

primarily going to be a medical malpractice day.

So we are open and ready for business for any Member who wishes to discuss that issue or to offer an amendment relating to that issue.

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 President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. GREGG. Mr. President, I ask unanimous consent that I be allowed to proceed as in morning business for approximately a half hour.

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

OUR NATION'S BUDGET

Mr. GREGG. Thank you, Mr. President.

I want to take this opportunity today to talk a little bit about what is going to happen relative to the budget of this country as we move forward through the next couple of months when we are taking up key issues involving the budget, and to talk a little bit about Medicare, which is obviously an issue of considerable concern for our senior citizens and of equal concern for those of us who served in the Senate and in the House of Representatives as we move through the process of trying to restructure, first, the budget of the country to put us into solvency and, second, to make sure that the Medicare system remains solvent, and that our seniors will be able to benefit from this, the largest insurance program in the Nation.

As I think everybody knows, this country faces some fairly significant crises in the coming years over the issue of the deficit. In fact, if we continue on our present course, it is projected that by about 2015, or thereabouts, this Nation will essentially end up in bankruptcy. It will be a bankruptcy which had been generated primarily by the fact that we, as a Government, have failed to address the spending side of the ledger of the Federal budget. It will also be a bankruptcy which passes on to our children a Nation where their chances for opportunity, their chances for a lifestyle which is prosperous, is essentially eliminated.

Unfortunately, if we do not take action soon, we will end up like Mexico is today; we will be a Nation unable to pay its bills. This is not fair or right, as I have said on a number of occasions on this floor. In fact, the way I have characterized it is—and I have talked about the postwar baby boom generation, the Bill Clinton generation—we will be the first generation in the history of this great and wonderful coun-

try to pass less on to our children than was given to us by our parents. Such an action cannot occur and should not occur. It is not right and it is not fair.

We need to address the issue of the deficit. In order to do this, it is, I think, informative to look at some of the proposals that are on the table and which have been evaluated by various agencies which review the deficit.

Each year, the Congressional Budget Office subjects the President's budget to its own independent analysis. It then publishes the analysis in a little book, the latest version of which was released last week. It is this blue book here. This is a very significant document because, as you will recall, when the President was elected, during his first speech to the Congress he stated he would use CBO as the fair and honest arbiter of the numbers of his budget.

This year, CBO has found some highly significant differences between what the President said will happen under his budget and what CBO believes will actually occur.

If you will recall, in February, when the President's budget was shown—when it was first delivered—it showed basically a steady state of deficits of \$200 billion each year for as far as the eye can see; \$200 billion a year, basically until the end of the budget cycle and beyond, with no progress toward a balanced budget, but at least no deterioration from the present position, which was pretty bad. It would have added, for example, a trillion dollars of new debt to the Federal deficit over the next 5 years.

CBO, however, says that this is not true; the President's budget is not accurate. CBO's analysis found that the President's budget proposal would actually cause the deficit to climb by \$100 billion over the next 5 years. From \$177 billion in the year 1996 to \$276 billion in the year 2000.

This chart here shows this problem. This is the President's budget as he proposed it. This would be balanced down here. There would be \$200 billion deficits for as far as the eye could see. But CBO has taken a look at the President's budget and found that not only is he giving us a \$200 billion deficit for as far as the eye could see, it appears that it is now on an upward trend and well above \$200 billion. In other words, the President's budget will actually result in adding \$1.2 trillion of new debt to the national debt over the next 5 years.

That is on top of the \$4.8 trillion which we already owe as a country, and it is debt which our children will have to pay. It is debt which is going to finance current expenses which we are undertaking.

The President's budget, it seems, was subject to some unfair criticism back in February, in fact. Republicans—and I must include myself among them—and some Democrats criticized it as a do-nothing budget. Well, now it ap-

pears that it is not a do-nothing budget, it is a make-things-worse budget.

Congress also received some additional information which is fairly significant in the last couple of weeks. It received a report from the trustees of the Social Security and Medicare trust fund. That is this report here. This is important because the trustees of the Medicare trust fund are independent individuals who are given the obligation of managing the Social Security and the trust fund program and who are theoretically, outside the political process, although three of them are political appointees.

For those who do not know that, the trustees include, for example, the Secretary of the Treasury, the Secretary of Labor and Human Resources, the Commissioner of Social Security, the Administrator of Health Care Financing Administration. In addition, there are two public trustees. These two are not administration officials, but private citizens, who were appointed to their positions.

The alarming nature of this year's report results from the trustees' telling that the Medicare system is in a full-blown crisis, that it will go bankrupt in just 7 years if we do not take decisive action to fix it.

Let me show another chart which reflects the seriousness of this situation. This is the hospital trust fund, Medicare. As we see under the present scenario, it is solvent. Beginning in about the year 1997, it starts to have a negative cash flow, and by the year 2002, 2003, or 2004 it goes into deficit. In other words, it becomes bankrupt.

This is the most important trust fund after Social Security that we deal with as a nation. The Medicare trustees are saying that the trust fund will confront a negative cash flow in just 2 years. This means that the Medicare program will be spending more than the Medicare payroll tax brings in.

The Medicare will go insolvent in 7 years, or the year 2002. That is, the trust fund will not only have a negative cash flow, but that it will also have spent all the surplus reserves that it has accumulated. In other words, it will be bankrupt.

"It is important to remember," the trustees said, "that under present law there is no authority to pay insurance benefits if the assets of the hospital trust fund are depleted." That means at this point, when we cross this line, there will be no money to pay for health care for senior citizens. Medicare benefits would simply be cut off, or seniors would have to fend for themselves for their health care. While Congress would probably do something about that, right now the state of the law is that in the year 2002 senior citizens will have no health care insurance.

How big is the Medicare financial problem? The trustees report says the following:

Short term, to restore actuarial balance over the next 25 years, an immediate payroll

tax of 1.3 percent would have to be imposed or benefits would have to be reduced in a comparable fashion. That 1.3 percent translates into \$263 billion over 5 years or \$387 billion over 8 years.

In the long term, to restore balance over a 75-year period, the payroll tax would have to be hiked 3.5 percent immediately or a cut in benefits would have to be made that is comparable. That translates into \$565 billion over 5 years or \$1.1 trillion over 7 years.

These are the numbers required to restore actuarial balance. But these figures give an idea of the magnitude of the problem that Medicare confronts.

Another important element of this year's Medicare trustees report is that the public trustees—the citizen trustees, not the Clinton administration trustees—took the highly unusual step of including their own message, a dissent, in the statement. This statement sounds much more urgent and alarming than the overall report. Remember, it was given by the independent folks who serve in this commission. And the overall report is pretty severe.

The public trustees begin the message by saying there has been an acceleration of the deterioration of the trust fund. They say that the deterioration results from some unforeseen events, but also from the absence of prompt action in response to clear warnings that changes are necessary.

Here they are basically scolding the Congress. They are saying, "We have been telling you of this problem for some time but you have ignored it. But you have a major crisis on your hands now and you can't delay any longer."

The trustees also go on to say two things which are rather striking, and I have had them reproduced here because they are so significant.

They say: "The Medicare Program is clearly unsustainable in its present form." Unsustainable in its present form.

They also say, and this is the independent trustees speaking: "We strongly recommend that the crisis presented by the financial condition of the Medicare trust funds be urgently addressed on a comprehensive basis, including a review of the program's financing methods, benefit provisions, and delivery mechanisms."

In other words, the Medicare Program is insolvent, is bankrupt, and it is unsustainable in its present form. It has to be restructured.

In light of these two reports, the CBO report and the Medicare trustees report, Congress really confronts what I would call a political gut check. Are we going to try to save the Medicare system and balance the budget despite the political demagoguery that will surely result? Are we going to do these things in the face of a President who has basically washed his hands of both problems and taken the Pontius Pilate approach to budgeting, Pontius Pilate approach to Medicare, washed his hands and said there is no problem and walked off the stage? Or are we going to pursue politics as usual and just pre-

tend for another year there is no problem at all?

For my part, I believe we must reject the politics as usual and move decisively to restore this country's fiscal standing. We must do so to save the Medicare trust fund and to assure our seniors that they have a health insurance plan that is solvent, and we must do so to balance the budget, whether or not we get the President's help.

Why? Because it is the right thing to do. It is the necessary thing to do. Quite simply, it is our job to do it.

First, we must save the Medicare trust fund from bankruptcy. To do this we must pursue two tracks. We must make some changes to head off the bankruptcy in the year 2002 and restore the short-term solvency, and we must also undertake some structural improvements so that the Medicare trust fund remains sustainable into the next century.

This involves some immediate adjustments, and it involves opening up the system to market-based incentives. We must follow the lead of the private sector and allow senior citizens to choose from a wide variety of health care plans, including traditional Medicare.

If we allow seniors to have a wide variety of choices similar to those that we have as Members of Congress or as Federal employees, then the Medicare inflation will come under control and we will be able to bring this system into solvency.

This can be done by giving our seniors choice. We can do it not by cutting Medicare. We do not have to cut spending on Medicare. All we need to do is reduce its rate of growth.

Last year, the Medicare trust fund and the Medicaid fund, which is a separate fund and is a welfare fund, both grew at 10.5 percent, three times the rate of inflation in the economy. It happens to be 10 times the rate of inflation in the private sector health care arena, which actually dropped last year as a rate of growth. They had a minus 1.9 percent inflation rate.

Obviously, we cannot sustain double-digit inflation rates in the Medicare accounts. But we could sustain a growth rate which was as high as 7-percent, or twice the rate of inflation, and seven times the rate of inflation in the private sector health care accounts.

We can obtain that goal of reaching a 7 percent rate of growth in Medicare by giving seniors more choice and creating a market-place incentive for them to move into health care provider proposals which are more cost efficient. I have laid out a fairly significant program to do that, and have talked about it before on the floor.

Along with moving to resolve the bankruptcy of the Medicare system, we also must act decisively to resolve the problem with the deficit and the Federal budget. We must not only save Medicare but we must reform the rest of Government as well, because we must be able to pass on to our children

a country which is solvent. This can be done by improving the way the Government delivers its services. Welfare, including Medicaid, has some of the fastest growing programs of the Federal Government but they are also some of the areas where the Federal Government has had its biggest experiences of failure. In fact, if there is one item you can point to in the liberal welfare state as having been a failure over the last 40 years, it is welfare itself. It has created generations of dependency and despondency: People who are locked into a system from which they cannot escape; people who should not be in the system who are in the system; people who should be getting assistance who are not getting assistance.

We must admit that the status quo of the welfare system, and the Medicaid system, for that matter, which is part of it, is indefensible. We must move the responsibility for these programs and the power to administer these programs back to the States through using flexible funds and returning the dollars and the authority over these programs to the States.

This loss of power on the Federal level will upset a lot of people around here and there will be a lot of shrill rhetoric. But the basis of that rhetoric will be the concern for loss of power. We will hear it couched in terms of compassion. We will hear this outrageous statement, which is so often made by some of my colleagues on the left, that State Governors and State legislatures and town governance individuals do not have the compassion or the knowledge to manage these programs; that somehow, the knowledge to manage these programs is uniquely retained in a few bureaucrats here in Washington and their assistants here on the floor of the Senate and in the House of Representatives.

But that argument of compassion is, as we all know, a smokescreen for the real argument or the real concern, which is one of power. Controlling the dollars and controlling the programs means controlling people and having power. There are many Members around this arena who do not wish to give up the power of the purse or the power of the programs. But if we are to get better programs—better managed, more efficiently managed, delivering better services—the way to do that is to return the responsibility to the States and to the communities along with the dollars that support those programs.

So in the welfare and Medicaid accounts, we can do both. In fact, the Governors have come forward and suggested to us that they will take over these programs and they will take them over at a fixed price. They will deliver these programs and deliver them even better than we do because they know how to deliver them and they have the flexibility to deliver them if we will simply give them the authority to do that. And, in doing

that, we can save a lot of money and produce a better program.

We also need to address other entitlements. For example, the Federal retirement program is one of the largest categories of entitlements. It cannot escape reform as we undertake a fair and balanced approach to entitlement reform. The American taxpayers bear the full cost of Federal retirees' annual COLA adjustments, a feature that virtually no private pension plan shares and that was not part of the Government's original retirement contract with Federal workers, and we must do something to control that growth.

There are innumerable—literally hundreds—of smaller entitlement programs, including some popular ones in the area of agriculture, unemployment compensation, and a variety of others. But all of these should be put under the microscope of review and we should ask the questions: Do they work? Should they continue to exist? Can they be improved? If we ask those questions, we will find in all instances the answer is they can be improved, and they can be delivered more efficiently and for less cost.

While balancing the budget will mean examining the operation of some sacred political cows, it can be done. While in some cases we will decide that the Federal Government just cannot afford to continue funding some activities, in most cases entitlement reform will simply result in better Government being delivered, probably, to more people.

Unfortunately, however, it appears that the Congress will have to go it alone. The President is offering absolutely no help. In fact, as the CBO report and the President's recent appearances tell us, his actions seem to be just making things worse. Just when the national predicament calls out for strong fiscal leadership, the President is doing exactly the opposite. He is telling every interest group he appears before that they deserve more money. He just told the Iowa farmers that they need to spend more money on pigs, more pork. It really is outrageous.

Still, Congress must forge ahead. We must act to preserve the Medicare system so our seniors are not faced with a bankruptcy, which cannot be debated, and which has been predicted by their trustees, so that they will have an insurance trust fund that is there for them and for the next generation. We must act to preserve our children's future by moving to balance the budget by the year 2002.

These will not be an easy 2 months as we go through the process of accomplishing these goals. We will have to make serious and difficult decisions. But I hope this Congress will not take the course that the President has and walk away from the matter. We need to undertake this issue of bringing solvency into the Medicare fund for the benefit of our seniors. We need to undertake balancing the budget for the benefit of our children.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Minnesota.

HEALTH CARE

Mr. WELLSTONE. Mr. President, I know the Senator from Arizona is here. He is going to wish to lay down an amendment and speak about it. I have an amendment that I laid down on Thursday that I want also to speak on. But I thought we might stay in morning business just for a few minutes and I might respond to my colleague from New Hampshire and then we will go back on the bill. I do not come with any well-rehearsed remarks, but as I was listening to the presentation of my friend from New Hampshire, I did want to respond in a couple of different ways.

First of all, I was immersed in the health care debate in the 103d Congress. Of course, at the very end, we were deadlocked and there was, on the part of a good number of Senators, I think, a very strong commitment to blocking any legislation from being passed and therefore we were not able to pass any kind of health care reform. I point out to my colleague that many of us made the argument that the only way we were going to be able to contain costs—and that included looking at Medicare and Medicaid, which are two very big Government programs—was within the context of overall health care reform.

I take exception to what I heard my colleague from New Hampshire saying in a couple of different areas. First of all, let me just be crystal clear. I think the proposition that on the one hand—at least some Senators have proposed this, and many in the House of Representatives have proposed this—we go forward with broad-based tax cuts which amount to about \$700 billion over the next 10 years, of revenue we would have to make up, and on the other hand go forward with cuts—some say just decreasing the rate of increase of Medicare—I think that proposition just will not be credible. It will not be credible with a lot of senior citizens, but that is not even the point. It will not be credible with their children and their grandchildren.

You cannot, on the one hand, say you are for deficit reduction and then move forward on broad-based tax reduction to the point where you have to figure out how to offset \$700 billion before you even go forward with deficit reduction, and at the same time be proposing fairly draconian cuts in Medicare.

I have said all along I actually feel quite credible on this issue because from the very beginning of this debate about balancing the budget by 2002 I have raised the question, "Why 2002?" I have raised the question of how you can do it without separating capital and operating budgets. I have tried to be intellectually honest about this. I have talked about dancing at two weddings at the same time.

I have said to citizens in Minnesota, beware of any breed of politician—Democrat, Republican, Independent—and others who say: On the one hand, you are going to have broad-based tax cuts, on the one hand you are not going to cut the military budget, on the one hand you are going to pay interest on the debt because we have to, on the one hand Social Security is going to be put in parenthesis and not touched, on the one hand now we are not going to really cut Medicare—but we are going to balance the budget, cut \$1 trillion, by 2002.

But students, it is not going to be higher education. Veterans, do not worry. And children, it is not true that we are going to cut the nutrition programs. The arithmetic of this does not add up. My colleagues are discovering that they are in this context—talking about balancing the budget—are going to have to propose deep and significant cuts in Medicare and Medicaid. Please remember about 75 percent of Medicaid payments do not go to AFDC mothers, or what we view as welfare, but actually go toward long-term care for the aged. It is not just older people we are talking about. We are talking about older people; we are talking about their children and grandchildren; we are talking about families in this country.

Now we have a new wrinkle where colleagues come out and say the trust fund is in trouble, and they talk about this as an actuarial issue. This is a benefits program. You can use all of the insurance language you want to about trust funds and talk about actuarial assumptions and all the rest. The fact of the matter is that in 1965 we passed the Medicare and Medicaid Programs in the U.S. Congress. It was an inadequate installment of universal coverage but nevertheless it was significant. From my family having had two parents with Parkinson's disease, let me just say one more time that Medicare, imperfections and all, was probably the difference between disaster and being able to at least live the end of your lives with some dignity. Both my mother and father have passed away.

Even so, with Medicare, Mr. President, elderly people pay four times as much out of pocket as people who are not elderly. Please remember one more time, since we have this stereotype of older Americans being rich and not having to really worry about any economic squeeze, that the median income for men 65 years of age and older is \$15,000; for women it is about \$8,000. This is no small issue.

Mr. President, last Congress we talked about how we could move forward on long-term care in such a way that we could have more home-based care. We, I think, reached some consensus, except, when we got to the point where we will have to dig into our pockets and figure out how to fund it, that elderly people and people with disabilities ought to be able to live as