this Congress, this House, next week, they are major changes in the Medicare Program. They have a direct impact on seniors.

The bottom line is that they are probably going to result in a lot more money that seniors are going to have to pay out of their pocket, and if they cannot afford it, which many cannot, they are simply not going to have the quality and level of services, or in some cases, may not have any health care at all.

I do not think, Mr. Speaker, that the costs of balancing the budget should be so heavily forced on the elderly within this country. We all know that we have to balance the budget, and I certainly advocate that, but this budget, this budget resolution that is being proposed depends too much on hurting and making it more difficult for seniors, particularly with regard to their health care needs. That is not the way to go about balancing the budget.

Mr. Speaker, I wanted to talk a little bit about some of the Medicaid cuts and respond a little bit to some of the statements that were made about President Clinton's health care proposal.

Mr. Speaker, I talked initially about the Medicare program. I want to also talk a little bit about the Medicaid cuts or changes that are being discussed. Before I do that, though, I want just to take 5 minutes or less to just give some statements that have been made by some of the associations that deal with senior citizens about what these Medicare and Medicaid cuts or changes are going to mean for the elderly.

I just want to highlight a few of these things, because sometimes I feel if I make a statement, maybe some people will believe it, but it comes from some of the associations that represent senior citizens, perhaps it will be more believable.

The American Association of Retired Persons, which, of course, has been, I guess, the leading opponent of some of these changes, they have said that Medicare was hardly discussed in the last election, and there was certainly no mandate from the electorate to change the system. I think that is obvious. This is not something that was part of any political discussion that I know of in terms of anyone running for office last year.

''Medicare cuts would mean that over the next 5 years, older Americans would pay at least $2,000 more out of pocket than they would pay under current law, and over the next 7 years they would pay $3,489 more out of pocket. The total number of Medicaid beneficiaries who would use long-term care services could reach $1.7 million in the year 2000.'' That is from the AARP.

The National Council of Senior Citizens says ''The levels of the cuts in Medicare contemplated by the Senate and House Budget Committees will not just devastate the finances of millions of older citizens, but more importantly, they will devastate the hopes for a secure and healthy old age for all Americans.''

The Older Women's League says:

> We receive hundreds of letters from women who are already forced to choose between paying for food and rent and buying much needed medicine that is not covered by their Medicare. Substantial cuts in Medicare will literally take food out of the mouths of these older women.

I could not agree with that more. When I have my forums in my district, the overwhelming majority of the seniors who show up are women. Most of the people that are particularly scared are women. Many of them are just making ends meet. If you talk about additional deductibles or copayments or out-of-pocket expenses, they are

making choices between food and rent and needed medical care.

Last, Mr. Speaker, and I mention it because I happen to be a Roman Catholic, the Catholic Health Association says that ''Budget cuts of such magnitude in Medicare and Medicaid would attack the very fiber of these programs, and in fact, decimate them.'' As I think many know, Catholic Charities is one of many nonprofits that provides medical care to people who do not otherwise have it, and anyone who has visited a Catholic Charities knows that a lot of the people, really significant numbers of the people that are serviced by them are senior citizens, as well as children.

I would like to now go into Medicaid, which I guess has not gotten as much attention as the proposed changes in Medicare, but the Medicaid program, which is the program for poor people in this country, mostly people who are receiving some sort of welfare of assistance, is also severely cut, some would say more severely challenged, in terms of the amount of money that is going to be available over their next few years than Medicare under this Republican budget proposal.

A lot of people think that Medicaid is just, you know, a program for people under 65, and that somehow seniors do not take advantage of Medicaid because they are covered by Medicare. The reality is that for many seniors who do not have the assets to pay for long-term health care, if they are poor enough, or if they become poor because they have to spend money on health care, Medicaid ends up financing much of their long-term care, particularly nursing home care, as well as home health care, because that is not provided or covered by Medicare.

The cuts in Medicaid will also severely impact seniors who need long-term care. I don't think anybody needs to be reminded of the nursing home crisis we have in this country. Again, if you significantly cut back on the amount of money that is available, I would argue that the quality of care is certainly going to decrease.

Medicaid is basically a combined Federal-State health insurance program, primarily for poor women and children, the blind, and the disabled. It is the largest provider of long-term care coverage for the elderly and the disabled. Two-thirds of the costs of the Medicaid Program go to provide both acute and long-term care to the blind, the disabled, and the elderly.

Most Medicaid beneficiaries are children, and children have the lowest rate of health insurance in the country. so therefore, being without Medicaid insurance among children would be catastrophic. The cuts proposed in the Medicaid Program are massive. They are substantially larger than the total annual Federal costs of the Medicaid Program. The elderly and disabled will bear the brunt of these cuts, because that is where most of the money is spent.

Many senior citizens who have spent their life savings on long-term care are enrolled in the Medicaid Program, which assures that their long-term care can continue. With the proposed Medicaid cuts, these seniors will either be forced out of absolutely vital long-term care, or their families will have to pick up the costs of maintaining care. These cuts amount to a huge hidden tax increase on the families of those who need or may need long-term care.

Where are we shifting these costs? We are shifting these costs to the families that have to care, in many cases, for the elderly. We are going to shift these costs to the States, because some States will decide that they cannot let people just go without health care, particularly seniors, so they will have to kick in their tax dollars, ultimately resulting in higher costs and taxes on the State level, or ultimately, also, the burden goes to the local communities and the local property taxpayers. Because Medicaid costs are shared with the States, cuts of the magnitude that are being talked about here will force States to bear even larger Medicaid costs, leading to substantial increases in State taxes. If States are unable to meet that, people will lose coverage. The uninsurance rate, particularly among children, will explode, forcing up costs for everyone else. Cost shifting will get much worse.

I think we have to understand that the Medicaid Program has basically brought primary and preventive care to people who would not otherwise get health care, and without the Medicaid Program, or with some of the changes that are being proposed, we are going to see a lot of people who are poor simply not getting coverage.

Mr. WISE. Mr. Speaker, will the gentleman yield?

Mr. PALLONE. I am happy to yield to the gentleman from West Virginia.

Mr. WISE. I just want to thank the gentleman, not only for the special order, but making the point on Medicaid, because so much is focused, and rightly so, on the cuts in Medicare, which is basically health care for the senior citizen. Medicaid, 50 percent of Medicaid dollars go to senior citizens, basically for nursing homes.

I do not think that a lot of people appreciate the fact that there is no nursing home care under Medicare. Medicare does not provide for the long-term nursing home care that so many families require, so they have to turn, instead, middle-income families, turn instead to Medicaid.

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The average family, this was a few years ago, but the statistic was that if somebody had to pay the cost out of pocket of a nursing home for their loved one, the average family would be impoverished in 13 weeks.

Medicaid is what has kept many, many middle-income families able first to meet the responsibility to their loved one and at the same time to avoid bankruptcy.

Cutting back on this program, as well, goes right at the heart of not only providing health care but I think also middle-income families.

Mr. PALLONE. I appreciate what the gentleman from West Virginia said and it is very true.

The average cost of a nursing home now, the last I looked, was something like $30,000 to $40,000 a year, at least in my area. It might be less elsewhere. How many middle-income people can afford that?

Essentially what they do as you described is that they will pay private maybe for a year or two, depending on how much money they have, and then will go on Medicaid because they won't have any money left. They will end up being in a nursing home paid for by Medicaid a lot longer than that year or two that they happen to be paying out of their pocket.

I don't particularly like that spend-down system that exists right now, but the bottom line is it depends heavily on Medicaid.

From the information that I actually had here before me, the bottom line is that most of the Medicaid dollars actually are going to pay for programs like that for the elderly.

We are talking about middle-income people, if you will, that become impoverished because of the cost of nursing home care. I appreciate those comments.

The last thing that I wanted to talk about today, and again this is partially in response to some of my Republican colleagues who spoke earlier today, and were somewhat critical, I thought, of President Clinton and his response to the issue of changes in Medicare that have been proposed by the Republicans on the budget committees.

The reason that I have to take issue with some of the statements that were made is because the President's position has been very clear for several years now. It is essentially that changes in Medicare and any savings that could be achieved in Medicare costs basically should only be made in the context of an overall health care reform.

I totally agree with that premise that the President has put forth. The idea is, and he basically expounded on it the last year or two when he put forth his health care reform proposals, is that in the overall context of health care reform, we could probably save some money on Medicare costs, but at the same time we would expand Medicare to provide more services.

The President actually talked about expanding Medicare to cover prescription drugs, to cover certain long-term care in certain circumstances.

His idea was not to cut or modify Medicare and take that money and use it for other things. His idea was that the Medicare dollars that are saved would be used to expand Medicare, particularly for preventative services like

prescription drugs, like long-term care for the elderly, and to try to basically save some money as part of the overall reform that he was making for all Americans.

I think it is very, very unfair for some of the Republicans to suggest that somehow the President is not being responsive on the Medicare issue. He has been, he was, and when he was, he did not receive cooperation from the Republicans.

I just wanted to highlight that if I could by a letter that was sent to Speaker GINGRICH I believe last week from Leon Panetta, the Chief of Staff for President Clinton, and just to read a couple of paragraphs if I could:

Last year, the President spoke directly to the nation about the need to reform our health care system and made clear that further federal health savings needed to take place in the context of serious health care reform. In December 1994, the President wrote the Congressional leadership and made clear that he would work with Republicans to control Health care spending in the context of serious health care reform. The President repeated this offer in his 1995 State of the Union speech.

The President has long stated that making significant cuts in Medicare and Medicaid outside the context of health care reform will not work. Such dramatic cuts could lead to less coverage and lower quality, much higher costs to poor and middle income Medicare recipients who cannot afford them, a coercive Medicare program, and cost-shifting that could lead to a hidden tax on the health premiums of average Americans. That is why it is essential to deal with the Medicare Trust Fund in the context of health care reform that protects the integrity of the program, expands not reduces coverage, and protects choice as well as quality and affordability.

I could not agree more with what the President suggests, that whenever changes we make and whatever costs are saved in Medicare have to be looked at in the context of overall health care reform.

Incidentally and importantly for me because I happen to live in the State of New Jersey and represent part of New Jersey, there was an editorial in the Star Ledger, New Jersey's largest daily, on May 3 that basically criticized the Republican budget proposals and was critical of the fact that the Republicans did not want to deal with Medicare in the context of overall health care reform.

Mr. Speaker, if I could just read parts of this because I think it is so telling in terms of the debate we are about to engage in:

The editorial is entitled, ''Messin' With Medicare.'' About halfway down it says:

The Republicans say President Clinton wants to hold Medicare reform ''hostage'' to a broader plan for national health care reform.

Which would be the wise thing to do.

You can't mess with Medicare without affecting other parts of health care and spending, certainly not in New Jersey where Medicare spends $5.2 billion a year on 1.1 million beneficiaries, ninth highest in both categories. Consider the proposal to raise the age of eligibility for Medicare to 70 so the program can save about five years on each persons' medical bills.

I did not even mention that. That is another option, I suppose, that you just raise the age before you get Medicare benefits.

That means shifting some of the $5.2 billion to employer-paid health plans to cover all the years Medicare doesn't. If not, retirees will either have to pay their own way or go without coverage and care as they enter the stage of life when they are likely to need both most. Think of how many would come of age for Medicare just in time for the program to pay the consequences of years of government neglect of problems they've had since they were young but which went untreated for lack of health care insurance.

Hospitals and doctors can treat them during those years and try to recover their own cost by dropping it into everybody else's bill.

If I could just interject. What the Star Ledger editorial is saying, that if you make these changes, cost shiftings are going to occur essentially for everyone else in the private sector.

Private insurance is switching to managed care. Health maintenance organizations and other insurance plans send their members to the doctors and hospitals which give big discounts, discounts that leave no margin to cover what Medicare does not.

Shifting senior citizens into managed care is another reform proposal. The HMOs say they can do more for less because they hunt for discounts and manage how many tests and procedures and hospitalizations are ordered.

If the U.S. government doesn't have enough muscle to force prices down through Medicare, it's hard to imagine a private plan that would at least not without cutting benefits drastically.

We face the prospect that Washington may give seniors the ''choice'' of switching to ill-defined managed care or staying with traditional Medicare at an increased out-of-pocket cost too onerous to make it a real choice.

That is really what my seniors are most afraid of which is, are they going to be given the option of some kind of managed care system which basically is ill-defined and which does not provide the coverage that they need, or, which is more likely, they are going to be staying in Medicare and paying more and more out of their own pocket in order to continue as part of the program.

Of course that really begs the ultimate question, which is, if you are not in a position because you are too poor or lower middle class that you simply can't pay those additional out-of-pocket costs that are the consequence of these Republicans proposals, you are going to go without medical care or preventative care, get sicker and not be cared for. That, I think, is the ultimate result of these Republican proposals.

I hope that as we go into the debate over the next week or so that this comes out and that the American public is able to realize what these changes, if you will, in the Medicare program that the Republicans are talking about really mean. I think the changes are major and I think we have to do whatever we can in this House to prevent them from becoming law.

THE FEDERAL BUDGET

The SPEAKER pro tempore (Mr. FOX of Pennsylvania). Under a previous order of the House, the gentleman from West Virginia [Mr. WISE] is recognized for 60 minutes.

Mr. WISE. Mr. Speaker, special orders are kind of interesting. What are they about? I am sure the public looks and they see that there is an empty hall.

The benefit of special orders, that is what we are in right now, is it gives Members on both sides of the aisle, the aisle being the central aisle down the middle, it gives Members, Republican and Democrat, on both sides of the aisle a chance to lay out a little more in detail, to expound more fully on what they think is important, just as Mr. PALLONE before me laid out some of his concerns about some of the budget proposals that have come forward.

Often on the floor of the House, where we are limited by how long we can speak, whether it is 3 minutes or 5 minutes, where there is the hurly-burly of debate, it is difficult to get out in a reasoned way what it is that you really want to say. That is why many on both sides of the aisle take this opportunity.

I take this opportunity because I want to speak about the budget. I want to speak about what I think ought to be in the budget. I want to respectfully disagree with the budget that has been presented by the Republican side, but also lay out an alternative, to lay out my budget, and I want to say this is my budget, not endorsed necessarily by anyone.

I think some important points need to be made. In developing a budget, and particularly a balanced budget, and everyone agrees on the need for balance in the budget. We balance a budget in our families, in our homes, in our businesses, in State and local governments.

But in balancing a budget, what is the goal? The goal I think for the country is not simply to be able to point with pride and say we have got a balanced budget. It is to be able to say we have a balanced budget in the context of a healthy economy because we take the steps necessary for a healthy economy.

Yes, we believe that most of the time that means there is a balanced budget. But there are times in the Federal Government, not true necessarily in other budgets, but there are times in the Federal Government where it is necessary to run an imbalance, in times of recession when people are being laid off.

As businesses balance their budgets by laying off, that is the time when the Federal Government must come in and pick up the slack. Otherwise, the recession only worsens.

A balanced budget is important, yes; healthy economy, though, is the goal. Let's talk about it in terms of healthy economy.

My concern is that if we adhere to a 7-year proposal, that is, ''Thou shalt