yesterday he is ''Eager to work with Congress'' to reduce the deficit, and since his budget refused to do that by reducing the growth of Government spending, that can leave only one possible answer: Tax increases; tax increases.

Are we going to be told by the President, ''Well, we have to balance the budget. This is the wrong way. The right way is to do what I did in 1993, have a big, big $255 billion tax increase''? I have not heard any other options. We have to conclude something.

The only conclusion I can reach is the President does not want to balance the budget, does not want to cut spending, does not want to preserve, protect and improve Medicare. So it seems to me we have been waiting now 11 days since we proposed our balanced budget plan. We have not heard a word from anybody on the other side of the aisle. We have not heard a word from the President, and the deficit has increased $4.9 billion since we submitted our balanced budget plan.

Is our plan perfect? No, but it is an honest effort to transform Government to make it smaller, to make it smarter, to make it more sensitive, to make it more responsive, to make it less expensive and to reverse the 40-year tide of power to the Federal Government.

Let me say, we look forward to next week. I guess you could say we are prepared to make the tough decisions, the President will not make any decision. That is a clear difference in party philosophy: Do not make any decisions, come to the floor and complain about what happens to senior citizens, children, veterans, farmers and everybody else, but do not worry about the next generation, do not worry about your grandchildren, do not worry about your young children. It will all be taken care of by red ink, as the Senator from Maine, Senator SNOWE, just pointed out.

It seems to me that if we want status quo policies, I guess we can have those, if the Democrats prevail. But what we need to do right now is defeat the President's budget and then have serious debate on the balanced budget proposed by the distinguished Senator from New Mexico, Senator DOMENICI. It is not because it is good political theater, as some have suggested, but I think it is time to do the right thing.

I think the President, in his inaugural address, used the word ''change'' 11 times. Apparently he is out of change. He does not want any more change. He wants the status quo: ''Do not cut farm subsidies, do not do this, do not do that, do not cut anything until after I am reelected in 1996.''

I do not believe that will sell. I believe the American people are ready—they have been ready for leadership on the budget. We have had a lot of leadership on the other side over the years on the budget, and I am still hopeful we will still have leadership on the other side on the deficit.

We ought to be in this together. But this is the first step. This is the first vote. This is a defining vote, and I urge my colleagues to vote against the President's budget.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

ORDER FOR RECESS TO GREET VISITING PARLIAMENTARIANS

Mr. STEVENS. Mr. President, I ask unanimous consent that following the announcement of the results of this vote that the Senate stand in recess for 3 minutes in order that Members of the Senate may greet the parliamentarians who are on the floor.

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

CONCURRENT RESOLUTION ON THE BUDGET

The Senate continued with the consideration of the concurrent resolution.

The PRESIDING OFFICER. Under the previous order, the hour of 10:55 a.m. having arrived, the Senate will now proceed to vote on amendment No. 1111. The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. FORD. I announce that the Senator from California [Mrs. BOXER] is necessarily absent.

The PRESIDING OFFICER (Mr. SHELBY). Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 0, nays 99, as follows:

[Rollcall Vote No. 172 Leg.]

NAYS—99

Abraham	Feinstein	Lugar
Akaka	Ford	Mack
Ashcroft	Frist	McCain
Baucus	Glenn	McConnell
Bennett	Gorton	Mikulski
Biden	Graham	Moseley-Braun
Bingaman	Gramm	Moynihan
Bond	Grams	Murkowski
Bradley	Grassley	Murray
Breaux	Gregg	Nickles
Brown	Harkin	Nunn
Bryan	Hatch	Packwood
Bumpers	Hatfield	Pell
Burns	Heflin	Pressler
Byrd	Helms	Pryor
Campbell	Hollings	Reid
Chafee	Hutchison	Robb
Coats	Inhofe	Rockefeller
Cochran	Inouye	Roth
Cohen	Jeffords	Santorum
Conrad	Johnston	Sarbanes
Coverdell	Kassebaum	Shelby
Craig	Kempthorne	Simon
D'Amato	Kennedy	Simpson
Daschle	Kerrey	Smith
DeWine	Kerry	Snowe
Dodd	Kohl	Specter
Dole	Kyl	Stevens
Domenici	Lautenberg	Thomas
Dorgan	Leahy	Thompson
Exon	Levin	Thurmond
Faircloth	Lieberman	Warner
Feingold	Lott	Wellstone

NOT VOTING—1

Boxer

So the amendment (No. 1111) was rejected.

DEFENSE AND BUDGET ISSUES

Mr. GRASSLEY. Mr. President, I yield myself 10 minutes off the bill to speak on the budget issue and the defense issue.

Mr. President, next week some time, I presume it would be Senators from both sides of the aisle, but I am sure it will be led by some Senator from my side of the aisle, we will discuss the issue of increasing the Senate Budget Committee's numbers for defense.

I do not want to speak directly to that point, but I want to set the stage for my position that I think is very unwise to do that. I will want to say in connection with some of the remarks I am going to say that there is an article in the Washington Post today on the Federal page where it refers to Senator GLENN, and I agree totally with Senator GLENN.

He was holding a hearing on the bad accounting practices of the Defense Department. It refers to Senator GLENN this way:

> GLENN, who held hearings this week on the subject, lamented the fact that while his colleagues worry about budgetary restraints, so few of them have been interested in the Pentagon's wasteful financial practices.

Senator GLENN spoke about the wasteful financial practices. I have spoken on that subject many times. I thank Senator GLENN for his leadership.

I want to take a few moments to express concern abut a new policy that is being pushed by the comptroller at the Department of Defense, Mr. John Hamre. I think, basically, Mr. Hamre is trying to do a lot of good but he is running into a cement wall on many of the things he is trying to accomplish.

His plan undermines the case for pushing up the defense budget. Mr. Hamre is proposing just to write off—just write off—billions of dollars of unmatchable disbursements. Now, unmatchable disbursements are expenditures that he says he cannot link to supporting documentation, so he is really ready to throw in the towel and to write them off the books.

The Armed Services Committee held hearings, and I refer to Senator GLENN on this and related matters. The defense appropriations subcommittee is going to hold similar hearings next Tuesday.

Not being a member of either committee, I am unable to participate in those discussions.

But because of my intense interest in the subject, the chairman of the Defense Subcommittee, my good friend Senator TED STEVENS, invited me to submit a statement for the record.

So, I would now like to share my thoughts on this issue with my colleagues.

I think the issue has a direct bearing on the proposal to pump up the defense budget, which will be an issue next week, I think.

I am deeply troubled by Mr. Hamre's proposal.

Allowing him to write off billions of dollars of unmatchable disbursements would set a dangerous precedent.

Allowing him to write off billions of dollars of unmatchable disbursements underscores the continuing lack of effective internal financial controls at the Defense Department.

I fear that there is a near total breakdown of internal controls at the Pentagon, and this leaves the Department's accounts vulnerable to theft and abuse. That really bothers me.

One of the most elementary ways to maintain internal control over money is to match disbursements with obligations.

Unfortunately, this very basic financial control device is largely ignored by disbursing officers at the Pentagon—even though DOD has had a longstanding policy, specifying that potential payments must be matched with obligations before a payment is made.

The extent to which DOD accounts are vulnerable to theft and abuse is truly frightening.

The latest figures provided by the General Accounting Office [GAO] indicate that DOD has $29 billion in problem disbursements—mostly unmatched disbursements. That means DOD does not know how $29 billion was spend. DOD does not know what was bought with the $29 billion. Even though it might be legal, they still do not know exactly where it was spent.

Until the proper matches are made, those responsible for controlling the money at the Pentagon do not know how the $29 billion was used.

They do not know whether the $29 billion in payments were all legitimate.

They do not know whether the $29 billion in payments were in the correct amounts or whether there were underpayments, overpayments, or even erroneous payments, for instance, to the wrong persons or businesses. They do not know whether the payments were fraudulent. They do not know whether money is being stolen.

Despite all Mr. Hamre's hard work, and I compliment him for a lot of the work he has done to clean up the mess and fix the problem, the mess seems to me to be getting worse by the day.

New problems crop up faster than old ones can be resolved.

In frustration, Mr. Hamre is now moving toward a solution that I consider dangerous and unprecedented. His proposed solution needs close scrutiny.

Mr. Hamre wants to write off a substantial number of problem disbursements.

Mr. Hamre is now telling Congress that some of the problem disbursements can never be matched. They are unmatchable disbursements, in a sense.

In some cases, disbursements are unmatchable because all the supporting documentation has been destroyed.

The audit trail is cold. It leads nowhere. In other cases, the documentation is so poor that it would take an inordinate amount of time and money to make the fiscal hookups. It is just too much trouble and too costly to make the proper matches. So the answer is just write it off.

Mr. Hamre also suggests that the inspector general and the general counsel agree that the write-off procedure is the only viable option.

Mr. President, if Mr. Hamre asked Congress for authority to write off 1 or 10 billion dollars' worth of unmatchable disbursements, it would not be so bad—if heads would roll of those responsible for the bad mangement. But that does not seem to be the pattern.

Writing off billions of dollars of unmatchable disbursements would be an insult to the citizens of this country.

This money was taken out of the pockets of hard working American taxpayers, and the Pentagon bureaucrats say it is just too much trouble to find out how their money was spent.

Mr. President, could you imagine how the IRS would treat a citizen who claimed to have no documentation for $100,000 of income? The IRS would say: "We know you got that money. You pay the tax. Period. End of discussion."

But not with the DOD.

We should hold the Pentagon bureaucrats to the same standard that the IRS holds the taxpayers to. The DOD should have to play by the same rules imposed on the taxpayers.

We should tell the Pentagon bureaucrats: "We know you received $10 billion in appropriations. Now, how did you spend it? No more money until we get the answer."

The taxpayers have the right to know how their money was spent—every penny of it. They are entitled to that under the Constitution.

Section 9 of the Constitution says that there will be "a regular statement and account of the receipts and expenditures of all public money published from time to time."

Pentagon bureaucrats cannot fulfill that responsibility today.

They cannot give the taxpayers a full and accurate account of how their money was spent. That is unacceptable and must not be tolerated.

Mr. President, if there is no documentation supporting a disbursement, then there is no way to reconcile that account.

Under those circumstances, Mr. Hamre's proposed solution is an undesirable and an unfortunate necessity. However, we in the Congress should not approve this plan until two stringent conditions are met: No. 1: Those responsible must be held accountable for what has happened; heads must roll.

No. 2: A new DOD policy should be put in place that specifies: Effective January 1, 1996, all DOD disbursements must be matched with obligations and supporting accounting records before a payment is made.

We also need to have the answers to two questions before we approve Mr. Hamre's plan to write off unmatchable disbursements.

First, how much money is involved? Nobody knows for sure, but preliminary information suggests that the total amount Mr. Hamre would like to write off could easily approach $10 to $12 billion.

Second, is it legal to write off disbursements because supporting documentation is either inadequate or nonexistent.

Sections 1501 and 3528 of title 31 of the United States Code, for example, seem to imply that all Government expenditures must be supported by documentary evidence. The legal issues involved need to be examined.

The authority to write off unmatchable disbursements should be a one-time event. It must never happen again. Unfortunately, I fear it will happen again, unless we come down hard and impose severe penalties and restrictions. Furthermore, my approach would help to strengthen and reinforce section 8137 of the fiscal year 1995 Defense Appropriations Act—Public Law 103–335.

Mr. President, the people of this country desperately want to trust their Government. But a Government that does not hold dishonest and incompetent officials accountable for their actions will lose the public trust.

A failure to hold corrupt officials accountable breeds mistrust and invites more waste and mismanagement.

An inability to provide a full and accurate accounting of who $29 billion of the taxpayer's money was spent is mismanagement at its very worst.

Pentagon bureaucrats have an unblemished track record of mismanaging the peoples' money.

They have proven over and over again that they cannot control the peoples' money. And they cannot account for how they are spending the peoples' money.

Some of my colleagues are talking about an amendment to increase defense spending.

Now, is it smart to give a bureaucratic institution that cannot control and account for the use of public money more public money?

Does that show good common sense?

DOD should not get any extra money until DOD cleans up the books.

I will vigorously oppose any amendments to increase defense spending.

More money is not the solution. Better management is.

Mr. President, I yield the floor and reserve the remainder of my time for the Republicans.

The PRESIDING OFFICER. The Senator from West Virginia [Mr. ROCKEFELLER] is recognized.

Mr. ROCKEFELLER. Mr. President, I believe the minority leader had agreed to yield 1 minute to the Senator from Maine, and also for a unanimous-consent request to the Senator from Oregon.

Mr. COHEN. Mr. President, let me just proceed very briefly. I was somewhat taken by surprise by the Senator from Iowa suggesting we ought to look

to the IRS as an example of how they can audit their particular systems. Just a few years ago the IRS came before the Government Affairs Committee and said it needed more agents because there was $125 billion unaccounted for in uncollected taxes. It turned out that many of those uncollected taxes belonged to people who were dead, bankrupt, in jail or otherwise unable to pay. The IRS came in finally and fessed up that maybe there was only $60 billion in uncollected taxes. But they could not even prove that particular figure. Do you know why? Because the IRS does not have books that can be audited.

This is a great irony that should not be lost on the American people. Imagine how the Internal Revenue Service would treat a small business or an individual who made a comparative mistake on their tax return?

For the Senator from Iowa to point to the IRS as an example of how we should proceed, I think misses the point entirely. There may be, in fact, some explanation for Dr. Hamre's suggestion as to why we ought to forego this particular matter, but I think it is premature to condemn his approach without at least having some illumination on the facts.

I will try to abide by my 1 minute, but I wanted to make it clear for the record we should not point to the IRS as a model.

Mr. McCAIN. Could I ask the distinguished Democratic leader to grant me 1 minute?

Mr. DASCHLE. I will be happy to.

Mr. McCAIN. Mr. President, I just wanted to elaborate slightly on the important statement Senator COHEN made. The Senator from Iowa enjoys savaging the Defense Department in their operations. Mr. Hamre worked as one of the most respected members of the Senate Armed Services Committee staff. I noted with some interest, in his savaging of the Defense Department, the Senator from Iowa had no viable solution to propose himself. I would look forward to that. I suggest he have another solution before he condemns that one. To use that as an excuse to not support a reasonable level of defense spending to me is sophistry at best.

I would finally say, it is pretty easy to savage the Defense Department when you are from a Midwestern State and at the same time come over and defend the 13th swine research center at the cost of some $29 million, and $10 million a year to maintain at taxpayers cost, so we can figure out how best hogs can have babies. In my view it borders on a double standard.

I thank the Democratic leader for allowing me that time.

Mr. PACKWOOD addressed the Chair.

The PRESIDING OFFICER. The Senator from Oregon.

PRIVILEGE OF THE FLOOR—SENATE CONCURRENT RESOLUTION 13

Mr. PACKWOOD. Mr. President, I ask unanimous consent that for the duration of consideration of the budget resolution, Kinka Gerke, my congressional fellow who is handling the issue for me, be allowed the privilege of the floor.

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

Mr. PACKWOOD. I thank the Chair.

The PRESIDING OFFICER. The Senator from West Virginia.

AMENDMENT NO. 1112

(Purpose: To reduce the tax cut and apply the savings to Medicare and Medicaid)

Mr. ROCKEFELLER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from West Virginia [Mr. ROCKEFELLER], for himself, Mr. LAUTENBERG, Mr. KENNEDY, Mr. DASCHLE, Mr. WELLSTONE, Ms. MIKULSKI, and Mrs. BOXER, proposes an amendment numbered 1112.

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

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

The amendment is as follows:

On page 74, strike lines 12 through 24 and insert the following: ''budget, the spending aggregates shall be revised and other appropriate budgetary allocations, aggregates, and levels shall be revised to reflect up to 59 per cent of the additional deficit reduction achieved as calculated under subsection (c) in budget authority and outlays for legislation that reduces the adverse effects on medicare and medicaid of—

''(1) increased premiums;

''(2) increased deductibles;

''(3) increased copayments;

''(4) limits on the freedom to select the doctor of one's choice;

''(5) reduced quality of health care services caused by funding reductions for health care providers;

''(6) reduced or eliminated benefits caused by restrictions on eligibility or services; or

''(7) closure of hospitals or nursing homes, or other harms to health care providers.

''(b) REVISED ALLOCATIONS AND AGGREGATES.—Upon the reporting of legislation pursuant to subsection (a), again upon the submission of a conference report on such legislation (if a conference report is submitted), the Chair of the Committee on the Budget of the Senate shall submit to the Senate appropriately revised allocations under sections 302(a) and 602(a) of the Congressional Budget Act of 1974, budgetary aggregates, and levels under this resolution, revised by an amount that does not exceed 59 per cent of the additional deficit reduction specified under subsection (d).''.

Mr. DASCHLE. Mr. President, now that we have had what we consider to be the first political vote, I hope we will have the opportunity to thoroughly debate what we consider to be not only political questions but the very important substance.

Let me emphasis what this debate is not about. It is not about the balanced budget because I think people on both sides of the aisle feel strongly that indeed we need a balanced budget.

It is not about whether we must make tough choices. Indeed, we must make tough choices.

It is not about agreeing on a time certain. I believe the year 2002 is a valid date.

This debate is about how we spend the limited resources we have between now and the year 2002; about where this country ought to invest its money.

This year the budget process has proceeded with virtually no consultation between Democrats and Republicans. For all the talk of bipartisanship, there was none when this resolution was drawn.

Not surprisingly, the committee has produced a budget resolution that is extreme, unreasonable, unfair, and unacceptable.

The closer one looks, the worse it gets. It is evident that the priorities that it reflects do not reflect the priorities of the American people, or the fairness the American people expect.

It is wrong to begin with a tax giveaway to the wealthiest people in this country. It is doubly wrong to help finance it with a tax hike on the lowest income working people in the country.

To impose a tax hike on those earning the lowest incomes in order to help pay for a tax break for the wealthiest Americans turns common sense and fairness on its head. It is not just wrong. It is perverse. It directly contradicts all the pro-work, anti-welfare rhetoric extolled by so many. It sends exactly the wrong signal to Americans.

Instead of saying work pays, it undercuts the value of the work ethic for all working Americans, not just those who are eligible for the credit. The signal here is not to welfare families to shape up and get on a payroll. The signal here is to the well-off and the well-connected. This budget tells them they will get their tax cut. It tells working people they are out of luck.

We have had too many Republican so-called tax cuts that turn out to be a tax increase or a tax wash for working people and a big tax break for those at the top.

Americans are waking up to the hidden promise in a Republican tax cut. They are learning that it is a promise as believable as the check is in the mail.

Senate Democrats believe there are important priorities that are not reflected in this budget at all. Those priorities are education, health care, and the needs of working people.

This budget resolution cuts education, slashes health care for seniors, and discourages work for low-income people. It is an extreme set of priorities. It undermines the very things that give people hope and security in order to finance another trickle-down tax cut.

Democrats say at least these three things should be corrected. If they can be corrected, we can produce a sound, workable, bipartisan budget that we must have ultimately—a budget that will be put into effect, backed by legislation that will make the necessary changes, and a budget that will produce the long-promised balance in the years ahead.

First, and the direct attention of this particular amendment. Medicare and Medicaid savings must come in the context of broad health care reform. Anything else is just a guarantee that costs will be shifted to the private sector.

Second, working people should not see a tax hike, by whatever name, when their wages barely raise them above the poverty level. We should be encouraging work over welfare, not penalizing it. Work should pay.

Third, this is precisely the wrong time to make education more expensive and further beyond reach for the children of middle-class families.

All three of these priorities can be protected and should be protected.

But first, there must be bipartisan agreement that we do not need to create new tax loopholes. Our purpose ought to be to reach a balanced budget, not to fulfil the tax wish list of our richest corporate and private taxpayers.

About half the budget savings in the Republican budget come from Medicare and Medicaid.

It is good that finally, after resisting health care reform last year in any form, after resisting even incremental reform, after repeatedly opposing anything remotely like a reduction in costs, Republicans have admitted, in this resolution, that health care costs are driving the Federal budget.

But it is bad that they have chosen to deal with this reality—a fact Democrats have been pointing out for at least 3 years—by simply capping spending and shifting costs to beneficiaries.

I agree with what Senator DOLE said last year, "* * * if you only spend so much money on health care and you run out of money, you either have to ration or raise taxes, or find some way to find more money."

So what is the Republican answer to health care? Impose a cap on Medicaid and shift the whole burden back on the States. That is the proposal. That means that when it is time to ration or raise taxes or find more money, it will be the States that will be forced to do it.

The budget proposal to reduce Medicaid costs by $176 billion will not only burden the taxpayers of our States, it will threaten coverage for more than 800,000 low-income elderly and disabled people. Medicaid is the only source of assistance for the frail elderly who need long-term nursing home care and who do not have the $38,000 a year that such care typically costs.

Medicaid now provides for 1.6 million persons in nursing homes, and nearly 1.1 million receiving home health care. Those funds are not likely to be made up by the States, because the States are hard-pressed to meet their current Medicaid costs.

Instead of seeking to control costs in the system—the only way to ultimately slow health care spending—the Republican budget would shift costs.

The Republican budget proposes a precise Medicare savings figure—$256 billion—without an iota of detail as to how it is to be achieved.

There is no way to save $256 billion and cover more people—as Medicare must, since our population is aging and more people become eligible for Medicare each year—without shifting costs to others.

Those others will be Medicare beneficiaries themselves. This proposal would mean dramatically higher costs, fewer benefits and a worsening quality of care.

The Republican Medicare reductions are the largest Medicare cut in history. At least half the burden of those cuts will fall on recipients.

The chairman of the committee that approved this reduction has already endorsed the idea of increasing the part B Medicare premium to 31 percent of the program's costs. That, alone, will mean nearly $500 in additional out-of-pocket costs to Medicare recipients by 2002.

It has been calculated that those on Medicare will see a cut of $900 in benefits by the year 2002. The $256 billion in savings will be paid for by them—to the tune of $3,500 each between now and then.

The budget resolution does not spell out where the so-called savings will come from. But, coincidentally, the savings raise the same amount of money as all the CBO proposals for savings already compiled. So, taking those as a benchmark, we can see the outlines of what will be cut and who will pay for it.

Nearly 83 percent of Medicare benefits go to persons with incomes of $25,000 or less. Only 3 percent of Medicare costs are paid in behalf of persons with incomes over $50,000. So whatever additional costs there are, they will be borne disproportionately by those with the least ability to pay.

The net effect of this is simple: Extra Medicare costs will eat up Social Security cost-of-living increases. The Republican promise to protect Social Security is hollow. One in four Social Security recipients rely exclusively on Social Security benefits for income. For these people—among the lowest-income of our retirees—there will be no more COLA's, because they will all be swallowed up by rising out-of-pocket Medicare payments.,

The effects of cost-shifting in health care have been long studied and are well known. When providers like hospitals and physicians see repayments from one source cut, costs are shifted to those who will pay—privately insured individuals. If even one-third of the proposed Medicare reductions are passed along to privately insured payers, it will amount to a hidden tax of $40 to $50 billion on businesses and families in the next 7 years.

Instead of reforming the system to control costs, it would be the same old shell game of cost-shuffling, only on a much larger scale.

It is wrong to threaten the health care security of retired Americans to finance a tax cut for the wealthiest corporations and individuals. It is wrong to slash at the health care safety net of the low-income elderly and disabled to finance a tax cut that will restore some of the most egregious corporate loopholes of the 1980's.

The Republican budget does more than that. In a stunning display of indifference to real hardship in American families, the Republican budget would cut $21 billion out of the earned income tax credit.

The earned income tax credit does not go to anyone who does not work. It goes only to those who are doing their best to stay off welfare by working at whatever job they can find, and by earning whatever an employer is willing to pay. It is perverse to tell a woman to get off welfare and work and then to turn around and reduce the one work incentive program that actually helps work pay.

It is contrary to common sense to dramatically cut back an incentive to work so that we can afford to give a tax cut to some of the most well-off households and businesses in the country.

The Republican budget also cuts educational funding by $60 billion. Student aid alone is slashed by $14 billion. Under the Republican budget, students will have to pay higher loan origination fees and higher interest rates 6 months after they graduate. They will graduate with a degree and a heavier debt load because the in-school interest subsidy will be cut.

Who uses the student loan program? Not the children of the wealthy, whose parents can afford to pay yearly tuition costs. It is the children of middle-income working families who rely on loan assistance to get the higher education in the first place.

Today, more than ever, how much education a person has dictates the standard of living he or she will enjoy throughout life. Every extra year of schooling adds an average of 8 percent to one's income throughout life.

Equally important is that economic growth depends upon better education in our work force. A recent study found that increases in workers' education produced twice the productivity growth as investment in new equipment.

A survey of over 3,000 private companies employing 20 or more workers found that a 10-percent increase in workers' education led to an average 8.6-percent rise in productivity; a 10-percent increase in capital stock—equipment, buildings, and machinery—led to a 3.4-percent rise in productivity.

Anyone who cares about the future economic growth of our country knows that as American companies become more productive, they compete better and find more markets. Anything that helps our firms compete successfully in a global economy ought to be supported and encouraged, not cut back.

Yet, that is exactly what the Republican budget does. It cuts education by $60 billion over the next 7 years, potentially cutting out an enormous promise

of higher productivity and economic growth for our private sector.

It is wrong to reduce our Nation's commitment to education by the equivalent of 25 percent when education is more critical now than it has ever been before. It is wrong to reduce our commitment to a better standard of living for our children in order to finance a tax cut for those who already enjoy high living standards.

It is wrong to cut back on the door to opportunity in our society. It is the wrong priority.

Despite assertions that the Republican budget would go after corporate welfare, there is not a single corporate welfare cut in this budget resolution.

Instead, we are being asked to squeeze Medicare recipients, to burden new graduates with an extra $3,000 or so in debt, and deny the lowest-paid, hardest-working Americans a tax credit. Republicans cannot find corporate welfare so these are the priority cuts they have aimed at instead. I do not think that reflects American values or American priorities, Mr. President.

Senate Democrats will respond to these misguided priorities in this budget resolution with a series of amendments designed to correct them.

Our amendments will preserve the goal of balancing the budget by the year 2002.

Each of our amendments will be fully paid for. Saving Medicare and student aid will not add a penny to the budget deficit. Our amendments will use the different offsets to preserve the priorities that we think are important because we agree that it is necessary to make the choices in order to balance the budget.

We just think that a tax cut is exactly the wrong choice. We think that the budget ought to reflect the priorities of working Americans. We believe our amendments reflect those priorities and deserve broad support. And beginning with this amendment, we hope Republicans will join us in coming to a better set of priorities, a more realistic set of assumptions, and a clear message to the American people that we are on their side.

I yield the floor.

Mr. GREGG addressed the Chair.

The PRESIDING OFFICER (Mr. KEMPTHORNE). The Senator from New Hampshire.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. DOMENICI. I am going to yield to the Senator very shortly.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Then I am going to put Senator PACKWOOD in charge of the time after Senator GREGG speaks. I just want to put up one statement on Medicare and Medicaid, and then I will yield to the Senator for the time he needs and then Senator PACKWOOD for a reasonable amount of time. He will be in charge; I designate him to control time on our side.

I just want to quote this one statement for the Senate, for those interested in where we are, by talking about what the President said on October 5, 1993. And these are quotes. And I will just read them. That is October 5, 1993.

Today, Medicaid and Medicare are going up at three times the rate of inflation. We propose to let it go up at two times the rate of inflation.

And now these are the very interesting words.

That is not a Medicare or Medicaid cut. Only in Washington do people believe that no one can get by on twice the rate of inflation.

And I have a little parenthesis; there was a laugh in the crowd.

So, when you hear all this business about cuts, let me caution you that that is not what is going on. We are going to have increases in Medicare and Medicaid.

Now, essentially, Mr. President, and fellow Senators and those interested, the President of the United States and some on the other side of the aisle are today, Monday, Tuesday, and Wednesday going to be saying this budget cuts Medicare and Medicaid. Right? In yellow on this one:

That is not a Medicare or Medicaid cut.

Medicare is going up 7.1 percent in this budget.

That is not a Medicare or Medicaid cut.

Quote DOMENICI? No. Quote President Bill Clinton.

Now, frankly, I anticipate there will be arguments about he had a comprehensive health care plan. The truth of the matter is the President reduced Medicare $180 billion and spent it some place else and yet proceeded to say:

That is not a Medicare or Medicaid cut.

Now, frankly, that frames the debate. The President said it better than we can. That is a perfect statement of what the American people were expected by our President to believe on October 5, 1993. And I believe that is the same statement they ought to believe today, even if those on the other side of the aisle and the White House choose to say it no longer. Because it is ours, it is our proposal, it is not to be said any longer. I do not believe that is the case.

Now, with that, we have a number of Senators who wanted to address this issue. We are under controlled time, an hour on each side on the amendment. Clearly, we are going to use more time than that. I am going to yield now —15 minutes, 20 minutes, 5 minutes?

Mr. GREGG. A half-hour.

Mr. ROCKEFELLER. Mr. President, if the Senator will yield, ordinarily one goes back and forth between the two sides, and are we planning to do something different today?

Mr. DOMENICI. We are going to do something different if the Senator is going to assume that those brief remarks are the Republican response to the minority leader. We have not answered the minority leader. Senator GREGG is going to start answering him. And then we will go to the Senator from West Virginia.

Mr. ROCKEFELLER. The comments of the Senator from New Mexico were kind of incidental?

Mr. DOMENICI. Mine were incidental, very irrelevant, trivial.

Mr. ROCKEFELLER. I yield the floor.

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

Mr. GREGG. A half-hour.

Mr. DOMENICI. All right. And then Senator PACKWOOD is in charge of the time on our side. I yield the floor.

The PRESIDING OFFICER. The Senator from New Hampshire.

Mr. GREGG. I thank the Senator from New Mexico.

I wish to simply congratulate him on his excellent brief and incidental statement because I think it summarizes a lot of the concern that many of us have as to the duplicity of this administration on the issue of Medicare and how we should address it. And I wish to get into that in some depth.

Initially, I simply must respond to much of what the Democratic leader said, or some of what the Democratic leader said because I found it to be inconsistent in the extreme for him to come to the floor and make the statement, as a number of his colleagues have said, that, oh, we all now believe in a balanced budget. We all believe in a balanced budget. And, yes, we are even willing to accept the year 2002.

We have heard this from a number of Members on the other side. But at the same time he gives us a litany, a litany of areas where we can take no action, of areas where we must spend more money.

He gives us no suggestions as to how they would get to this balanced budget. There is no program from that side. There is no budget. There is no proposal. All we had was the President's proposal and the President's proposal, as we now recognize, has been rejected by everyone in this Chamber who voted, the 99 Senators who were present.

The President's proposal was rejected because, on its face, it was outrageous. It presented a budget which would have given us deficits of $200 billion or more for as far as the eye can see. It would have added $1.8 trillion of new debt to our children's backs over the next years. And it did not in the slightest way even address the core issues of what are confronting this country in the area of fiscal policy, which are the issues of how we manage Federal spending in the area of the entitlement accounts. It did not have one suggestion in the entire budget on that issue, even though some of the leaders in his administration have said that that is the core concern and even though he, 2 years ago now or a year and a half ago, said that that was a major concern, as the statement from Senator DOMENICI so adequately reflected.

So I think it is critical for those who are following this debate to understand the inherent and incontrovertible inconsistency of the Democratic leader's

statement—that they are for a balanced budget, but do not touch anything that is important, do not touch anything that we deem to be critical, do not try to reform a system which is so out of control that it has generated this huge deficit and debt that is bankrupting our country.

And if we are talking about a commitment to a better standard of living for our children, nothing could be more critical to a commitment to a better standard of living for our children than to bring under the control the debt of this country and the deficit.

I brought along a chart to reflect that fact. This is the critical issue of this debate. This is why we, as Republicans, have brought forth a budget which is in balance. It is because if you look at what is going to happen to the Federal Government in the spending we are undertaking, we are on a nosedive to bankruptcy, which we are going to end up passing on to our children.

The blue squares represent discretionary spending, the yellow squares represent interest payments, and the red squares represent spending on entitlements. The green line is the revenues of the Federal Government, which have been fairly constant over the last few years.

If you notice—and these are numbers which come from CBO—if you will notice, beginning in about the year 2010, our Federal Government, because of the explosion in spending we have undertaken as a Government, will only be able to pay for entitlement spending and interest on the Federal debt. That means all the discretionary spending will not be affordable—things like national defense, libraries, roads, education, things the minority leader was talking about, things which we are concerned about.

Then around the year 2015, we will not be able to pay interest on the Federal debt. What does that mean? That means we are bankrupt; that we, as a nation, are insolvent. That means our children will be living in a country like our unfortunate neighbor of Mexico, which does not have the capacity to pay for the cost of the burden for carrying its own debt.

What happens at that point? Well, our children's futures become destroyed because the country will either have to go through some huge economic calamity or else it will have to inflate the economy so much that the dollar will be virtually valueless.

So we, as Republicans, recognize this. We accept the fact that something has to be done about this, and we have put forward a budget which gets us to balance over the next 7 years.

This is our budget line, the black line. It goes to balance over the next 7 years.

This is the President's line, the purple line, estimated by CBO. This is what he told us it was, but he would not use CBO figures, even though he said he was going to. Even as he told us, we still have a huge gap, $1.8 trillion of new debt added to our children's backs as a result of the President's proposal.

But if we get on the course of this budget, we will get this under control and we will have us down to balance in 7 years, which is the obligation that we owe our children.

And there is something else that should be noted. When we get out to this point here, get out to this point here, there is, of course, another way that you could address all this Federal spending. You could tax people.

What does the President's budget—not of this year, because he did not want to put this number in—but of last year tell us the tax rate on all Americans would be in order to bear a Government of this size? It would be 82 percent; 82 percent of everybody's income in this country would have to go to the Government in order to bear the burden of the Government if we allow it to continue to grow at that rate. Obviously, we cannot afford that.

Now, a large part of this debate has been about the issue of Medicare. And, boy, there has been some significant misinformation about that issue floated around here. And I am glad the Senator from New Mexico started out by pointing out the distinct difference between what President Clinton said a year and a half ago and what he is saying today about the Republican efforts in this area.

But I think it is important to start on this issue with what the problem is. The problem is pretty clear. It was not defined by us. It was not defined by myself or the Republicans, or the Democrats, for that matter. It was defined by the trustees of the Medicare trust fund, ironically, four of whom were appointed by the President of the United States and are members of his Cabinet, including Donna Shalala, Secretary of HHS, and Secretary Rubin.

And the problem is that the Medicare trust fund is going bankrupt on a much faster time track than the country, in fact, and it will be bankrupt, according to the trustees in the very near future. They are telling us—and this is the trustees' report—that ''the Medicare program is clearly unstable unsustainable in its present form.''

Why are they saying that? Because of this chart here.

This is the fund of the Medicare trust fund. It goes into bankruptcy in the year 2002. Beginning in about next year, it starts to draw more out of the trust fund than goes in.

What is the practical effect of bankruptcy of the Medicare insurance trust fund? It is that there is no health insurance for our senior citizens. None. Because, under the law, they cannot pay out health insurance proceeds if they have no sources to pay it from. And the trust becomes bankrupt and does not have any sources in the year 2002.

Now I suppose the Democratic position or the President's position now appears to be, ''Well, let's wait until the year 2002 and face the problem then.''

That only compounds the problem if you do that, of course. It is much more logical, as the President suggested a year and a half ago, to address it and address it in a constructive and thoughtful way, which is the proposal we have put forward in this budget specifically to do that.

Now there has been a lot of debate about the number necessary to get this trust fund into actuarial solvency, and the fact that this number that we have in our budget is somehow outrageous, the number of $256 billion of adjustment in this fund over the next 7 years, which is the number that we feel will put this fund in some form of solvency and assure that seniors have health insurance, which is our goal, to give seniors health insurance and make sure they have a health insurance fund.

Now we heard the leader come down here and say that this idea of addressing the insurance trust fund by adjusting it by $256 billion over the next 10 years, or Medicare by that amount, is a number that is just outrageous and not obtainable and is a ridiculous number.

Well, let me refer them to the number that came from Secretary Donna Shalala and Secretary Rubin and the other members of the trustees of the Medicare trust fund. Their number was, in order to get actuarial solvency in the health trust fund over the next 5 years, we would have to adjust it by $262 billion. That is in 2 years. Remember, ours is 7 years. And, over 7 years, to get actuarial solvency, we would have to adjust it by $387 billion.

So the number that we are talking about, which is $256 billion, approximately, over a 7-year period, is clearly in the ballpark of the numbers which are being given to us by the people who are responsible for managing this fund, although there is obviously a merger of A and B trust fund issues, which is a really complex issue. In any event, the numbers are clearly in the same ball park.

So the idea that our adjustment is unreasonable or our proposal is unreasonable in this area is just a lot more smoke and mirrors that we are hearing from the other side as they attempt to dance around the basic responsibility that we have, which is to assure solvency in this trust fund.

So Members on our side have put forward a proposal which, remember, does not cut Medicare funding. In fact, it allows Medicare funding, as Senator DOMENICI noted earlier, to grow at about 7 percent. This shows 6 percent. We actually ended up with about 7 percent. Today, the Medicare trust funds are growing—the rate of growth of the cost of health care costs is around 10.5 percent. That is three times the rate of growth of inflation in this country today.

You might say, ''It's health care; therefore, it has to grow faster than inflation.'' Let me simply note that last year in the private sector, the health care inflation rate was actually a negative number. It was about negative 1.9

percent for the rate of growth of premium costs in health care last year in the private sector. So not only is it three times faster than the basic inflation rate in the economy, 10.5 percent, the rate of growth of Medicare costs, but it is actually 10 times the rate of growth of health care inflation generally in the private sector.

So it is explosive, and it is clearly not sustainable. It is not sustainable from the standpoint of financial viability of our country. More important, it is not sustainable from the viewpoint of having a trust fund that is solvent and having a health care system for our seniors that is solvent.

What we are suggesting is not radical or unreasonable. We are suggesting a response which was in the same frame of reference as what the trustees are talking about. We are talking about slowing the rate of growth of the Medicare trust funds from 10.5 percent down to approximately 7 percent—7 percent rate of growth. Is that unreasonable? I do not think so. It represents twice the rate of growth of inflation generally and seven times the rate of growth in health care insurance premiums in the private sector.

As was noted by the chart put up by Senator DOMENICI, it happens to be the same number that back in 1993 President Clinton thought was pretty reasonable. Not only did he think it was reasonable, but Hillary Clinton, his wife, thought it was fairly reasonable. She said:

> We feel confident we can reduce the rate of increase in Medicare without undermining the quality of Medicare recipients.

And Ira Magaziner, her guru of health care, said:

> Slowing the rate of growth actually benefits beneficiaries considerably because it slows the rate of growth of premiums they have to pay.

So the administration, a year and a half ago, when they were not thinking about reelection so aggressively, was talking about slowing the rate of growth of the health care fund, just about what we were talking about today. Maybe they were going to slow it a little more, in fact, if you look at their numbers.

So what is the practical application of how do you get to a 7-percent rate of growth, because that is where the rubber hits the road. Who is going to be impacted? Who is going to be affected? Who is going to have to take the slowing down?

Basically, what we have seen in the private sector is that as the marketplace is changed and health care delivery has moved into the 1990's and on, that the manner in which health care is delivered has changed and, as a result, we have seen more efficiencies in health care delivery, and that is why the price of health care has gone down, that is why we have seen the inflation rate in the private sector drop.

What we are going to suggest as a party, and we think it is fairly reasonable, is that we take the public health care insurance system and apply to it some of the same attitudes and approaches that are being used today in the private sector. We are essentially going to say to senior citizens, ''We're going to give you more choices,'' because that is what has driven the price of health care down in the private sector—competition, choices—and in giving seniors more choices, we are going to not force them into other programs, we will make it voluntary.

For example, I have a proposal—it may not be the one finally adopted, but I think it makes sense—which says to senior citizens: ''You essentially will have the same choices that I, as a Member of Congress have, or other Federal employees have. You don't have that choice today.''

Most seniors are in fee for service, the most expensive form of health care. They are in fee for service because they grew up that way in the fifties, sixties, even in the seventies. The only way we delivered health care in this country was fee for service. You had your doctor, you dealt with your personal doctor, but it is the most expensive form of medicine. Ninety percent of seniors are in a fee-for-service approach to medicine.

What I suggest in the proposal I have put forward, basically the proposal we are talking about generally, is that seniors be given a choice, not only to use fee for service, but to use other forms of health care, health care which is less costly in its rate of growth but delivers just as good health care—managed care, fixed-cost care, PPO's, HMO's, things that most Americans, especially in the private sector, are familiar with today.

We are not saying to seniors, ''You have to go into a PPO or HMO.'' We are going to say, ''Listen, if in your area of the country it costs $5,000 a year to take care of your fee-for-service health care, then, senior citizen, to the extent that you can go out in the private sector and you can buy a health care system which delivers you the same basic benefits package, and maybe even more because there will be competition there, but for less, let's say it is for $4,500, we will let you keep 75 percent of the savings. Seventy-five percent of that $500 savings will go to you.''

So there will be a significant economic incentive to senior citizens to move from fee for service into managed care, if they decide to do so—they do not have to do it—if they decide to do so.

That type of approach creates three different positive events.

No. 1, it gives senior citizens the opportunity to look at other health care plans and gives them a financial incentive to do it and, obviously, health care incentives to do it.

No. 2, it creates in the marketplace competition. It means a lot of different plans are going to come forward that we cannot even imagine, because the marketplace is much more imaginative than the Government, and we will propose different approaches to caring for seniors, things that are attractive to one senior group over other seniors—one for eyeglasses, for drugs, one might take out the part B premium. Who knows; there will be a lot of variables, a lot of options.

And No. 3, it gives the Federal Government a fixed cost over an extended period of time as to how much health care is going to inflate.

It is only reasonable to assume, although obviously difficult to score, that that fixed cost is going to track fairly closely to what has happened in the private sector. In the private sector, what we have seen is there has been a 50-percent drop in the inflation rate in relationship to the amount of people going into HMO's and fixed-cost-based health care plans, and we may not get that precipitous a drop, but we do not have to, because all we are looking for is a 3-percent drop in the inflation rate.

We are not looking to reduce the inflation rate down to zero, as has happened in the private sector. We are looking to reduce it just twice the rate of growth of the inflation rate, a 7-percent rate. It is very reasonable that we will get that number. There are ways to assure we can score that number, and we make those proposals in our package.

So what we are talking about is not limiting seniors' opportunities, we are talking about giving them more choices, more chances to go to the marketplace and find better care, types of care that will be more attractive to them and more appropriate to their personal position. In the process, we hope to get these types of reductions in the inflation rate that the Federal Government is paying.

Is this not reasonable? I suggest to you that the President thought it was reasonable a year and a half ago; that Ira Magaziner thought it was reasonable a year and a half ago; that Hillary Clinton thought it was reasonable a year and a half ago.

What has happened? The argument is, ''Well, this isn't part of a comprehensive health care reform.'' I remember comprehensive health care, and I am sure you do, too. That is this chart here where the Federal Government comes in and takes over the private sector. I do not think we have to do this in order to get Medicare's inflation rate down to twice the rate of inflation in the private sector.

I do not think we need to have comprehensive health care reform, and I think that has been shown by a number of factors.

Mr. ROCKEFELLER. Will the Senator yield for a question?

Mr. GREGG. At the end of my statement, I will be happy to yield for a question.

The point is that Medicare is a system which is out of kilter, and that if you want to move it into a system that is in the 21st century instead of in the 1960's—which is where it is now—you

do not need to take over the private sector to do that. It is the public sector that is failing to keep the costs under control, not the private sector.

The idea that we need to nationalize the private health care system in order to get to a correction of the Medicare and Medicaid system is ridiculous. The President has, in fact, acknowledged that. Secretary Shalala, before the Budget Committee, said they were no longer perceiving that they needed comprehensive health care reform in order to get Medicare reform. They expected to have targeted—I presume they meant insurance market reform, which we will probably have down the road. All of that can be accomplished, of course, and Medicare reform can be accomplished at the same time.

So we, as Republicans, are not proposing the devastation of the Medicare system. In fact, we are proposing just the opposite. This chart reflects what the trustees have told us, which is that the Medicare system is going to be bankrupt in 7 years, that there will be no system. That has to be corrected, and the senior citizens of this country will be given a system which is solvent. We have done it with a budget that happens to get in balance at the same time.

Is that inconsistent or ironic? No. Statements like the minority leader made may be inconsistent or ironic. But it is fairly logical that if one of the primary reasons you are spending more than you are taking in is that you have a Medicare system on the verge of bankruptcy, when you correct that system and get that self-righted, at the same time you are going to assist in getting your budget under control, which is exactly what we end up doing—getting the budget under control—and the Medicare effort is part of that exercise. And in the process, we make the Medicare system solvent.

What is it all about in the end? Very simply, it is about making sure that when our children get to the year 2015, when we pass on to them this great and wonderful Nation, that at that point, they have a Nation whose Government is not in bankruptcy; that they have a Nation which is able to sustain their prosperity the way it was able to sustain our prosperity. If we do not do that—by that, I mean the Bill Clinton postwar baby boom generation, of which I happen to be a member—we will end up being the first generation in the history of this great country that has passed less on to our children than was given to us by our parents. That is not right and it is not fair.

We were sent here to do a job and that was to straighten out the fiscal house of this country. This budget does that job. And in doing that, it also addresses the fiscal house of the Medicare insurance system, which is equally destitute and insolvent.

Therefore, I strongly urge the Senate to reject the amendment which has been proposed by the Senator from South Dakota.

I will be happy to yield, if I have any time left, to the Senator from West Virginia for a question.

The PRESIDING OFFICER. The Senator has approximately 8 minutes left.

Mr. ROCKEFELLER. Mr. President, I will just proceed with my statement, and I thank the Senator from New Hampshire.

Mr. GREGG. I yield the rest of my time back to the manager of the bill.

The PRESIDING OFFICER. The Senator from West Virginia has the floor.

Mr. ROCKEFELLER. Mr. President, parliamentary inquiry. The Senator from New Hampshire had a certain amount of time because he was granted that by Senator DOMENICI. But other than that, there is no control of time, is there? In other words, time is controlled here, 6 hours on one side and 6 hours on this side, but not any automatic amount of time for each speaker?

The PRESIDING OFFICER. Time is being yielded off the resolution. There is no consent agreement that has been entered into.

Mr. ROCKEFELLER. As for individual Senators?

The PRESIDING OFFICER. That is correct.

Mr. ROCKEFELLER. I thank the Chair.

The amendment that I sent up on behalf of Senator LAUTENBERG and myself, and other Senators, was not explained because the reading of it was cut off. So I thought I would just give a very quick explanation of what the amendment does.

The Republican Senate budget resolution sets up a $170 billion reserve fund for cuts. The Republican budget makes room for even further tax cuts, in fact, beyond the $170 billion if they are financed with spending cuts. That is in the resolution. Under the budget resolution, Medicare, which is our subject of this day, would be cut by $256 billion. Medicaid would be cut by $175 billion over a period of 7 years. The Rockefeller-Lautenberg amendment simply would restore, of the $170 billion reserved, $100 billion now reserved for tax cuts, and it would put that money back into Medicare and Medicaid. That is the entire purpose of the amendment, and I want my colleagues on both sides to know that.

Mr. President, I rise today to note several points. Over the past few weeks, many of my colleagues on the other side of the aisle have been trying to portray their intention to cut Medicare benefits as necessary to save the Medicare Program. They point to the projected insolvency of the Medicare hospital trust fund in 7 years and say that immediate action is necessary to maintain its solvency. They are working to save the Medicare Program, not to dismantle it. That is the way the logic is presented.

Frankly, I question their motives. I had heard nary a word about the Medicare crisis from my colleagues until very, very recently. But short-term solvency of the Medicare hospital trust fund is not a new finding that was just discovered this year. The Medicare trustees sounded the alarm, in fact, about the short-term insolvency of the Medicare Program several years ago.

For the past few years, the Medicare trustees have urged action on something called comprehensive health care reform. They have urged that we do comprehensive health care reform to address our country's overall systemic problem of rising health care costs that are, in turn, draining the hospital trust fund and the pockets of American families and businesses.

In fact, the chart that the distinguished senior Senator from New Mexico had giving a quote of President Clinton was said within the context of doing comprehensive health care reform in which a whole variety of circumstances would come into play; and it was not just about cutting Medicare and Medicaid, it was about changing the entire system. And they have selected out a sentence which fits their current argument. But it does not fit the current argument, in fact, because it was about a comprehensive health care reform approach that he was taking at that time—and he was not successful, as the Presiding Officer and the American people well know.

As my colleagues know full well, President Clinton responded to the warnings and to the alarms by putting a comprehensive health care plan on the table for congressional consideration. Now, one can argue that it did not get very far. One can argue that nothing happened at all. I would argue that it was dead on arrival, because the interest groups that did not want to see it succeed had a several month lead on television in terms of discrediting the program and talking about it as socialism and a Government takeover. The Government takeover argument is the one I particularly love. When people use that argument, I take out my Government takeover card.

I belong to the largest Government program in the country. But, this is a Blue Cross/Blue Shield card. Senator PACKWOOD, who is pacing the aisles on the other side, probably carries the same piece of plastic.

The last I heard, Blue Cross/Blue Shield is a private company.

In any event, the health legislation did not get anywhere because it was buried under a cloud of Harry and Louise ads and a lot of money. It was very sad, in fact, I think, because a lot of the problems we are now facing are because of the failure of this body to address comprehensive health care.

The President's plan not only addressed rising health care costs in the Medicare program, but rising health care costs for all American households and businesses, and especially small businesses.

Mr. President, I strongly agree with my Senate colleagues who urge immediate attention to the very serious problem of solving the trust fund. That

is a very serious problem, and it is something to worry about.

So far I have not seen a single serious proposal that really addresses the solvency of the trust fund. Therein lies a real problem for me. In writing, not a proposal; on paper, not a proposal. In rhetoric, not really a proposal.

I have heard a lot of rhetoric about restructuring and giving seniors more choice, but all I have seen and read about, and what is actually in the budget resolution, are huge cuts in Medicare—historic, unprecedented cuts in Medicare—to reduce the deficit by the year 2002. Huge cuts in Medicaid, also.

The House-passed tax cut bill actually raids, as the minority leader indicated, raids the Medicare HI trust fund by $23 billion. That has not been pointed out very much on this floor. Now, we are the Senate, not the House, but the House has presented its plan and the Senate has not.

A raid of $23 billion on the Medicare HI trust fund actually moves forward the date of the insolvency of the trust fund by 8 or 9 months. So they, in their wisdom, made the problem worse insofar as the trust fund was concerned.

I have yet to see a serious role from my Republican colleagues about ensuring that the Medicare program will still be solvent when the baby boom generation comes into full play, about the year 2010. We are in the easy period now. This is calm time. A calm sea. It begins to change shortly after the turn of the century.

I hear no acknowledgment from my colleagues that Medicare is, in fact, the most successful insurance program this country has. There may be some who wish to debate that. I would welcome that.

The Medicare Program provides universal coverage for all seniors. There is not a senior that does not have health insurance, and does not know that when he or she wakes up in the morning or goes to bed at night. There is no need to have an annual tabulation on the number of 65-year-olds without insurance. We do not have to do that because it does not exist.

We have to do that, of course, for children in this country. We have to do that for women in this country. We have to do that for men in this country who are under the age of 65, but not over the age of 65, because they are covered by Medicare. Everybody is covered. We are, in that respect, like every other modern industrial nation in the world, for 65 years and older.

Medicare does not deny medical coverage because of a preexisting medical condition like most private insurance plans. Medicare does not charge sick people more for their health care, like most private insurance plans. Medicare allows seniors to continue seeing their lifelong doctor and go to any hospital they want.

Now, one can attack the fee-for-service concept, but one cannot say that a senior is denied from seeing precisely the doctor they want or go to the hospital they want. If an HMO is available in an area, seniors can sign up with an HMO. They can often times receive additional benefits for so doing. But they have all of those options open to them right now.

Up until very recently, the Medicare Program outperformed the private sector in holding down its costs. Over the past couple of years, Medicare costs have been slightly higher than the private sector costs, as I will get to in a moment—about 1 percent.

Realize that the private sector is, in fact, insuring fewer and fewer people as the days, weeks, and months go by. Indeed, it is projected, as I know the Presiding Officer knows, that by the year 2000, 50 percent of Americans who work for a company will receive no health insurance benefits from that company.

Now, over the past couple of years, as I indicated, Medicare costs have been slightly higher. Then again, Medicare's enrollment is increasing. People are getting older faster. The fastest growing age group is the 84-year-old and over age group.

Also, Medicare pays for home care services and skilled nursing home care, types of services that are not normally covered under private insurance plans.

According to the CBO projections, Medicare is actually projected to grow by only 1.1 percent more than private health insurance over the next 7 years, our budget window. And enrollment in that figure is factored out. So it becomes a more honest figure because we do not have the increased number of people.

Medicare, in fact, is projected to grow by 8.3 percent a year on a per person basis; private health insurance is projected to grow by 7.2 percent a year on a per person basis; that is a 1.1 percent difference over the next 7 years.

Medicare insures older people and the disabled—people with health needs, people with terrible health needs and preexisting conditions. Remember, the private market casts them off to the side. It should not be a surprise to my colleagues on either side of the aisle that Medicare's per-person health care costs are projected to grow slightly ahead of private health insurance plans.

Mr. President, I have heard a lot of talk about needing to move the Medicare program into the 21st century by restructuring. I guess I do not share an enthusiasm for certain aspects of our private health insurance system as much as some of my colleagues. The Medicare program, in fact, was established because private health insurance refused, failed, to provide affordable insurance to senior citizens. That is why we did Medicare in the first place, because private insurance would not insure seniors.

Now, many of my colleagues like to talk about the wonders of the marketplace. I understand that. Some remarkable things are happening in the marketplace. But I still see cherrypicking, red lining, medical underwriting, policy cancellations, job lock, families paying more and more money for fewer and fewer benefits.

As I know the Presiding Officer knows, that is now what is happening in the private sector in so many companies. Companies are many times now saying, ''Yes, we will insure you, the employee, but we will no longer insure your dependents.'' But, then again, by the year 2000, 50 percent of people who work for a company will not receive any health insurance benefits at all, if CBO is correct.

There has been an incredible amount of rhetoric about expanding choices for seniors. I was very active over the past 2 years in health care reform and there was constant talk that health reform would reduce choices.

It is funny, I guess, how last year opponents of health reform tried to scare people about the Clinton plan by telling people it would take away their freedom to choose their own doctor, which in fact is not true; it did not. The truth is the President's plan would have greatly expanded the health care choices that Americans have today. But that has done nothing to stop people from misrepresenting the President's plan, because a dead plan is easy to misrepresent. Just a few months ago I read a document released by the office of my colleague from New Hampshire, Senator GREGG, who was speaking only a moment ago, that said:

> The Clinton health care reform plan projected $207 billion in savings under Medicare, forcing all seniors into managed care systems with per capita spending limits.

That is not true, that was never true, about the Clinton plan. That is false.

Now these same people are using the same powerful theme of choice as a way to disguise their own plan to cut Federal spending on Medicare. They are planning to force seniors to pay more out of pocket for their health care, and actually offer this as a savings to the Medicare Program. Not only does this strike me as disingenuous, but it ignores the real problems that our senior citizens have.

I, frankly, have never had a senior citizen complain to me in the 31 years that I have been in West Virginia about Medicare not having enough choices. I have heard complaints about Medicare, but not about Medicare not having enough choices. They tell me they cannot afford prescription drugs and Medicare does not provide those, or that they have long-term care needs and Medicare does not provide for those. But I have never heard a single complaint from West Virginia senior citizens that they do not think they have enough choices.

Just yesterday I received a letter from a West Virginia senior who lives in Mason County. She gets by on her Social Security check. That is it for her. Right now she cannot even afford to buy her heart medicine. It costs $138 a month. Fortunately, her doctor provides it to her without cost. She said

''If anything happens to him I don't know what I will do.'' She also said, ''It's frightening to think that you have worked all your life and to have it taken away is very frightening.''

And then she said, ''If Senator ROCKEFELLER cannot help us, who can?'' Well, I hope I can help. I will do all I can to help this good lady from Mason County. But to say something that I think casts a pall over this entire debate, and is deep within my own worry and concern about the future of America and American health care and Medicare and Medicaid in particular, I do not think I am going to be able to help her. Because I do not think there are going to be enough people voting in the way that I do to overcome the number of votes on the other side of the aisle.

I predict that a majority—the Republican Party will vote virtually en bloc on this matter, and that there will not be enough Democrats to counter that by virtue of our numbers, and that we will lose, and the lady, my constituent from Mason County, will lose. And she will have to depend on her doctor providing her with her heart medicine at $138.

Mr. President, even a $256 billion Medicare cut will do very little about the long-term solvency of the Medicare hospital trust fund. At most, these kinds of huge cuts may add a few more years of solvency to the hospital trust fund—a few more years. I would hardly consider this, however, saving Medicare. A few more years; 2 years, 3 years? It is not exactly saving Medicare. Given that the baby boom generation will just begin relying on Medicare in the year 2010, so anything only a few more years down the line will be worth very little in 15 years.

If my colleagues truly cared about protecting the Medicare program they would realize that taking the Medicare debate out of the budget debate is essential. And it may be that my colleague from the State of Oregon agrees with me on this. They say they intend to do that, but in a different way, a way that I disagree with. I think plugging a figure into their budget resolution that adds up to $256 billion in Medicare cuts does not fool anyone. It does not fool any seniors in our State. Listening to talk shows and participating in radio talk shows in the last couple of weeks is providing clear evidence of that to me, about what seniors in West Virginia believe is about to happen to them, and which I am afraid is about to happen to them.

It is a deep fear. We desperately need—and this is where I hope my colleague from Oregon might agree with me—we desperately need a bipartisan process to put Medicare on sound financial footing for the long term. We need to move past the current rhetorical budget-driven debate to the most important issues at hand, how best to keep Medicare dependable, secure, and valuable to seniors for generations.

The short-term budget need of cutting Medicare by unprecedented amounts of money will have disastrous consequences on health care providers and beneficiaries. That is the short term. Rural hospitals in, I think, all of our States will close in the aggregate by the hundreds. Doctors will shun some Medicare patients in some States for the first time. Medicare beneficiaries, which is seniors and the disabled, will learn firsthand what Medicaid beneficiaries have had to cope with in trying to get a doctor to treat them when reimbursement rates are set so very low.

I talked to a doctor in one part of our State the other day, 2 weeks ago, who told me he was seeing 65 patients a day. He is now in a managed care program and therefore his reimbursement is much less per patient. I know him. He is a very fine, good person. But, in order to keep up a living standard he has to see 65 patients a day. And I honestly do not know how you can see 65 patients a day without quality suffering.

I could not do 65 appointments a day, individual appointments a day in my office. How can a doctor do 65 appointments a day? But he is doing that because he is in a managed care program and he has to do that because he is being reimbursed less for each patient. So, again the question of quality and how that plays.

There is, I think, a right way and there is, I think, a wrong way to go about assuring the short-term and long-term solvency of the Medicare program. I believe the Republican proposal is the wrong way.

Under this way—the wrong way—up to 55 percent of seniors' Social Security COLA will be eaten up by increased Medicare costs to that senior. For the one in four Americans that rely on Social Security for their entire income, this is brutal hardship.

Under the proposal before us, Medicare's growth rate per person will be cut below the growth rate of private health insurance per person. That is an important statement. The rate of growth will be less under Medicare than under the private system, seriously again threatening health quality—65 patients a day, 70 patients a day?

The amendment that Senator LAUTENBERG and I are offering on behalf of a number of our colleagues is not going to solve the Medicare solvency problem. I do not pretend that it will. The budget resolution before us will not solve the Medicare solvency problem. Our amendment is about setting priorities.

Before we start legislating any new contracts with America, let us not forget about a contract that we already have with America's seniors, their families, and future generations. For all our zeal for deficit reduction—and that is good, that is well-meaning, well-intentioned, profoundly important, necessary work—we have lost sight of what Medicare is all about. It is a promise. It is a pledge to the American people that they will be able to live their lives in dignity and security far past their working days; that the sweat, the labor, the intellect and the care that they put into building America and in keeping our Nation strong and prosperous will be appreciated and valued when their resources wear out.

We, the Federal Government, made a promise and no amount of bookkeeping should ever sway us from that promise.

So instead of seeing a bankbook in Medicare, we should see an investment, not made by us but made in us. And it is our responsibility to ensure that investment of both funds and faith is always worthwhile.

So, Mr. President, before we go too far into looting Medicare we would do well to strengthen it so that a pledge given to the Nation can be fulfilled many generations over.

I thank the Chair. I yield the floor.

Mr. PACKWOOD addressed the Chair.

Mr. ROCKEFELLER. Senator LAUTENBERG does not appear to be on the floor.

Mr. PACKWOOD. If the Senator will yield, I talked to Senator LAUTENBERG, and will have a unanimous-consent request between the two of us.

The PRESIDING OFFICER. The Senator from Oregon.

Mr. PACKWOOD. I talked to the Senator from New Jersey. He agreed I would go next. I do not know how much time I will take. I am handling the floor for Senator DOMENICI now. I ask unanimous consent that when I am finished Senator LAUTENBERG be recognized.

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

Mr. PACKWOOD. Mr. President, I almost do not know where to start. There are so much misimpressions, half truths, bad statistics that you do not know whether to start at the very beginning and shoot down two or three and then try to do something sequentially. So I will start as follows first.

Let us define some things we talk about. The word ''cut.'' Only in Washington, DC, in my experience in any municipal body that I know of, not in the State legislature when I served there, the term ''cut'' meant spending less than we spent last year. If we spend $1,000 on the fire department this year, and we spent $900 the next year, that was a $100 cut. And all of the budgeting that we did, when I served in the State legislature, was based upon what we spent last year, what we are going to spend next year, and in almost all cases it was up from what we had spent last year. I think that is probably true of most cities and counties. But in Washington, DC, we define ''cut'' differently.

We say if we spent $1,000 on the fire department this year, and we had planned to spend $1,200 on the fire department next year —''planned''—but we are in a budget, so we are only

going to spend $1,100, in Washington, we do not call that a $100 increase. We call it a $100 cut. We never spent $1,200 on the fire department. We never spent more than $1,000 in our lives. Yet, my good friends from across the aisle in the Democratic Party are talking about Medicare cuts.

Mr. President, there are no cuts.

I want to explain how we got to the situation we are in, the financial bind that we are in. In 1965, we enacted Medicare. We estimated that the hospital part of Medicare—now first let me define what I mean by the hospital part. We on the inside refer to part A of Medicare as hospitals, part B as doctors. We estimated in 1965 that in 1990 we would spend $9 billion on hospitals. That was our estimates, 25 years out. Actually, in 1990, we spent $67 billion. Were we off. We were off by a factor of close to 700 to 800 percent; just missed it.

Or, take a look at the first full year of Medicare spending, in 1967. The first year we spent on everything, hospitals, and doctors, $3.2 billion. This year we are going to spend $178 billion. How did we miss so badly?

Here is what happened initially. We started down the road on a cost-plus basis, a term from World War II. We were in a bind. Japan had bombed Pearl Harbor, Germany was succeeding in running rampant all over Europe. We got into the war. And the war was our priority.

We argue today about defense spending. Defense spending today may be around 4 percent of our total gross domestic product, around 21 or 22 percent of our budget. To put it in perspective, at the height of World War II, 1944 and 1945, defense spending was 40—4–0—percent of our entire gross domestic product and 90 percent of the Federal budget. We were a war machine. And we were not too worried about costs. When all of a sudden you are asking the General Motors plant to shift in 6 months from making Chevrolets to making tanks and they had been used to working a dayshift only, you say you want them to work three shifts a day and you want them to work Saturdays and Sundays and get this done—and hang the costs—we need the tanks.

We saw it in Oregon in the shipyards. Henry Kaiser, great industrialist, put up in a short period of time three immense shipyards in the Portland metropolitan area and at the zenith of the war was employing 30 percent of the adult labor force, and toward the end of the war was turning out in one of the yards what were known as baby flat tops. It is a small aircraft carrier. They were turning out one aircraft carrier every 7 days. Today we spend 3 or 4 years building aircraft carriers.

How can you do it in 7 days? You can do it in 7 days—and hang the costs—it does not matter. The priority is the war.

This in essence is what happened with Medicare. We had no restraint on cost. We reimbursed doctors, and we reimbursed hospitals based upon their costs. It would be as if you were to say to a trucker, will you truck my load of tomatoes from California to New York, and I will reimburse you your costs.

The trucker loads up his truck with tomatoes and he takes off. He needs more gas. He comes to the gas station. No point in stopping at the self-service station and saving 15 cents a gallon. He will have somebody fill it up for him, 15 cents more a gallon. Add it on to the cost. No point in staying at Motel 6 at $25 a night when you can stay at the Hilton and add it on to costs.

Pretty soon, hauling the load of tomatoes across the country gets to be very, very costly. And finally the shipper says, ''Listen, your costs are too high. What I am going to do, I will give you $100 a day, $150 a day. You figure out how to make it. You don't want to haul it for that, I will find somebody else.''

We live with all that when we travel in our States. We are given a limited amount of money we can spend. Per diem it is called. We can spend it on a hotel or spend it on meals or spend it on things that we are allowed to spend it on but you cannot go over a certain amount and you cannot have three expensive meals a day and stay in a reasonable hotel and stay within a reasonable amount. You learn to have a modest breakfast and a light lunch, or you learn you can do just as well at the hamburger stand as the Hilton Hotel and live within it.

Hospitals never had to do that. For the longest period of time, we reimbursed them on their costs. Now, what goes into the cost of a hospital? It is not just the doctor. It is not just the anesthesiologist that gives you gas, whatever he gives you when they are operating. Everything goes into it—all of their labor costs, all of their meal costs. You have an executive dining room for doctors with gold-plated handles on the toilets. It is all part of their cost.

The hospital would estimate what their cost was per day, per patient. By the time you add all of their costs together, whether that is a parking lot, whether that is janitorial fees, you add it all together, and kind of figure a per day cost and you say to Medicare, well, it cost $500 a day to run our hospital. That is our costs.

And there was no limit, there was no limit on doctors early on. Doctors would perform a service. My cost was $100. Send it in. We reimbursed them. Finally, it is no wonder that Medicare costs exploded beyond belief, when you are reimbursed with no restraint.

So we started about 10 years ago attempting to restrain payment for costs. We set up a variety of commissions. We would say to a doctor we are only going to give you so much money for an appendicitis operation, so much money for a cataract operation.

But we discovered that the delivery of medical service was amazing, and—Senator MOYNIHAN has used a wonderful term—that ''demand would rise to supply.'' So long as you had doctors that would perform cataract operations, you ended up doing more cataract operations than you would otherwise do. So normally you thought this year there is going to be 100,000 cataract operations and we are only going to reimburse the doctors $100 an operation, and you think if we hold it to $100 an operation, then we will save money. But the next year you end up doing 200,000 cataract operations. You do not save money.

So that did not work very well. And there was no real competition.

So, let us get to the use of this word managed care, health maintenance organizations, preferred providers. They are all variations on a theme. A health maintenance organization is basically an organization that says we are going to attempt to restrain your and our health costs by having you receive most of your health services in our organization.

On the west coast, we are very familiar with it. We first saw it heavily again in the Kaiser operation. It started in California—Henry Kaiser was from California—and in Oregon because at the same time that Mr. Kaiser built the three shipyards in Portland and at the zenith of World War II was employing 30 percent of the adult labor force, he also had a health plan for all of those 30,000 workers plus their dependents.

By the time you counted husband, wife, a couple kids and you were employing 30,000, 30 percent of the adult labor force, you are covering an immense portion of the population, and this was the opportunity for a managed type of care. This was the Kaiser health plan. You used the Kaiser doctors and the Kaiser clinic. And Kaiser was able to restrain costs by managing care much more than what we called fee-for-service doctors or fee-for-service hospitals.

Back in the early days of the Kaiser organization it was very suspect. Its doctors were not allowed to join the local medical societies. There was actually a lawsuit brought against one of the Washington Kaiser doctors who had just put a sign over the entrance to the Kaiser clinic about Kaiser Permanente, a good health plan, or something like that, who was sued for advertising. I mean it was ridiculous.

The fee-for-service doctors hated Kaiser. Kaiser was an early entree into managed care, but they managed to hold their costs down.

I can recall in the late 1950's I was a labor lawyer in a law firm, large law firm in Portland. I was the low man on the totem pole in the labor law division. And even in those days some of the employers in Oregon, some of the big ones, some of the small ones, contracted with Kaiser for their health services. As I recall, the plans were then $30, $40 a month. If you were an employee and you did not want to use Kaiser, you could opt out. I do not even

think there was an additional fee for opting out.

The thing that intrigued me was that, on a voluntary basis, most of the employees in these companies used Kaiser. Kaiser was very good about coming over with sort of a little mobile van, medical truck for lack of a better term, and they would try to do some primitive exams, what we call annual physicals today, but they were doing them in a mobile van. And I cannot even remember what they looked for in those days, but they were trying to screen, they were trying to catch, they were trying to prevent, because they knew full well prevention was cheaper than hospitalization.

I well remember their testimony before the Oregon Legislature saying that it was not the hospital operations per se that were cheaper. What Kaiser said was, ''We are better at not hospitalizing as many people, because we catch the diseases earlier in our program''.

So we had this history of managed care in Oregon. The term is HMO, health maintenance organization. You also have something called a preferred provider organization. This is a variant on the managed care theme in which, an insurance company, like Blue Cross/Blue Shield, says we will write an insurance policy covering you but you must use our list of doctors. And they will have a list of 100 or 200 or 500 doctors. And so long as you use those doctors—it is a very wide choice—they have agreed with the doctors they are going to pay them a certain price for certain things and no more, and the doctors agree to that and the patients are referred to those doctors.

And the preferred provider organization type of managed care, called PPO, worked out pretty well, too. Both of them, HMO's and PPO's, are managed care. Both of them save money over what we call a fee-for-service style of health care. The problem is in most parts of the country they are not used to managed care.

I will give you some rough statistics, and I have picked these statistics because they are the States of the principal sponsors of this amendment.

In Oregon—and this is Medicare coverage in health maintenance organizations, not the entire population—in the Portland area, we are now slightly in excess of 50 percent of the Medicare patients in managed care. Throughout the State, it is 30 percent managed care, but increasing rapidly. Managed care obviously starts in the urban areas first and then moves out into rural areas gradually.

But I wish to put it in perspective by comparison to several other States. For Medicare managed care enrollment, Oregon is 30 percent, Massachusetts is 6 percent, New Jersey is 2 percent, South Dakota is zero, and West Virginia is 2 percent.

So in essence the States represented by the principal sponsors of this amendment have no experience of any substance, of any overwhelming consequence, in Medicare managed care.

For managed care enrollment for the whole Portland population, not just Medicare beneficiaries, but everybody, Portland has 64 percent enrollment.

Bear in mind, people do not have to go into managed care. On Medicare especially you do not have to go into managed care. It is voluntary. If you want to keep the normal Medicare system you have now and be treated that way, that is fine. Why would people go in there? They go in for a very simple reason. The managed care providers provide more benefits than Medicare.

I will read you across the list. Here is the ''Shopping for Health Care'' and it lists six major companies in Oregon that sell Medicare managed care policies to Oregonians. Let us just take prescription drugs. Medicare does not provide prescription drugs.

In First Choice—that is the name of one of the HMO Oregon plans—discounts available. Preferred Choice, part of HMO Oregon, but in a different area, discounts available. Good Health Plan, discounts available with the basic plan and in the plan plus it pays 50 percent for prescription drugs up to $100 a month. For Kaiser Permanente, it pays 70 percent of prescription costs up to $50 maximum per prescription. On PACC, it has discounts available. Now you come to SelectCare. They do not cover drugs. They are like Medicare. And then on Secure Horizons it is discounts available, mail order and walk-in.

You have a variety of different choices. And all of these companies compete with each other. And you talk about the number of doctors that are available? First Choice has 500 primary care and 1,200 doctors including specialists that you can choose from. That is a reasonably adequate supply of doctors to choose from.

Preferred Choice has 300 primary care doctors, 1,000 including specialists. And you go on, and there is none that has less than 400 that you can choose from. So you are not hard pressed to get the care you want.

And why do people go there, in addition to getting better service, better service than they are getting in Medicare? Again, they do not have to go there. They can keep the usual fee-for-service Medicare service.

Another reason is that they are used to it, if you have gone there all of your life.

Here is what happened. The Kaiser shipyards closed at end of World War II. The Kaiser health plan was so popular that when they sold the company and the shipyards closed, Kaiser continued on with its health plan, in essence opened it up to the public. And, clearly, by the midfifties to the late fifties it was a very significant provider of health care in Oregon, this managed care plan.

Today, it is growing in leaps and bounds. I am doing this from memory, but I do not think I am off 5 percent. Blue Cross/Blue Shield is our biggest carrier. In 1984, Blue Cross/Blue Shield had zero in managed care. Today, as I recall—that was 1984—10 years later, they are at about 65 percent. By the end of 1998, they plan to be at 90 percent in managed care.

Now, what is the effect of all this? Here is the essence of the difference. The difference is because of this long, long experience with managed care—which no other State has. There are a couple that are close, but most of them have managed care in the zero to 5 percent, 5 to 10 percent.

Oregon continues to increase managed care. By the end of this century, I would wager that counting both Medicare and the non-Medicare population, Oregon will have 90 percent managed care.

Because of this long history of managed care, Oregon has been able to restrain its costs and give options in terms of plans and doctors that absolutely beats the medical costs of any other State.

We are the lowest per capita cost State in the Union. And it is not because we are a low-income State. We are about in the middle; sometimes we are above the middle, sometimes we are below in terms of income of our citizens and other prices. But we are not a poverty State in the normal sense of the word. But our per capita health care costs are the lowest in the country.

I will give you a comparison. Now this is for Medicare per capita costs. In Oregon, the average Medicare per capita cost is $3,300 a year. We are at the top. The bottom is Louisiana, at $5,400 a year—same kind of operations, same kind of doctors, same kind of anesthesiologists, same kind of hospitals, $2,100 a year difference per Medicare enrollee. Louisiana has almost no managed care.

Let us just split that difference. Let us assume you do not get everybody down to Oregon's Medicare per capita cost of $3,300, where you have a $2,100 difference. Let us just assume you could save $1,000 a year. The savings is $40 billion a year in the Nation. That is $280 billion over 7 years. That exceeds the savings that we're trying to get in this bill.

Can it be done? You bet it can be done. It is being done. Will it all happen next year, like that? No it does not happen next year, like that.

But if we start moving toward managed care, we will soon find that instead of States being at 2 or 3 percent, they will reach 10 or 20 or 30 percent. Of course, you do not increase in quantum leaps of 10 or 20 or 50 percent per year. But, whether you start from zero or 5 percent managed care coverage, you can get to 50 percent pretty quickly because you will find that once people have managed care, they will choose managed care voluntarily because of better service.

Let us assume that we cannot save $280 billion a year over 7 years. Let us

say it takes time to move toward managed care all over the country, so we save half as much, $140 billion. Nobody is getting less service. Everybody is getting the choices they want, and they can stay in Medicare fee-for-service plans, if they want. But let us say you save $140 billion.

Now let's take a look at Medicare Part A and Medicare Part B and how we pay for each.

Here, again, I want to emphasize the difference. Part A is hospitals; part B is doctors. Part A is paid for out of your payroll tax. You pay 1.45 percent and your employer pays 1.45 percent. And then we recently increased the taxes on Social Security from 50 to 85 percent on the upper earning income Social Security recipients and we took that 35 percent and we put it into this part A hospital trust fund. And this trust fund owns some bonds and they had a slight surplus for awhile. They get interest on the bonds. So you have these different sources of payments coming into the part A hospital trust fund.

Part B is doctor services. From the very start, it was funded different than part A. From the time Medicare was adopted onward, we said the patient will pay part. We said that the Federal Government will pay part out of the general funds, not out of our payroll tax, out of the general funds, everyone's taxes. We put up about $45 billion a year out of the Federal Government General Treasury for that.

When we started out, it was agreed that the patient would pay 50 percent and the Federal Government would pay 50 percent. Had we held to that, Part B would be in good shape now. But it gradually dwindled down 45 percent, 40 percent, 35 percent, until it finally got as low as 25 percent and was causing a tremendous drain on the Treasury. So now it is set at 31 percent. However, the 31 percent expires and it is due to go down to 25 percent.

Bear in mind, originally it was intended to be 50 percent. If we did nothing but hold the part B percentage that the Medicare recipient pays to its current 31 percent, same percent it is now, instead of letting it drop to 25 percent, that picks up $61 billion over 7 years; that is, if you could keep it where it is.

(Mr. KYL assumed the chair.)

Mr. PACKWOOD. Do you know what would happen if you were to go back to the 50 percent that was agreed upon? You would pick up $173 billion in the next 7 years.

Now, nobody is talking about that, but if we did that, all we would be doing is keeping Medicare as it was intended when it was passed.

Now let us halve the difference. Let us say you were to go up to 35 or 36 percent and you pick up somewhere between the current $61 billion and the $173 billion. I will take a guess at $80 to $90 billion. You add the $140 billion you saved on managed care and you are now at $230 billion.

We are now at $256 billion.

This is done without any decline in service. This is done with better service—because people in managed care are getting better service or they would not be joining it—than they get from Medicare. They get prescription drugs in most cases, if they want to choose the plan that has it. No wonder they join.

It is just that these plans do not have a lot of enrollees or do not exist in some States and they could in most States if we encouraged it. And every one of these plans has to offer the basic Medicare services. You cannot go below it. You can offer more, like prescription drugs, but you cannot offer less.

I can picture the savings that we would make if we allowed these plans to offer less if they wanted. Let us say you are a wealthy retiree, and for the life of me, I do not understand why we do not income relate some of these benefits—let us take this part B that I am talking about, where you are paying a certain percentage.

You are paying about 31 percent and the Federal Government is paying 69 percent of the premium. It is the same 31 percent regardless of your income. It is the same dollar amount whether the only income you have is $10,000 a year from Social Security or whether you are J. Paul Getty's heirs. They pay the same amount of money you do.

There is no reason why somebody who has $50,000, $100,000, $150,000 in retirement income, other than Social Security—and by retirement income of $100,000, you have to have assets of about $2 million—there is no reason why they could not pay a bigger share of their premium.

Because you know what you have now, you have some poor devil working in a mill—if the poor devil has not been put out by the Endangered Species Act—that is making $25,000 a year and paying his taxes into the general fund to support someone who has $100,000 a year in income, and these taxes in the general fund have to pick up 69 percent of that fellow's premium.

It is not fair. We ought to means test it. We ought to pick up more money doing that. We have to say to the rich: ''You have to pay more of your benefits. You can afford it.''

Can we do it? You bet we can do it. We are often compared to Germany and Canada. People say, ''Well, they have single payer.'' Germany does not have single payer. Single payer is where the Government collects all the money and pays all the bills. Anybody who thinks when the Government collects all the money and pays all the bills it is getting efficiency is dealing with a different government than I have dealt with over my life.

We will be compared to Germany or Canada and they say, ''Their health costs are much lower than ours.'' It is no wonder. For years they have not reimbursed on a cost basis the way we do.

With managed care, can we get our costs under control? You bet we can. Can we do it without cutting services and benefits? We have proven you can do it.

I am going to emphasize again, Mr. President, in the Portland area, over 50 percent of the people on Medicare have chosen these private insurance plans rather than straight Medicare. None of them have to. It is totally voluntary.

The Medicare payment goes to the insurance company and their insurance company gives them these benefits in a Medicare managed care plan. It is cheaper and better than the present Medicare system, or otherwise people would not leave the fee-for-service system.

As I say, I will predict by the end of this century, 5 years from now, that all of Oregon—maybe the Portland metropolitan area, with the rural areas slightly behind—Portland will be roughly 90 percent for all of its health care coverage in managed care and Medicare will be someplace, in the Portland area, 70 and 80 percent managed care coverage.

So the answer is, yes, we can do it. Therefore, when people say the Republicans want to cut Medicare, first—here it is. This year, we are spending $178 billion on Medicare. What the Republicans are suggesting in the budget resolution is that we spend as follows on Medicare over the years: 1996, $187 billion; 1997, $197 billion; 1998, $213 billion; 1999, $227 billion; 2000, $244 billion; 2001, $262 billion; 2002, $283 billion.

Mr. President, by anybody's definition, that is not a cut, that is an increase every year. Is it as much as we would otherwise spend if we did not have any restraint? It is less than we would spend if we did not have any restraint. It is about $367 billion more than we are spending now if you add up the years.

So I am going to say, in conclusion, that this can be done. But one thing I want to say—I do not want to say ''in conclusion.'' I have a couple more facts.

One is there has been an argument about the Medicare trust fund—this is part A—in bankruptcy. Is it bankrupt? It clearly is.

Here is what has happened. On average—I am averaging these off, and I will average it to the nearest thousand—on average, a one-wage-earner family with a spouse will pay in over their lifetime of earnings into Medicare, about $60,000. That counts your payroll tax, your employer's payroll tax, part B premiums and income taxes of yours devoted to Medicare part B and any interest that is paid on the accumulated money until you retire. You have husband, wife, one of them working, the other not, paying about $60,000.

On average they will collect in benefits about $185,000, roughly $125,000 more than they pay in, on average. Well, it is obvious you cannot run on that basis very long.

What happened in 1992 with Medicare? The Medicare trust fund for hospitals started to pay out more money

than it took in in taxes. It did have some extra sources of revenue. It held some bonds. It did have a surplus. It held some Government bonds and interest was paid on the bonds, so they collected that money. They did have a few people that belonged to the Railway Retirement System, and they paid taxes into it and got some coverage. It was a relatively small amount.

Then, finally, a year or so ago, we took the cap, as we call it, off of wages. We used to limit the amount of tax that you had to pay on Medicare to a certain fixed amount. It was the same amount as Social Security, and you paid it up to a certain amount of money.

Finally, we took the cap off and said you are going to pay this Medicare tax on everything you make, $200,000, $300,000, $400,000, pay it. So all of this went into the fund, but by 1992, we are paying out more than we are taking in in taxes.

Next year, 1996, we will pay out more in total than we take in from all sources, and next year onward—interest on the bonds and everything else—from next year forward, the only way that Medicare keeps its head above water is it is going to liquidate the bonds, it is going to sell the bonds.

I am not talking about interest on the bonds. Medicare is going to take its bonds to the Treasurer of the United States and say, ''Here, we have a $100 bond. We held it in our surplus. Give us $100.''

By the year 2002, the bonds will be gone. There will be nothing left in the trust fund, and we are already paying out more money than we take in in taxes.

By everybody's estimate—liberal, conservative, Congressional Budget Office, Social Security trustees' report—everybody says that to meet the short-range test of financial adequacy, just 10 years, we are about $145 billion to $165 billion short.

There are three ways you can make it up. You can raise taxes. That is basically the Democrat's answer and has been their answer ever since Medicare has been short of funds—raise taxes.

You can cut benefits, and here I use the word ''cut'' in the exact sense, and this is what the Democrats accuse us of doing. We are not talking about cutting benefits. We are talking about a combination of managed care and payment on part B premiums, and we can save the trust fund.

At the same time that you save it—that is a budget savings, I am not trying to cover that up—but whether or not we have a surplus in our budget or a deficit in our budget, the trust fund for Medicare is short and will be gone in 7 years.

So that we ought to save, in any event. And if in the savings it helps on our budget problem in addition, so much the better. That is nothing to be ashamed of.

What does this amendment do? I love this. This amendment takes what they call the reserve—that is a misnomer, as that assumes you have money.

If we pass the balanced budget, it is a three-step process. We will be debating this particular resolution for the next 4 or 5 days. If we adopt this budget resolution, it is a broad outline of the money to be saved.

It does not specifically say here is where you save money in Medicare, or here is where you save money in defense, or here is where you save money in education.

It is a broad outline of we would like to save x amount of dollars in Medicaid or in defense. This resolution is then parceled up and given to the committees of jurisdiction in Congress.

The Armed Services Committee will get the defense portion and they will have to live within the totals. My committee, the Finance Committee, which I chair, will get Medicare and Medicaid and welfare and earned-income tax credit, and we will have to live within the totals.

We all give our recommendations back to the Budget Committee in a certain time and say here is how we have met the totals. Then we put that into a big process called reconciliation and that bill is brought to the floor and voted on.

The second part is passing this budget. That is the real vote. That is where the real outlines are reduced to specifics. That is the second part.

The third part is, will the President sign it? Because he can veto it. But it will be balanced, and that will be the third part.

If, at the end of this process—I have been here 25 years, and the last time I saw a balanced budget was in 1969, and that was by accident; we did not plan a balanced budget. But the economy was a bit better than we thought it was going to be, and when the economy is better, revenues come in better and, by accident, we collected more money than we thought, and we did not have time to spend it, so we had a slight surplus. That was in 1969.

Well, if everything works right in this budget process, if there is no phony budgeting—and so far, there has been none—and, interestingly, the press, who does not like some of our priorities, has not criticized this budget as being unreal.

Always, in the past, the press has talked about blue smoke and mirrors, and moving the pea around under the shell. They have said this is a real budget and they are starting to say to the Democrats, ''Where is your real budget?''

Let's assume that all of the committees report back to the Budget Committee and it is all put into this reconciliation package and it passes and the President signs it. Then, the Congressional Budget Office, which is a group of professionals that advise us, they work for us and advise us as to the economic effects of what we have done, have said that there will be an additional, over 7 years, beyond the balance, a $170 billion surplus. They have said this will be the case if everything else is in place at the end of this process, which is going to be, my guess is, October or November.

What do the Democrats want to do now? That reminds me. It has been 25 years since I have seen a balanced budget. And I will believe it when I see it. I will believe it when this process is over.

But if, by chance, we make it and if the Congressional Budget Office says there is $170 billion extra, what do the Democrats want to do? Spend it. The Democrats say, do not try to reform Medicare, or do not try to get Medicare enrollees into managed care, do not try to get veterans service for less money. Spend it.

That has been the answer to our problems for too long. You may have heard the Democratic leader say today that these tax cuts are going to go to the wealthy and the Republicans can give their fat cat friends tax cuts.

There is no tax cut in this budget resolution that we are talking about. There is in the House's. That is not the budget resolution that we are talking about. In this Senate budget resolution, there is no tax cut for the rich, the poor, not for anybody. We are reserving the decision as to what to do when we get to the end of this process if we have a $170 billion surplus.

If I had any druthers about it, my preference would be to pay off part of the past debt with any surplus. Lord knows, that is not going to be a popular idea, I am sure, if we have this money.

So we may get into a debate at that time as to whether or not, with this $170 billion extra over 7 years, whether we should spend it or give it back to the taxpayers. If we give it back to the taxpayers, we will debate who should get it, what is the best form of tax, and should we have a capital gains tax and a $500 tax credit, and should you limit it to people who make over $100,000 a year so the rich do not get it? That is a debate for another time.

There is nothing in this budget resolution that says there is going to be any tax cut. I would be the happiest guy around if next November we have done everything we say we are going to do and the Congressional Budget Office comes to us and says we have $170 billion extra. I have not done tumbling since I was 10 years old at the YMCA. But if we do that, I will do a back flip on this floor.

So I suggest that we simply get on with this debate. We are going to have ample time again. If this resolution is adopted, we are going to have ample time to debate the nature of the Medicaid restraints in growth and the nature of the Medicare restraints in growth.

Do not worry; there is not going to be any debate about cuts. We will have a debate about whether we should encourage people to move toward managed care in Medicare. There will another debate—and it is going to be an

interesting debate—about whether we should say that some plans on Medicare can be allowed to sell a policy if it provides less than the current Medicare benefits if a senior wants to buy it?

I will give an example. You do it with normal insurance all the time with a homeowner's policy or a car policy, where you have a $250, or $500, or $1,000 deductible. It depends upon the loss you are willing to bear. The more you are willing to bear, the less your policy costs. Should we consider selling a policy or allowing a policy to be sold that says: Mr. or Ms. Medicare recipient, we will guarantee to pay all of your medical expenses over $3,000 a year if you will pay all of your medical expenses up to $3,000 a year? My hunch is that a fair number of people will buy that kind of a policy voluntarily. Somebody else might want a policy that pays all of their expenses over $100 a year. We could allow that to be sold, too.

There was the wonderful idea you heard Senator GREGG from New Hampshire talk about. If we say the average Medicare cost now throughout the country—and Oregon is way lower than average—is $5,000 a year, and we are going to give you a voucher and the voucher is worth $5,000. You can go out and buy health insurance with it. You can shop around in Oregon with different plans. I will bet if every Medicare recipient had a voucher, you would have 12 or 15 plans all competing with each other.

If you said: I feel pretty healthy and I have retirement income of $25,000, $30,000 a year, so I will take a chance and buy that policy that I pay the first $3,000, and Medicare and my company that I buy it from pays everything above $3,000. Let us say that policy—I am guessing that a policy like that would not cost $5,000 a year; it probably would cost $3,500, maybe $3,000 a year. Let us say $3,000. So you have saved $2,000 out of what we are otherwise paying for Medicare.

If we say if you buy that kind of a policy, you can keep $1,500, and give us $500 back, you bet we would save a lot of money. There are so many options, so many varieties, so much diversity and competition that helps deliver good service in this country that we have proven works. So let us get on with the debate, and about 3 or 4 months from now, we will have the debate over the specific Medicare and Medicaid programs that we will suggest to meet these totals.

Will they be cuts? Absolutely not. They will be increases from what we are spending now. Will we give people more choice than they have now? You bet. Will a person be able to shop for delivery systems that give a variety of services? I hope so. That is a debate for another time. It is not the debate for today.

I yield the floor.

Mr. ROCKEFELLER. Mr. President, restraining myself from getting into debate with the Senator from Oregon over his closing paragraphs, I would yield such time to the Senator from New Jersey as he requires.

Mr. LAUTENBERG. I thank the Senator from West Virginia.

Mr. President, Senator ROCKEFELLER and I have sent an amendment to the desk. It is cosponsored by Senators MIKULSKI, KENNEDY, DASCHLE, WELLSTONE, and BOXER.

This amendment, Mr. President, is based on an amendment that I offered last week in the Senate Budget Committee. It is pretty simple. It takes up to $100 billion from funds set aside for tax cuts for the wealthy and puts them into Medicare and Medicaid. I would like to repeat that this amendment eliminates any suggested tax cuts for the rich and puts the proceeds into Medicare long-term care.

Now, Mr. President, the budget resolution that we are considering today forces Members to make a fundamental decision. It is a decision about what we stand for. Whose side are we on? The debate on this resolution is going to reveal a fundamental difference between our friends on the Republican side and those on the Democratic side.

As Democrats, we believe that Government was meant to serve average Americans, middle-class families, who struggle to keep things afloat; senior citizens, who struggle to make end's meet on a fixed, often modest, income; and children, the future of our Nation.

By contrast, the Republican Party has a very different philosophy and a different constituency. The Contract With America and the budget resolution before the Senate today is designed to serve the most powerful and wealthy members of our society. It has a group of winners. If a person makes $350,000, that person will get a $20,000 tax break. There is protection for corporate subsidies. And a number of tax loopholes have been protected—as usual.

On the other hand, it impairs the Medicare program that served our senior citizens so well for 30 years. It leaves intact a variety of subsidies and loopholes for the wealthy, and it lavishes massive new tax cuts for the rich.

The losers are ordinary Americans. Medicare, for a senior citizen couple, is going to cost that couple $6,400 more over the next 7 years. In the last year of that 7-year cycle we are discussing with the budget, it will cost around $1,800. We chopped away at education. And we increased taxes in place after place for hard-working Americans.

Mr. President, yesterday I had a radio call-in show to New Jersey. Person after person—these were working people, some retired—who said for goodness sake, please put aside that tax cut. We do not need it. We would like to have it, but America needs our help more at this time. And my kids will need help more one day in the future.

I noted with interest and pleasant surprise that seven colleagues on the other side of the aisle, Republican friends, U.S. Senators, said, ''Forget tax cuts. We are not taking them. We are opposed to them.'' However, the budget resolution stores away $170 billion on the other side, and over $350 billion on the House side, specifically earmarked for tax cuts, principally for the wealthy.

If my view and the view of my fellow Democrats, these priorities are fundamentally wrong. In our view, Government must stand on the side of ordinary Americans.

Mr. President, nothing better illustrates the fundamental difference between our two parties than the budget resolution's drastic cuts in Medicare—again, socked away for tax cuts for the rich. It is denied, it is not stated, but it is very clearly in the air.

To Democrats, this kind of proposal is just abhorrent. It runs completely contrary to everything we stand for as Democrats. It will hurt millions of ordinary Americans around our country.

As we can see, Medicare recipients are people of typically very modest means. Seventy-five percent of these people have incomes of less than $25,000 a year. I know that in high-cost places like my own State, like New York State, like other industrialized States, $25,000 a year does not permit the basic necessities of life, especially when considering that over 20 percent of their income is needed to supplement the Medicare health benefits that they already get.

Thirty-five percent of these people live on less than $10,000 a year, or make less than $10,000. Twenty-five percent of them rely solely on their Social Security checks. That is tough going, especially when the prospects are that they will have to pay a lot more for their health care in the future.

On top of this, we see on the chart and are reminded that seniors already paid 21 percent of their income on out-of-pocket medical expenses. If someone is earning $25,000, 20 percent, roughly $5,000, on top of their Medicare program.

Despite, however, interestingly enough, the high out-of-pocket costs and the lack of adequate medical care coverage for prescription drugs and long-term care, Medicare recipients are basically happy with the program.

The polls that have been done, the analysis that has been developed, we see that 89 percent of the senior citizens—the Medicare beneficiaries—89 percent say they are basically satisfied with the quality of care that they derive from Medicare. That will change if this resolution is approved.

Mr. President, we simply cannot cut $256 billion from Medicare without having a real impact on senior citizens.

Now I have heard our colleagues from the other side say, ''No, no, it is not a cut. You do not understand it. Democrats do not understand it.'' People across the country must not understand it, because I get lots of phone calls saying, ''Whatever you do, do not permit them to go through with this.''

It says it is intended to reduce the growth in costs for Medicare. Medicare

is going to get more money than it does today. But that does not account for the swelling of the population or the long-term needs of that population or the services that they need as they age and as their health deteriorates, which is natural in older people. These cuts threaten to force seniors to pay higher premiums, higher deductibles, and higher copayments. And it also threatens to undermine the quality of their health care, which they are content with, if not to deny many seniors the right to choose their own doctor. These cuts will fundamentally change Medicare and make it a lesser system, much more costly and less complete.

How do we do this to people with whom we have engaged in virtually a contract? How do we violate our word? How do we breach that trust?

The Republican cuts in Medicare are wrong. They break a promise with our Nation's senior citizens, people who have worked often their entire lives and have paid into the Medicare program. For this hard work the Federal Government promised health security through Medicare. This budget resolution breaks that promise. It will force senior citizens to pay, as we saw earlier, approximately $3,200 individually in additional Medicare costs; that is $6,400 for a retired couple, a $6,400 tax increase over the next 7 years, to retired persons.

Further, these are just average figures which grossly underestimate the real impact for many seniors, for those who are at the bottom end of the income scale, for those whose health care needs accelerate substantially, for those, frankly, in the greatest need. The added costs would be a terrible burden.

This last chart kind of sums it up. The budget that is proposed, the Republican budget: $6,400 tax increase for every senior couple, and for people on the upper end of the scale, earning $350,000 a year, it is a $20,000 bonus.

I have been lucky in my lifetime. I developed a good business. As a matter of fact I helped develop an industry. And I am a member of, though it is not an auspicious hall of fame, but there is a hall of fame called the Information Processing Hall of Fame, that puts New Jersey as the only State with two Hall of Famers, BILL BRADLEY in basketball and me in information processing. The kids just run after me for my autograph. But the fact of the matter is, I have been successful in business and as a result of that I have enjoyed the fruits of that success. And this is one U.S. Senator who is not ashamed of his success. I understand one of my colleagues complained about being lectured about programs for modest-income people, poor people, by those who inherited their wealth.

I know lots of people with inherited wealth who turned out to be selfless, giving citizens who have turned back their energies into the community to try to make it a better place. But speaking for myself, I came from a family where my mother was widowed when she was 36 years old. I was 18. I had already enlisted in the Army. My father died. We were left worse than penniless. There was no health care plan around to take care of us. The family owed $2,000 to doctors and hospitals, which we had to pay over a lengthy period of time, I think about a year and a half. I sent home my allotment from the military. And I worked like the devil to build a business with hard work and with the help of loyal partners. And success came our way.

But I remember a period of time when my father had to resort to the WPA, for those old enough or knowledgeable enough about that period, to try to keep food on the table, to try to have a job that would permit him to lift his head up and not be disgraced by the fact that he had to resort to Government help for his family.

So my success did not come from any inheritance. It came because I worked for it, and I did it the old fashioned way, the American way. And as a consequence, when I talk about ordinary working people I know very well what they are going through and I want to try to give them an appropriate helping hand where necessary. And this is where it is necessary. This is a commitment that was made to people, people who helped build this country to its greatest levels after World War II, after first, in many cases, serving in the military during that period of time.

It is not fair to our Nation's seniors. It is unfair, and for many it is calamitous. People can weave and dodge, wink at the truth and say, listen, just remember, we are in the Budget Committee. I am one of those. And we cannot tell the Finance Committee what to do. But individual Members of this body have said that they stand on a commitment to give tax cuts and that they would do whatever they could to block a budget resolution that does not include them. And the Republican Party, in charge in the House, made it very specific. They set aside the funding, $350 billion in the contract on America. I think it is outrageous. Why should we make senior citizens, 75 percent of whom make under $25,000 a year, pay more so we can give a $20,000 tax cut to the richest 1 percent of the population? Where is our sense of priorities? Where, for that matter, is our sense of fairness and decency?

We would be a lot better keeping a promise that we had, taking care of the education of our children so they can help lead this country in the next century to a more competitive position and regain the leadership that this country so rightly deserves and has had in the past. This amendment is an effort to reverse these misguided policies. It will take the money that is being set aside in the slush fund for tax cuts for the rich and leave it in the Medicare and Medicaid Program. That is where it belongs.

The amendment will help ensure that the Medicare recipients will not have to pay higher deductibles or copayments when they go to the hospital. It will help protect against the serious decline in the quality of their health care. It will help ensure that seniors are not denied the freedom to choose their own doctor. And it will help ensure that the Federal Government keeps its promise to senior citizens who paid and labored in good faith.

We are discussing a bill to achieve a goal, a balanced budget goal. And I think it is fair to say that almost every one of us, Democrat or Republican, would like to achieve that goal. The question is how does it get done? Does it get done by assigning taxes to senior citizens, higher taxes? Does it get done by taxing students who want to further their education but will have to pay substantially more in the $4,000 to $5,000 range, on average, to get their college education? Or to deny modest-income families, with incomes under $28,000, their earned income tax credit?

Everyone knows how tough living on that kind of income is. By saying to them, no, no, you are going to have to pay more taxes, the three—the seniors, the kids who want to go to school, and the modest-income people—you have to pay more taxes so we can balance the budget and, by the way, on the trail to a balanced budget we are going to drop off some tax cuts—$20,000 if you make $350,000 in a year. It sounds like a lot of money to me.

Mr. President we will hear a lot of denials. We have heard them this morning from the other side of the aisle. They say, no, there is not a tax cut for the rich in this resolution. It is not here. They will say the House has a tax cut for the rich. No one is fooled by these denials. The resolution that comes before us contains the fund, the slush fund to reach into and pull out a tax cut for the rich.

According to some estimates, this slush fund will contain about $350 billion for tax cuts over 10 years—not just the $170 billion that people talk about over the next 7 years.

The House hit the number on the head, $350 billion. I do not think that the intention is to deceive or to fool. But the result comes out that way. Are the American people supposed to believe that the Republican budget will not cut Medicare to pay for tax cuts for the rich? The American people know better than that. They are not going to be fooled by the rhetoric.

If anyone has any doubts, consider what happened during the Budget Committee's deliberation on this resolution. I offered an amendment that would have required a 60-vote supermajority to cut Medicaid or Medicare to pay for a tax cut for the rich. I did not have much Republican support. As a matter of fact, if memory serves me right, it was nobody, no one, who said, "Yes, we are willing to test this Senate. We are willing to put the test to our colleagues in the Senate. We will require 60 votes to cut Medicare

and Medicaid to pay for a tax cut.'' Nobody came through.

As a matter of fact, it was so extreme and the attitude was so harsh, so rigid, that I offered an amendment that said let us get after the Benedict Arnolds in our society, the expatriates who take their fortunes that they have made in this country and renounce their citizenship, and go to another country so they do not have to pay State or other taxes for the privilege of living in America. I said let us do that, let us cut that out—it is over $3 billion for a period of 7 years—and give it to veterans programs. I could not even win this commonsense amendment.

This morning I had a phone call to a veterans hospital in New Jersey. There is a new program that I helped get put into place. It is bedside phones. It is to give someone who is confined to bed or a wheelchair or is immobile a phone alongside their bed so they can communicate with their families, so they can have some contact with the outside world, and not have to go down the hall and stand where everybody is smoking and wait to put a quarter in the telephone.

That program had struck such a cord with the people in the veterans hospital, but when it came to saying OK, we want to recapture the taxes that these people are evading by running out of the country after they made it here and lived here and renounced their citizenship, and give to the veterans, I could not get one Republican Member to say, ''FRANK, that is not a bad idea. Let us at least try it.''

So I think, Mr. President, it is fair that it reflected an attitude. It is evidence. It says that we are going to take it from modest-income people, and we are going to give some of it to the rich, people who do not need it, and in many cases do not even want it. People I have spoken to have said let us invest in our society. In Speaker GINGRICH's world, it is the crown jewel of the Republican agenda. There is no way to get around that.

So when we get right down to it, this amendment is simple. It asks each Senator to decide what we said initially: Whose side are you on? That is what is going to be judged as we count the votes. That is what I stand for. That is what my Democratic colleagues stand for, and I think it is what the American people believe in. It is the right thing also for our Nation.

We have an opportunity to prevent our senior citizens from being socked with a $6,400 tax increase. Let us say no to tax cuts for those who have the wealth. Let us say yes to our senior citizens and the middle-class families who help support them.

I urge my colleagues to adopt this amendment.

With that, I yield the floor.

Mr. PACKWOOD. I am going to yield, in about 30 seconds, to the Senator from Tennessee for 15 minutes, but I want to say one thing in rebuttal.

You will notice the Senator from New Jersey kept talking about these tax cuts for the rich. There are no tax cuts in the resolution we are considering—not for the rich, not for the poor, not for the middle income, not for Congress, not for veterans, not for Medicare beneficiaries, not for anybody. That is a decision we may or may not consider when this resolution is adopted. We may have tax cuts, and we may not have tax cuts.

They love arguing over the House budget resolution which does have tax cuts, and not this resolution which has no tax cuts in it at all.

I yield 15 minutes to the Senator from Tennessee.

Mr. LAUTENBERG. Mr. President, if the distinguished chairman of the Finance Committee will permit me for a moment, and our friend from Tennessee, as well, just to say, while it is not specifically earmarked, there are distinguished Members of this body from that side of the aisle who say that this bill without a tax cut is not going anywhere. The distinguished majority leader made himself very clear on what he expects. He expects a tax cut to result from this bill.

I know it is the province of the Finance Committee. But we had a long debate in the Budget Committee about it was not for tax cuts and it was for tax cuts. At one point, it was kind of squeezed out that it was for tax cuts. At another point, it was said, ''Well, that is not our decision to make.''

Whether it is done in all fairness with a wink of an eye or the implicit suggestion that, OK, it is there. Listen, if the Finance Committee elects to give it to a tax cut program, why, that is up to them. But seven Members of the Senate from the Republican side were so discomforted by the notion that tax cuts are being considered that they renounced them immediately.

I think it tells you something.

Mr. PACKWOOD. Mr. President, he and I agree. He does seem to say there are no tax cuts. He says, ''Well, there is a reference to them. There is a discussion about them. I am discussing them. There is a possibility at the end of this process, if there is $170 billion, that we might have tax cuts. I am not sure who they might be for, or I am not sure what geographic area they will cover, or income groups they will cover. But at least he and I both agree there is nothing we are debating today that says there has to be any tax cut.

With that, I would like to yield 15 minutes to the Senator from Tennessee.

Mr. ROCKEFELLER. Mr. President, I ask unanimous consent that after the Senator from Tennessee has spoken, that the Senator from Maryland, Senator MIKULSKI, may speak.

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

The Senator from Tennessee is recognized.

Mr. FRIST. Mr. President, I rise to speak as a physician, someone who speaks from personal experience, who has spent the last 18 years of his life taking care of and working with Medicare patients. I have personally treated thousands of Medicare patients, and I have seen the beauty of that system, that the system works, and that it is an effective system.

But I have also seen the problems with Medicare that we have today; the fact that it is a system that works, yes, but a system that can be improved and, in fact, must be improved if it is to be saved.

In addition, I have two 84-year-old parents. Both Mother and Dad have been beneficiaries of the Medicare Program for collectively almost 40 years; to treat a heart attack, bypass surgeries, a broken neck, a broken arm, phlebitis. My remarks are made from this perspective, with a desire to preserve Medicare, to improve it.

Several quick points. First, Medicare is not Social Security. If there is one thing I hope the debate today and Monday will bring forth, it is that Medicare and Social Security are two entirely different programs.

Second, Medicare, if we do nothing, will be bankrupt in 7 years.

The Medicare public trustees, David Walker and Stanford Ross, in their summary of the 1995 Annual Medicare Trustees' Report, said very clearly:

> * * * it is now clear that Medicare reform needs to be addressed urgently as a distinct legislative initiative.

In that same document, these public Medicare trustees say, and I again quote:

> We feel strongly that comprehensive Medicare reforms should be undertaken to make this program financially sound now and over the long term.

Finally, they say, in that same document:

> 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.

Third, let me say once again that in 15 years, unless we do something, that spending on Medicare, Medicaid, Social Security, Federal and military pensions, and interest on the debt will consume the entire Federal budget, leaving no money for defense, for education, for roads, or any other programs. Yes, we must act now, and unless we take some action, it is very clear, that if spending continues at the same rate Medicare will go bankrupt in just 7 years.

The proposed bill before us is the first step because it will save Medicare in the short term. But the second step, and one that we have not talked very much about thus far, is the specific policies needed to preserve Medicare in the short and long terms. The Republican balanced budget includes a provision for the establishment of a bipartisan commission to make very specific recommendations on the solvency of Medicare, both in the short term and in the long term. This bipartisan commission will include appointments from

both sides of the aisle to address the fundamental challenges before us.

And third, as has been pointed out, we do need to update the Medicare structure. We need to bring it into 1995, 1996, and 1997 terms. And herein lies the reform effort. But as has been pointed out, the budget resolution before us today only sets the target numbers. The actual policy decisions on how to meet those targets will be made by the various committees of jurisdiction, and they will be made with the input, the advice, the counsel of this bipartisan commission and their recommendations.

Mr. President, I do bring a different perspective to this budget debate than many of my colleagues, for several reasons. First, I am a newcomer. I have been here only 5 months. I have been a member of the Budget Committee. I participated in that debate. And I appreciate that opportunity and that challenge to address this overall budget.

Second, I came directly to this body from the Medicare arena as a physician. Just 18 months ago, I was treating Medicare patients. I was transplanting hearts into Medicare patients, and I was taking care of their heart and lung disease.

Yes, I was a health care provider, and, yes, I was a specialist. I very directly felt the blows and saw the impact of some very good reforms—reforms such as the Resource Based Relative Value Scale [RBRVS] which drastically altered the way Medicare pays physicians. I had the opportunity as a hospital-based physician to see the effects not so long ago of the introduction of diagnosis related groups [DRG's]. I have lived with repeated changes in hospital physician payments. And most importantly, I have been a provider of heart-related procedures to Medicare beneficiaries.

Heart disease requires long-term management. It requires acute management and chronic management. I bring this personal experience to the table.

My patients, thousands of Medicare patients, have told me what they have come to expect with Medicare, but also what they would like to expect in the future, and bankruptcy is not there.

Before I entered medical school, I had the opportunity to study health care policy. It allows me to take that step back and look at the big picture as well. And quite frankly, coming to this body, coming to this Congress, I find it incredible that Congress has allowed Medicare to come to this point where in 7 years, unless we act through this budget resolution, Medicare will be bankrupt.

I am here to talk to my colleagues as well about and participate in that dialog of fundamental improvements to the Medicare Program.

Eventually, I plan to return to my medical career. I will return to a health care system which will be very much determined in effect by what decisions are made here over the next 7 years. I can tell you, as I look back at the alternatives, the past failures of Congress have not left seniors with choice in Medicare and really have not left taxpayers or providers with much choice. Failure for us in this body to address the problems driving Medicare's cost growth will only cripple the future of our health care system.

My appeal is very different from what we have heard over the last hour. My appeal is for bipartisanship, and I support the establishment of this bipartisan commission put forth in this bill. The budget resolution in this bill sets a reasonable target. It allows Medicare to continue to grow at more than twice the rate of inflation. No, not 10 percent as it has historically, but over 7 percent.

Last year, President Clinton recognized that the program was unsustainable at a growth rate three times the rate of inflation and proposed to allow Medicare spending at twice the rate. President Clinton, speaking to the AARP in California in 1993, said:

> Today, Medicaid and Medicare are going up at three times the rate of inflation. We propose to let it go up at two times the rate of inflation. That is not a Medicare or Medicaid cut. Only in Washington do people believe that no one can get by on twice the rate of inflation. So, when you hear all this business about cuts, let me caution you that that is not what is going on. We are going to have increases in Medicare and Medicaid.

Mr. President, that was the President of the United States speaking in 1993. Those words could have been spoken by any Member of this body today. I would encourage my colleagues on both sides of the aisle to recognize several things: First, we have essentially all agreed there is a problem. The documentation is there. Second, we have all agreed, including the President of the United States, on what can be an acceptable rate of spending growth if we are to guarantee the solvency or the existence of this program. And, third, we all agree, on both sides of the aisle, on the desire to preserve the integrity of the Medicare program.

We are not that far apart. From some of the remarks today—and I expect there will be more later this afternoon and Monday—you would not think that, but in truth we are not that far apart. And remember, it is in the best interest of every American that we must speak to and address this issue of Medicare.

The board of trustees for the Medicare trust fund recommended that we reestablish an advisory council. In the Budget Committee, I offered the amendment which is now part of this plan to create a bipartisan commission on Medicare solvency. We are all trying to do the same thing; namely, to come up with solutions that protect Medicare's future. And I commend my distinguished colleague from Illinois, Mr. SIMON, for joining me in support of pursuing bipartisan solutions to these tough challenges that we all recognize are ahead.

It is my understanding that President Clinton believes Medicare reform must be confined to wholesale, complete, overall reform of our health care system, of all aspects. Well, that was rejected last year by the American people. I also understand that the two trustees representing the public reported to Congress that Medicare urgently needs to be addressed and, as I said earlier, should be considered as a distinct legislative initiative.

I, for one, am willing to consider all solutions to Medicare's insolvency. I would love to review plans put together in a bipartisan effort. The one thing I ask, because this is what my patients have told me, is that we must address Medicare's pending bankruptcy so it will be here in the next 7 years. The President's budget clearly failed in that department.

First, as a newcomer, I would appreciate learning from my colleagues, learning from Senator SIMON, who spoke out in support of this bipartisan commission. I would also like to hear from my colleague from New York, Mr. MOYNIHAN, about his thoughts for how together we can guarantee Medicare's future. As the ranking minority member of the Finance Committee and an expert in economic policy, he has much to offer us in this debate. And my colleague from Nebraska, Mr. KERREY, who served as chair of the Bipartisan Entitlement Commission, has been a strong voice in the need to address the long term Medicare dilemma.

I know I can benefit from the expertise of my many colleagues on both sides of the aisle. Let us go at it in a bipartisan way.

The budget resolution before us should not be an argument driven by each and every special interest. Rather, I urge each of us to begin with this plan, agreeing upon a target and follow that with an honest policy debate on how to get us there.

Mr. President, right now, we are talking about Medicare. We are talking about health care. We are looking for solutions. I caution my colleagues not just to look for short-term solutions. We need to participate over the long haul.

There is no question that Congress must absolutely slow the rate of growth by finding Medicare savings just to shore up the trust fund in the short term and buy us some time so we can address the program's long-term future, but we cannot forget those fundamental problems. The bottom line is that we cannot end up in a situation addressing, as this body has so many times in the past, only those short-term solutions.

The underlying problems will continue and our job will not be done until Medicare is restructured to prepare us all, to prepare this country, to prepare the program for the entrance of the post-World War II baby boom population. If we only try to slow the

growth in the near future, our attempts will be in vain.

We need structural Medicare reform—reform which expands choice.

My hope is that this will be the last budget resolution where we have to make some arbitrary provider payment cuts and across-the-board changes to benefits or cost-sharing requirements. Part of my hope in coming to the Senate was to share my experience and perspective with my colleagues. I reach out to them in a bipartisan way, No. 1, to pass this budget—it guarantees Medicare solvency—No. 2, to support the bipartisan commission outlined in this budget; and, No. 3, to join us all at the table as we develop a policy which will protect Medicare in the future.

I yield the floor.

Ms. MIKULSKI addressed the Chair.

The PRESIDING OFFICER (Mr. GRAMS). Under the previous order, the Senator from Maryland is recognized.

Ms. MIKULSKI. I thank the Presiding Officer.

Mr. President, I rise today in support of the Medicare amendment now being discussed.

I oppose the cuts in Medicare, Medicaid, and also in this budget resolution, I oppose the cuts in veterans' health care.

I rise in defense of the GI Joe generation. And who am I talking about when I say the GI Joe generation? I am talking about the World War II generation—the men who fought on the battlefront overseas and the women who fought on the homefront here in our own communities; those wonderful Rosie the Riveters who kept the United States of America running while the men fought for democracy around the world.

Now they are our senior citizens. They are the very ones who are the beneficiaries of Medicare and particularly the long-term care component of Medicaid. And they are the ones this budget will place an undue, devastating, and debilitating burden on. That is why I oppose these cuts in Medicare and Medicaid.

In this budget, we are given cuts, not compassion. And here we are, on the eve of Memorial Day. We just commemorated V–E Day. In a few months we will commemorate V–J Day and the end of World War II. And now we are telling this gallant GI Joe generation that promises made are not promises kept.

I am an appropriator. I once chaired the VA–HUD Subcommittee. I know about budgets. And I know firsthand what these cuts will mean.

These are not numbers or statistics or line items. These are issues related to people's care—primary care, acute care, long-term care, and to making sure that people have the prosthetic devices they need.

Mr. President, I ask my fellow colleagues in the Senate: Have we no character? Have we no memory of who these men and women are?

They are the men who fought from the shores of Normandy to Iwo Jima. America's veterans fought to save Americans; they fought to save this Western civilization; and they fought to defend the very principles that this country was founded on.

These were the women, as I said, who were called the Rosies, who made sure that not only the schools and businesses operated, but they were there making sure that we built airplanes, mobilized our defense, kept the United States of America running. And when the war was over, they went back home to raise their families, and they contributed to the greatest prosperity that this country has ever seen. We would not be here as a nation today, we would not be a superpower today, if it had not been for the GI Joe generation.

They did not hesitate when they were called to service, whether it was the battlefront or the homefront in their own neighborhoods and communities. They organized and mobilized to save America. They organized and mobilized to save Western civilization. And now they must organize and mobilize to save their very own health care.

Well, they are not alone. They should know I am on their side. I value them and I appreciate them. And that is why I oppose these cuts in Medicare and Medicaid and in veterans' health care.

This budget deals with Medicare and Medicaid. It proposes to cut $250 billion in Medicare and $170 billion in Medicaid.

The Lautenberg-Rockefeller-Mikulski amendment seeks to reduce some of the devastating effects and impacts that this would have on the very people who rely on these programs.

Let us be clear. This is the single largest cut in the history of the Medicare Program.

What will it mean to the GI Joe generation? It will mean that senior citizens in Maryland and throughout this Nation will have less access to health care. It will mean fewer visits to the doctor, reduced preventive care, including screenings for breast cancer and prostate cancer. It means fewer laboratory tells, such as delayed diagnosis for treatable illnesses like pneumonia. And it will also mean fewer doctors and hospitals accepting Medicare patients—those very doctors and hospitals that are now willing to treat senior citizens.

There are going to be fewer home health care services and seniors will have less access to lifesaving equipment, like oxygen and kidney dialysis.

The impact on long-term care is devastating. It will mean, in my own home State, that 4,500 Marylanders, senior citizens, will see nursing home care shrink in 1996 alone. They will see cuts in preventive care. They will lose prescription drug benefits for chronic diseases like high blood pressure, angina, and colitis.

Mr. President, I am saying no to these cuts in Medicare. I am saying no to the cuts that would hold up treatment of heart disease and strokes for Maryland's World War II veterans. I am saying no to the cuts that would delay the mother and grandmother in Maryland from getting their yearly mammograms. I am saying no to these cuts.

Of course, we have to worry about sustainability and solvency of the Medicare and Medicaid programs. But while we are looking at the bottom line, let us make sure we do keep the ''care'' in Medicare; let us make sure we keep the ''security'' in Social Security; and let us keep the ''aid'' in Medicaid.

Balancing the budget should not be about rhetoric or scoring political points. Balancing the budget should be about honoring the contributions of the GI Joe generation, the generation who worked hard, played by the rules, created prosperity for this country. And it should be about fighting for the future generations, as well.

This is a crucial time in our Nation's history, when we decide what kind of Nation we want to be, when we decide if promises made are promises kept, when we will decide if we will honor our mother and our father, which is not only a good commandment to live by, but I believe it should also be strong public policy.

By supporting this amendment, I do believe that we take a stand as to where we will be going in the 21st century.

Fifty-five years ago, a great First Lady by the name of Eleanor Roosevelt stood before the American people at a political convention. Europe had been invaded, Poland was occupied, the blitz had begun in London. We were on the brink of war here. She said to the American people that this was no ordinary time, and it called for no ordinary effort. And the people that she sent out that call of arms to were no ordinary generation. They were the men and women who organized and mobilized an incredible war effort—and they made the difference and they made no ordinary sacrifice.

So now, here we are on the brink of Memorial Day and there will be those who will want to honor the GI Joe generation with platitudes and plaques and parades. I say we honor them by offering our gratefulness, our gratitude, our appreciation, and our commitment to them in the U.S. budget as we pass it.

So I hope when they call the roll, we will vote aye for the Lautenberg-Rockefeller-Mikulski amendment and fight for this GI generation that fought so hard for us.

Mr. President, I thank the Senate and I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. KYL addressed the Chair.

The PRESIDING OFFICER. Who yields time to the Senator from Arizona?

Mr. KENNEDY. I ask that the Senator from Arizona may be permitted to speak for whatever time he wants to, and I yield it in behalf of the minority.

Mr. KYL. Mr. President, I ask unanimous consent to proceed at this time as part of the majority time.

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

Mr. KYL. I thank the Chair and I thank the Senator from Massachusetts.

Mr. President, I would like to correct one thing briefly before proceeding to the comments I intended to make. It is my understanding from the staff of the Budget Committee that the veterans medical care is not—I repeat ''not''—being cut under the Senate budget resolution. To the contrary, under the President's plan, VA medical care is cut by $780 million by the year 2000. That is a cut under his 1995 budget numbers.

Mr. President, as long as we are talking about promises made and promises kept, I think it is important for us to reflect a little bit on the promises made in the last campaign for President. President Clinton, of course, promised to give us a balanced budget. He said he would submit a balanced budget. He bragged in his first year about submitting a budget that would get us to balance. This last budget, the one we just rejected by an overwhelming 99–0 margin, of course, would not get us to a balanced budget. As a matter of fact, it has deficits for 5 years, averaging $200 billion a year, adding $1 trillion to the national debt of this country.

So, Mr. President, in terms of promises made and promises kept, certainly the President has not kept a promise that he has made to help us get to a balanced budget.

Insofar as the Democrats are concerned, many of them opposed the balanced budget amendment when it was debated on this floor, arguing that they did not need a constitutional constraint, they could do it without a requirement. Yet, today, we find that there is no Democrat alternative pending before us; none has been offered. The only one coming from a Democrat—the President—was opposed by all Democrat Senators in this Chamber just a few hours ago.

So while our Democratic friends are very good about suggesting problems with the approach we have taken, it is all negative, it is all criticism. There is no constructive suggestion as to how we can achieve a balanced budget. So I suggest when we are talking about promises made and promises kept, it is the Republicans—first in the House last night and in the Senate this week—who by Wednesday of next week will have kept the promises we made in the last election—promises made and promises kept.

That will be a good test for the voters next time we have an election. Who promised to balance the budget and who is keeping their promise? I submit, Mr. President, that the voters will decide it has been the Republicans that have kept the promises that they made.

A few minutes ago we had on the floor of the Senate a chart, which was the basis for the comments of the Senator from New Jersey, and the chart had the title, ''Whose Side Are You On?'' Much of the debate of the Senator from New Jersey at that time focused on this division of our country, the winners and the losers in this entire debate.

It was typical of the politics of division, which are, frankly, the politics of losers, the politics of fear, the politics of a zero-sum game, of pitting one side against the other, pitting part of our society against another part of our society. It is the us-against-them game, the rich versus the poor, the old versus the young. It is a zero-sum game, as I say.

They cannot conceive of any situation in which there are not winners and losers. In their view, if we balance the budget, there will be winners and there will be losers. I submit, Mr. President, that if we balance the budget, as the Republicans promise to do and as our budget says we will do, we will all be winners. Every American will be a winner under that scenario. And the fear that is being preached on the other side of the aisle here, that somehow there will be losers, will be found to be incorrect. That for every winner there must be a loser is wrong historically, and it will be wrong under this budget.

The amendment that is on the floor right now attacks tax cuts for the rich. As the Senator from Oregon pointed out a while ago, there are no tax cuts for the rich in the Senate proposal. There are none. What the amendment that is on the floor proposes is to take a sum of money—$100 billion—and spend that money, even though it has not been created yet. This is what we hope can be achieved as a result of achieving balance in the budget by the year 2002, as a result of reduced interest rates. And so because there is the potential that we will have saved that much money, Democrats are already suggesting to us in the amendment pending on the floor ways to spend that money. They will not agree with us on the budget to achieve that reserve or that windfall. They will not vote for it. But they will sure as heck find a way to spend it.

That is what characterizes this entire debate. First, they say, no, we do not need a balanced budget amendment; we can do it on our own. Then they say, no, we do not have any idea how we can do it on our own and we will not support yours, but we would like to spend what you save. That is the amendment pending before us and the amendment we should defeat.

The sponsors of this amendment attack our budget as ''hurting ordinary Americans.'' That was an exact quotation of the Senator from New Jersey. It is the failure to act that will hurt ordinary Americans.

But, Mr. President, I would like to really phrase it in a different way. Too many Democrats want to protect ordinary Americans. They would like to keep them dependent on the Government. Most Republicans disagree. Frankly, we do not think there is such a thing as an ordinary American. We think all Americans are extraordinary, and that given the opportunity, they can all improve their own lives and the lives of their families. And that is what we are trying to do by balancing the budget. We are trying to provide that opportunity for them so that all of the extraordinary Americans in this country can provide for themselves without having to rely upon a Federal Government that taxes them and regulates them to death.

We believe in opportunity, not dependency. We believe that almost all Americans can achieve more for themselves and their families if they have opportunity. But they will not have that opportunity if we bankrupt this country, and that is what will happen if we do not balance the budget. That is what will happen if we do not adopt the budget before us that will achieve balance by the year 2002.

Balancing the budget is about our future, about our children's future. It is about reducing the tax burden on our families, about allowing the Government to spend money on something other than interest on the debt, about reducing interest rates. As a matter of fact, Mr. President, let me cite some statistics from the Joint Economic Committee. According to the committee, the deficit adds a 2-percent surtax on all interest rates; 2 percent more on car loans, student loans, credit cards, and on mortgages. Two percent on a $75,000 30-year mortgage, for example, adds up to $37,440 over the life of the loan. That is what not balancing the budget is costing average Americans.

If current patterns continue, we will be spending $5.2 trillion on interest payments over the next 15 years.

That is money we cannot spend on other things like health care, housing, nutrition assistance for the poor, veterans care, or whatever.

By 1997, gross interest—$300 billion annually—will amount to about as much as we will spend on income security programs, the welfare, housing, nutrition, AFDC, SSI, EITC, food stamps, education and training, employment and social services, all of these things combined. But eliminating the deficit will result in lower interest rates, which will, in turn, lead to the creation of an estimated 4.25 million jobs over the next 10 years, increased per capita incomes by over 16 percent, and will generate more revenue for Federal and State and local treasuries as a result of increased economic activities.

So by balancing the budget, we will be assuring our children a brighter future. In the last election, I was very troubled by the fact that many people believed—and surveys confirmed this—that the next generation, our children's generation, will not have as much opportunity as we have had.

Part of the election was about turning that around, about changing the direction in our country so that we could guarantee that our children and grandchildren would have the same opportunity that we have had to make a better living for themselves.

The national debt now amounts to about $4.8 trillion. That is about $18,500 for every man, woman, and child in the country, about $74,000 of debt for the average family of four. Even if we balance the budget at this very moment, the average American family would be stuck with a bill of $74,000, an amount that rivals the size of the mortgage on a home. In order to pay just the interest on that debt each year, the average family would have to pay more than $5,000 annually in taxes. That is $430 a month just in interest payments, and that assumes that Congress does not run any more budget deficits starting this very moment.

Fortunately, this budget resolution will eliminate the deficits by the year 2002. That compares with President Clinton's budget which would have given us $200 billion deficits every year for the foreseeable future. Just to put this in perspective, for every year in which the Federal Government runs a $200 billion deficit, the average young person will pay an additional $5,000 in taxes over his or her lifetime. The $1 trillion in new debt that President Clinton proposed in his 5-year budget plan represents an additional $25,000 in taxes, an additional $25,000 for every young man and woman.

So you see, Mr. President, why it is so important that we pass this budget and balance the budget. It is for the future of our country. What will happen if we do not do it? That is the question. Our colleagues on the other side, too many of them, ask what will happen if we do. Somebody might be a loser, but everybody in this country will be losers if we do not balance the budget.

The burden of the national debt does not just show up in people's tax bills. It also adds a surtax in interest, as I said. The estimate is that the debt surtax adds about 2 percent to those interest rates. By balancing the budget, we can help eliminate that surtax and make a home purchase more affordable, make it easier for families to send their children to college and to do all the other things we want our families to do.

I want to commend the chairman of the Budget Committee, Senator DOMENICI, for his work in putting together this budget resolution, and all the members of the Budget Committee. It was not easy. Special interests, their allies at the White House and others are already out trying to destroy it.

The naysayers have not gotten the message the American people sent loudly and clearly in the last election that they want less spending, less Government and more freedom.

The critics have nothing to offer but fear. Their argument is to scare everybody about what will happen if we reduce spending. They do not want us to cut spending. They are not even satisfied with some limitation on the growth in spending. All they know is more spending, higher taxes and bigger Government. It is a prescription for economic disaster. The red ink has to stop. Look where Medicare is headed. The Medicare board of trustees say if nothing is done, the trust funds will begin losing money in 1997 and go bankrupt by the year 2002.

Mr. President, I will have more to say about this Medicare issue later. The Senator from Tennessee, who spoke eloquently on this issue and who is himself a physician, has made it very clear in his remarks that we have to solve this problem of the Medicare trust, and if we do not, every American will suffer.

We also have the question of tax cuts before us, but they are not in this budget resolution. I will support the Gramm amendment which will provide tax cuts because we believe that not only should American families have more to spend of the money they have worked hard to earn, but that tax cuts can actually assist us in generating more revenues to the Treasury and providing more jobs and in stimulating the economy.

Mr. President, I am going to have more to say about those things later. I would just like to close with this point. For me, there are three very personal reasons to vote for this balanced budget resolution. Their names are Frances, Christopher, and Jonathan. Those are my three grandchildren. Born just a week ago today, Jonathan already owns a share of the debt, $18,500 and growing. The last thing any of us wants is to leave our grandchildren a lower standard of living, and yet that is precisely what will occur if we do not balance the budget.

The last thing we want to leave our grandchildren and children is the obligation to pay the large and growing debt that we have accumulated to pay for things that we wanted, but that is exactly what will happen if we do not get the Federal budget under control.

So I urge my colleagues not only to oppose the amendment which is before us but to support the budget resolution from the Budget Committee, because it offers us the way to a brighter future for ourselves, for our generation, for our children and, as I say, for those grandchildren that we care so very much about.

I yield the floor.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. I yield myself such time as I might use.

The PRESIDING OFFICER. The Senator is recognized.

Mr. KENNEDY. Mr. President, I have been listening to the debate over the course of the afternoon and before making some particular remarks on the amendment that is before us, it is perhaps useful to try and put this whole debate into some historical context.

I was here in 1981 when we had the Reagan budget. I happened to be 1 of 11 Members of the U.S. Senate that voted against it because of what it was going to do to the size of the Federal deficit. We heard at that time, ''What we are embarked upon is a new federalism. All we have to do is see these massive tax cuts, dramatic increases in defense spending, and we are going to stimulate the economy and we are going to be able to have balanced budgets.''

At that time, we had a $450 billion deficit. At the end of 12 years, we had a $4.7 trillion deficit. I yielded time to someone on the other side and they said, ''Well, the Democrats controlled the Congress.''

Let us not forget. There was only one time during that whole period of time that the Reagan recommendations to the Congress were less than what was actually appropriated—less.

So when I listen to all this talk about how we ought to examine where the Democrats have been and where they are, I can ask our good friends, where are those speeches now when we followed their advice some years ago and put this country into the kind of deficit that the Senator from Arizona has talked about and complained about?

So we ought to look a little bit about where we are. The fact of the matter is, if we did not have the kind of deficits that have been run up over the period of the last 12 years, effectively our budget would be balanced. It was their economic policy that put us in here. And it was the economic policies that were accepted in this body without one single Republican vote that moved us to reduce the Federal deficit by $800 billion and also provided some incentives, some financial incentives for those Americans who are at the lower level of the economic ladder—the working Americans, those who are making $26,000.

Effectively, they have about a $1,100 benefit from it. Well, no longer, not under this budget. No longer, not under this budget. They have closed that down as well. They have taken the EITC away. A program that was even supported by President Reagan years ago, they closed that program down.

So when they talk with crocodile tears about equity and they talk about who has been benefiting, it was during that period of time, from the 1980's to the 1990's, when the wealthy got wealthier and the working class got poorer. That is what has happened over that period of time. What is repugnant to many Members of the Senate is now that we are taking those Americans who are the most vulnerable—our elderly and in instances our young people, the millions of children who are on the Medicaid Program—and putting them at further risk and saying, ''Well, we have to do that, we have to do that, what are the alternatives?

There is no cutting here with regard to corporate welfare in this program. In the House of Representatives, Mr.

KASICH had a bundle of $25 billion, and the powers that be in the Republicans said, ''Oh, no, put that aside.''

Why is it the Budget Committee had time to consider raising taxes on the working poor and did not have the time to put taxes on the billionaires that are forfeiting their citizenship in order to escape taxes?

They did not have the time to do that. They could not give that consideration. They need to study that more. They did not need to study how to put more taxes on working families. No, they did not need to study that. They have to study about how to put on some taxes on the billionaires that are renouncing their American citizenship after they have made their resources here, to go to another land and not pay their fair share. They could not think about that.

They could not find, out of all the tax expenditures, any funds for help and assistance. They could not look into the kinds of grazing fees or the kind of mining agreements or other kinds of subsidies that are taking place out there. They could not even find nickels and dimes in there. No, they could not.

So we are faced with this. We have a serious issue and problem. The last time that I read the Lautenberg-Rockefeller-Murkowski-Kennedy-Murray amendment, it said that in the little honey pot that has been designated out there, the $170 billion that can grow up to $350 billion in the outyears, all it says now that is that it can be used for tax cuts.

We know what the purposes are. There can be those that want to deny that on the floor. Except the majority leader has indicated that he is for a tax cut. Senator GRAMM of Texas says he is for a tax cut. Republicans say they are for the tax cut.

All we are saying is, put it into Medicare. Put it back into Medicare. If they are going to have it there, make sure it goes on back to Medicare.

Mr. President, I think it is fair to put Congress into some kind of understanding about where we are at this particular time. There is nothing in terms of the amendment that is before Members that will undermine the basic structure of the budget resolution that comes out. Many Members have and will have different amendments on that, that will deal with education and also deal with the earned-income tax credit.

I see my colleague and friend from Washington, who addresses that issue with such eloquence and knowledge, and I think, with such fairness, about what the implications are for working families.

Then, Mr. President, we hear about the questions of fear, those who are say this should not be fearmongering. I will say, Mr. President, that senior citizens ought to have a concern when we are talking about the kinds of cuts in Medicare—and I will get into that in a few moments—that we are talking about and also the kinds of cuts that will be in Social Security. I will come back to that.

This is the stealth cut on Social Security. Stealth cut on Social Security. Remember all the speeches—''We are not going to touch Social Security.'' This budget does. I will come back to that in just a few moments.

The fact is when our seniors are living at the edge, they ought to be concerned about this. We hear, well, look what happened last year. We had President Clinton talking about how growth is not really a cut in terms of the Social Security and the cuts in Medicare.

The fact of the matter is, under the health reform bill last year, more was put in than was taken out under the Medicare. More was put in than was taken out. That was in the prescription drugs and also in the long-term care provisions.

That is not what we are talking about here. We are talking about the major cuts that are going to be used for tax cuts for the wealthy.

Now, our friends on the other side can talk about where the President was last year and try to confuse the debate. It should not be confused among the American people. They knew they were going to get help and assistance on prescription drugs and they knew they were going to get help and assistance on long-term care.

My friends, all that will happen under this Medicare proposal if this budget goes through and it is followed through will be very, very significant cuts.

Now, another argument that I have heard this afternoon, well, where is the President's program? Where is the President's program? The President said where it will be. He said, just drop that tax cut, indicate how we want to change Medicare in terms of health care reform. Health care reform is important because Medicare and Medicaid are a quarter of the Nation's health care expenditures. We will not be able to get a real handle on those expenditures unless we do the total, all four quarters. That is the only way we will ever reform the system, the only way we will stop the cost shifts that are taking place in every hospital in this country. Everyone in this body understands it and knows it. We have to deal with it in the totality. That is what the President said. Deal with Medicare in terms of overall reform.

Eliminate the cuts in education. I am amazed at the kind of cuts we are facing in terms of education. We passed last year the reform of our Head Start program, on the basis of a bipartisan review, and we had overwhelming support—I do not think there were five votes against the Head Start program. At least 500,000 young people will be cut out of the Head Start Program under this budget. We revamped the chapter I program, and had an important debate about allocations of resources and formulas, about how we would try to meet the greatest needs in our shifting population, a result of the flow of migrants, which has a significant impact in this country. We spent a lot of time on that matter. Republicans and Democrats alike, bipartisan support, restructured that program.

Even on the Goals 2000 program we had bipartisan support. On the school-to-work program, Gov. Tommy Thompson, a Republican from the State of Wisconsin, thinks it is one of the most important and significant education programs to come down the line. Ask the former Republican Governor from the State of Maine, who has written a book about it. I was with him yesterday and we celebrated the 1-year anniversary. He talked about the difference it has made in the lives of the young people in his State. Bipartisan support. We moved to a direct loan program for higher education. Bipartisan support.

Each and every one of those programs—bipartisan support. And we got some funding for those programs. Effectively, this budget is going to emasculate those programs.

I will go through this at another time when we come to the education debate. What is it? Is this allegedly what the vote for change was about last fall? I do not believe so. I do not believe so. I do not think that people in any part of this country, if we are asking, think that those are the areas that we want to cut. And these are the cuts that are being made in this particular budget area. And we will come back to those. I do not think that is what the people are asking.

The President has indicated his willingness to move forward in a bipartisan manner, dropping the tax cuts, put the Medicare proposals in terms of a comprehensive reform program, and to continue commitment to education.

Education, when I came here, for the first 20 years was a bipartisan effort. We never had a single partisan debate on education policy until very recent times. Everything was virtually a bipartisan effort. It was true in this body and the other. And bipartisan even in the last year when we were moving into a difficult election cycle and period, we were still together in terms of the bipartisan nature of the education programs. Those programs now have been undermined.

Mr. President, we are talking in this debate about fairness. We are talking about equity. We are talking about the impact of these budget cuts on working families. They all hit working families. Cut back on that Medicare program and we are hitting the parents of working families. We cut back on the student loan program and we are hitting the sons and daughters of working families. We cut back on the Head Start Program, the other kinds of support programs, chapter I—we are hitting the sons and daughters of working families.

Basically, this amendment is saying we have to make some adjustments in Medicare, but do not put your greedy, budget-cutting hands on Medicare in

order to provide a tax cut for wealthy individuals.

Now, we ought to be able to agree on that. That is what the issue is. We want to restate it, reconstruct it, and say OK, we will do it. That is the point.

Mr. President, we have heard other Republican arguments in support of their cuts. The first argument is total Medicare spending will continue to grow under their plan, so there has not been a real cut. The second is, as I mentioned, that the Clinton plan cut Medicare just as much as the Republican plan, so the Republican cuts must be OK.

There seems to be a double standard here. When you do not keep up with inflation in the Defense Department budget, that is a cut. That is a cut. When you do not keep up with inflation in Medicare, that is an increase. I hope our friends are going to explain that, why, if we do not keep up in terms of inflation in DOD, we are going to see that as real cut in terms of our national security. That is what the debate is. We have heard it. We understand it. We know it and it is a policy decision that has to be addressed.

But let us address it all fair and square. Let us say we understand that and now we are either going to increase it or not increase it. Senior citizens are not stupid. They know what is a cut and what is not. Under this proposal they will pay $442 more a year for their part B premiums than they would under current law. That is a cut and it comes straight out of their Social Security check. It comes right out of their Social Security check.

So much for the promise never to cut Social Security. They know that under this proposal they are likely to see a doubling of their part B deductible to $200. When you have to pay an additional $100 to go to the doctor, that is a cut. And under this proposal they are likely to see a new 20 percent coinsurance increase for home health services. This means that of the very sick lower-income women over the age of 75 who need home care, most will pay an additional $3,800 a year. When Medicare gives you $3,800 less protection, that is a cut.

Overall, on average, senior citizens are going to pay an additional $900 per year when the plan is fully phased in; $3,200 over 7 years. An elderly couple will pay an additional $1,800 a year and $6,400 over the next 7 years. Our Republican friends may not call that a cut but every senior knows that when your Medicare program will not buy you the health care you need at a price you can afford, your standard of living has been cut. And that is just plain wrong.

The Medicare cuts in the Health Security Act were not comparable to the ones proposed today. I would like to address that particular issue.

Mr. President, I want to just take a moment or two of the Senate's time to explain how this particular proposal that is before us now, the budget, is really a cut in Social Security; a cut in Social Security. We remember the debates we had. ''We are not going to cut in Social Security.''

In regards to the part B proposal, in the 1993 OBRA we established a certain dollar figure that represented the 31 percent of the part B premium. But that was really higher than was expected under the agreements that were decided in the early 1980's under the 1990 tax bill, and without the changes in this budget proposal, it was intended that the premium would go down to 25 percent. It would go down to 25 percent. But the Budget Committee now is not letting it decline to 25 percent but setting it at 31.5 percent from now and continuing. It was going to go down.

When I hear on the floor we are just extending the current law, the current law, if you did not touch it and did not extend it, the premium would go down. It would go down to 25 percent. They are continuing it at 31.5 percent. So what happens? You get an increase if you are in the bottom percentile for Social Security. You would get your increase on the COLA, but with a 33 percent cut due to the part B premium increase—that $161 which was to represent the increase in the COLA is now $27. That is a cut in terms of what you were going to get in Social Security. The part B premium is part of Social Security. It is voluntary, but basically there is uniform acceptance, and understandably so, in light of doctors' fees. And that cut is right across the board. The 25th percentile, or the average, is where the cut would come. The real COLA will be down some 57 percent; instead of getting $237, you get $103; instead of getting $303 for those with $10,000 or more you end up with $169. That is a real cut in the Social Security.

The Republican budget will raise premiums and reduce Social Security by more than $1,750 per senior over the life of this budget. If you did not have that provision written into the budget by the Budget Committee, if that provision concurred with existing law where it was down to only 25 percent, every senior citizen would have $1,750 more over the life of this budget plan.

So, that is a cut in terms of real income. For whom? For Social Security recipients. And for an elderly couple the reduction in the Social Security check will be a whopping $3,500. Next year alone, as a result of the Republican budget, the seniors will see a premium increase of $134 compared to current law. That will cut out more than half of the average COLA increase of $237. Lower-income seniors will lose 83 percent of their COLA. The last time the Republicans tried to cut the Social Security COLA they were forced to back down. Now they are trying to do it by stealth, but it is not going to work.

It is not only through Medicare that the Republicans are attacking Social Security. Look what has happened over in the House budget. In the House budget the Republicans have arbitrarily assumed an unprecedented and unilateral reduction of CPI (Consumer Price Index) by six-tenths of 1 percent; the goal or effect of this change is to rob $23 billion in Social Security benefits over the next 7 years. There is the House Republican tax break for the top 1 percent of the incomes, those over $200,000. The House Republicans' six-tenths of 1 percent on the Consumer Price Index is $23 billion of that.

There are those who can say look, we have reviewed this. The Consumer Price Index was worked out in the Bureau of Labor Statistics. It has been there over a very considerable number of years, with Republicans and Democrats. Maybe it ought to be adjusted. Maybe it ought to be changed. Maybe it ought to be altered. But is it not interesting that the time the Republicans alter it is the time they wanted the resources for the taxes for the wealthiest individuals in the country?

I mean, at least make the adjustments and change at a neutral time. Convince the American people that this has nothing to do with trying to get additional resources to give to the benefit of the wealthiest individuals. Do it at a neutral time and have those hearings in both the House and Senate. Do it at a neutral time. But that is not the way it was done. It was tied in to this particular budget resolution.

I personally think that there ought to be an adjustment. I think there ought to be an adjustment. And I think when you have a real kind of evaluation of the adjustment you are going to find out that seniors are the ones who are paying more for the most important items that are absolutely essential in their lives: More for their rent, more for their food, more for their health care. Look at what has happened to health care since the time Medicare has been put in. Where $1 out of $12 was being used for health care, now it is $1 out of $5 or $1 out of $4, that is being used to pay for health care.

If you say there are certain items that ought to be weighted in order to be able to live with some degree of dignity in our society, some degree of peace, some degree of security, I think a careful evaluation of this program would indicate that they probably are being shortchanged. Maybe yes or maybe no. Maybe yes or maybe no. But one thing I do understand, and that is that this change, this alteration—whether it has the support of Mr. Greenspan, whom I respect, and other economists—we can listen to the same number of economists who feel the other way, who do not support these kinds of reductions. It should not have been done as part of a budget program to provide for those kinds of benefits. It is basically and fundamentally wrong.

So, how can any budget plan that purports to be part of a Contract With America break America's contract with the elderly? It is bad enough to propose these deep cuts in Medicare at

all. It is even worse to make these cuts in order to pay for an undeserved and an unneeded tax cut for the wealthiest Americans.

The cuts in Medicare are unpleasant—$256 billion over the next 7 years by the time the plan is fully phased in. The average senior citizen will likely have to pay $900 more a year in Medicare premiums and out-of-pocket costs, and an elderly couple would have to pay $1,800 over the life of the budget, in additional costs. The typical senior citizen needing home health services would pay an additional $1,200. If anyone is sick enough to need the full home care, they will have to pay $2,400.

The fundamental unfairness of this proposal is plain. Because of the gap, senior citizens already pay too much for the health care they need. The average elderly American pays an outstanding one-fifth of their income to cover health care costs, more than they paid before Medicare was even enacted 30 years ago.

The reason we enacted Medicare was because the elderly faced a health care crisis then. The lower income older seniors pay even more than one-fifth of their income for health care, and Medicare does not even cover prescription drugs. The coverage for nursing home care is limited.

I see other colleagues who I know want to address the Senate. But let me just conclude finally in this debate so our senior citizens understand exactly where we are during the course of this debate and discussion.

At the start of this session, we heard a great deal about how we wanted to make sure that all the laws that we passed in the Congress were going to be applicable to the Members of Congress. The Democrats supported that. The Republicans supported it. It would have passed last Congress. It passed now. We have supported it, and we are glad. We have heard a lot of speeches about it at the start of the year, and we will continue to hear about it.

There is an interesting other side of the story that we do not hear very much about; that is, why are we not providing for the American people what we are providing for ourselves? We have said we will provide for ourselves what we have extended in laws to the American people.

The other side of that is that we have a very good health care program; very good, indeed. Are we debating here on the floor of the U.S. Senate how we are going to provide for the seniors the kind of health care bill that we have? Oh, no. We are talking about cutting theirs. And we heard last year, well, if you look at the Members of Congress and the senior citizens, you can say, ''Well, you know, we changed it now with the Members of Congress. We are capping them. We are going to cap the amount.'' My Lord. When we talked about that last year, that was price fixing. We cannot do that. We cannot talk about that. That was price fixing.

At least we are making some attempt to try to deal with it. But let us take a little look where the average senior citizen is, and where we are and where we are going under this budget proposal. The average annual income, $133,600 (for a Senator); the average annual income for senior citizens, $17,700—$17,700 for those senior citizens.

The monthly premium, individual, part B, is $46.10. This is the one that is going to rise on up under the proposal of the budget.

The deductible for Members of Congress, $350—$816 for our senior citizens. And they are going in one direction; they are going up.

Hospital care, unlimited; for the senior citizens, limited; prescription drugs, covered; and not covered for the senior citizens.

Go in to any room of senior citizens in this country. Ask them, ''How many of you are paying $50 a month or more for prescription drugs?'' Half the hands will go up. Ask them how many are paying $25. Do you know what you get? You get a roar of amazement, like they cannot believe you do not understand that 70, 75, 80 percent of them are paying $25—closer to $50—but $25 a month out of their Social Security checks for prescription drugs, the prices of which have gone way up as they have for the last 2 or 3 years.

We have that kind of coverage. We have that kind of coverage, not senior citizens. There is nothing in this bill to try to deal with that.

On dental care, we are covered with a good program. They are not covered at all. And preventive services, we have the cervical, prostate cancer, and other preventive diseases. They have some benefits. Out of pocket limit, $3,750. They have none. It is $3,750, for Members of Congress, but they have none.

You would think most people around here would think: ''How are we going to have this group look more like that group?'' That is what you normally would think that we ought to be debating around here.

How many of you are going to let the senior citizens have closer to what Members of Congress have and 10 million Federal employees have? That is what we ought to be debating around here. Instead, what we are talking about here is how we are going to make this less valuable, with increases in each and every one of these categories. Not so over here; not so for the Members of Congress. But over here, for who? Our senior citizens who are averaging $17,700 in annual income; and Members of Congress, $133,600.

Mr. President, this is the reason that the President of the United States was saying: Look, you want to try to figure out how we can try to deal with health care as a way of making it fair and equitable, keeping our citizens healthier, enhancing preventive programs so that it will be less costly, keeping elderly people out of the emergency room, and being able to treat them with in-home care, in congregate sites in their communities. You want to try to deal with those kinds of issues, home care and other issues, but do not provide further cuts on our senior citizens to have a designated fund that will be available—not just for education, not just for health care reform, but for tax reduction.

We will hear, ''Well, this really is not a fund. We do not know whether it will be there. And if it is, we may use it, and we may provide a lot of tax cuts for all the people that we are concerned about.''

It is so interesting that we could look at the background to know where those tax cuts will come, both in the House and the Senate, as those that have been designated for the wealthiest individuals.

So, Mr. President, this debate is important. It is important because of the issue of Medicare. It is important not because of just the dollars and cents, although we focus a great deal on the dollars and cents; it is important because of the degree of anxiety that is going to be out there for our seniors.

We do not give much weight to the problems of anxiety that affect our people. We cannot put into the budget what a parent thinks when they have a sick child crying in the night and they are wondering whether that child is $150 sick, because that is what it costs to go to the emergency room. ''Maybe I should wait a day or 2 days, and let that child get better or sicker because I cannot afford that $150.'' We do not measure that in this budget resolution.

We treat it too cavalierly, the kind of concerns that elderly people have, those that have lost their eyeglasses and wait 6 or 8 weeks without being able to read a book because they have not gotten their next Social Security check to be able to buy a set of eyeglasses, let alone the other problems that you have. Every Member in here hears from them.

Medicare does not cover dental care. How many Members in here spend staff time trying to get a doctor that will say an elderly person has indigestion or major internal problems, and the only reason they have it is because they are not chewing properly and, therefore, in order to solve an internal problem, they need to get a set of dentures?

I mean, that is going on every single day, the amount of staff time people spend, the anxiety that people have. The same is true of foot care. The same is true with the tragedy of prescription drugs.

I want to conclude with the very story of two witnesses that I had last year, one named Clifford Towne, who lived with his wife, Marie, in South Dartmouth, MA.

Clifford Towne is a veteran who fought in World War II. He worked hard all his life in the textile business, and when he retired he had over $100,000 in the bank. He owned his own home. He had a good pension from Social Security. Both he and his wife developed serious medical problems. High medical costs that Medicare does not cover, especially the prescription drugs, had

wiped out his savings. He had to run up large debts, and, as he told our committee, he tried to qualify for Medicaid but his Social Security income was too high.

He said:

> I told him the only way I could get help for my wife was to leave her, but after 48 years I just couldn't do that. I would rather kick the bucket than be forced to get a divorce.
>
> So my wife and I talked it over and decided that when we could not pay for the drugs anymore, we would just have to stop taking the prescription drugs. We would rather pass away together—or at least as close together as we can. After 3 or 4 months ago I already cut down on drugs for my blood pressure. I don't want my wife to have to cut down on her medications until we have no other choice.

Mr. President, that is happening every single day in every single community of this country. And this debate ought to be how we are going to try to help and assist that family—not how we are going to put that family at even greater risk with the kind of cuts that are included in this budget proposal that attacks the Medicare Program.

Mr. President, I yield the floor.

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER (Mr. BROWN). The Senator from Oklahoma is recognized.

Mr. NICKLES. Mr. President, for the information of my colleagues, it is my intent to speak for 15 minutes. The Chair will please notify me at the end of 15 minutes.

Mr. President, in listening to my friend from Massachusetts, it is interesting to note that he did not say ''here is a better idea.'' It is interesting to note that he did not say the President had a better idea. I believe the Senator from Massachusetts voted against the President's budget. I would say he was right because the President's budget needed to be voted down. The President's budget allows the deficit to continue to climb. The President in his state of the union speech and in his campaign speeches said he was going to bring the deficit down, but, unfortunately, that is rhetoric. That is not fact.

The facts are that under the President's budget the deficit goes up every single year and it is shocking to see how rapidly it goes up. As a matter of fact, under the President's budget the deficit increases by $100 billion in the first 5 years. The deficit right now is $177 billion, in 1995. Under the President's budget, in the year 2000, it goes up to $276 billion. That is a $99 billion increase.

By balancing the budget for the first time in 29 years, we have a chance to make history. The House of Representatives made history when they passed a budget last night that says, as scored by the Congressional Budget Office, we are going to eliminate the deficit.

The President's budget as scored by the Office of Management and Budget has deficits that stay at $200 billion for the next 5 years and then go up to $300 billion. But the President in his State of the Union Address in 1993 said he was not going to use fictional numbers; he was not going to use smoke and mirrors. He stated that he would use the estimates of the Congressional Budget Office. The Congressional Budget Office says that his deficit increases nearly every single year.

Next year, under the President's budget, the deficit increases from $177 billion to $211 billion, then to $232 billion in 1997. By 1998, it is $256 billion; in the year 2000, $276 billion. So in a clear trend the deficit is going up $100 billion in 5 years under the President's proposal and really crossing $300 billion by the year 2002.

We have a clear alternative. The House voted for a budget plan that brings the deficit down to zero. In the Senate, we now have a plan that brings the deficit down to zero. That is a big difference. That means we will be borrowing significantly less.

I know I heard my friend from Massachusetts say, we are slashing spending; we are cutting; we are eliminating spending in many programs. I will put a table in the RECORD that shows spending under the Republican budget in Medicare. In 1996, we will be spending $9 billion more than we did in 1995 in Medicare. In 1997, we will be spending $20 billion more than we did in 1995. In 1998, we will be spending $35 billion more than we did in 1995. $50 billion in 1999, $66 billion in the year 2000, $84 billion in the year 2001, over $100 billion more in Medicare spending in the year 2002 than we are spending in 1995.

Medicare spending is going up. It may not be going up as fast as it would be under present law but present law says it goes broke. The President is AWOL, or absent without leadership, because he does not do anything to save the Medicare system. He allows it to go broke. The law does not allow Medicare to borrow from other trust funds so unless we raise payroll taxes or reduce the growth of spending, it is going to go broke. That is not acceptable.

Now we have two plans, the House and Senate. The President does not have a plan. The President's plan was renounced by the Senate today 99 to nothing.

Looking at this chart of deficit estimates, the President's deficit goes up every year. This line represents the House budget plan. I compliment them. They were able to pass it in 1 or 2 days. It is going to take us 5 days, but we will eventually pass it. The Senate plan shows up on this chart as almost a straight-line decline to get to a balanced budget. We even do it faster than the House does. Of course, the House has some tax cuts. The House gets there. We get there quicker. Frankly, I hope we stay on a quick, straight, level decline to get to a balanced budget because that means we are going to borrow less in these intervening years. And that is what we should do. We should balance the budget as soon as possible.

Now, my colleague from Massachusetts said we are not going to be spending enough. He said we need to spend more money, I heard him say we should be spending more money in education; we should be spending more money on earned income tax credits; we should be spending more money for Medicare; we should be spending more money for Medicaid; I think I heard him say we should be spending more money for every single program with the exception of defense.

Looking at this new chart, you see right now we are spending $1.5 trillion, and I would like to put that in perspective because I know my colleagues on the other side seem to think we are not spending enough. To put it in perspective, in 1960, we spent less than $100 billion. In 1970, we spent less than $200 billion. In 1980, we spent less than $600 billion. In 1990, we spent about $1.25 trillion. And now we are at $1.5 trillion. Amazingly enough, even under the so-called slashing, cutting, gutting budget of Senator DOMENICI total spending will still go up to $1.8 trillion.

My math may not be accurate, but $1.8 trillion is a lot more money than $1.5 trillion. As a matter of fact, that is about $350 billion more after 7 years than this year. Actually, spending goes up every single year, in almost every category except defense which is is basically frozen.

I have a table which shows that show under the present budget does not even stay frozen at $270 billion. It actually declines for a few years and then comes back up. Domestic discretionary spending has a slight reduction. We reduce it by $30 billion. With regard to Social Security—and I know I heard my colleague from Massachusetts say several times that we are cutting Social Security—we are spending $334 billion in 1995, and we are going to be spending $480 billion in Social Security in the year 2002. Medicare spending will grow from $178 billion in 1995 to $283 billion in 2002. That is over a $100 billion increase in Medicare; Medicaid, this year we are spending $89 billion. It goes up to $125 billion. Other mandatory programs increases from $146 billion to $197 billion.

My point is, spending is escalating. It escalates from $1.5 trillion to almost $1.9 trillion. To put that in perspective, when we are talking about spending $1.5 trillion—there are 12 zeros in $1 trillion. That is about $6,000 for every man, woman, and child in the United States. I have a family of six. That is $36,000. Under the Republican budget, spending increases to about $7,500 for every man, woman, and child in the United States.

Under President Clinton's proposal, spending would grow to about $8,500 for every man, woman, and child in the United States.

So we allow spending to grow but it does not grow quite so fast.

A lot of people are talking about Medicare going broke by the year 2002. The trust fund will be bankrupt.

I hate to inform my colleagues, but by the year 1997, that is next year, the Medicare trust fund already has a deficit. In 1997, there is a $5 billion deficit and in 1998 there is a $10 billion deficit. That deficit continues to escalate to the year 2002 when it reaches $41 billion. So we are losing money already. That means more money is going out than coming in.

Some people, say, ''Well, we will just draw down the reserves of the Medicare trust fund.'' How are we drawing down the trust fund? There is no bank account. If there is a bank account anywhere in Washington, DC, that we can pull those funds out of, I would like to know about it.

The facts are, we are going to borrow that money. Actually, the General Treasury will borrow $125 billion between now and the year 2002 to pay to the Medicare trust fund, which will in turn pay benefits. There is not a bank account which holds excess Medicare taxes from previous years. Not in First National, not in Chase, and not in City Bank. We are going to borrow the money to pay Medicare benefits. The fund is already broke.

But we have heard so much rhetoric, ''Oh, we can't allow these Medicare spending cuts. This is going to cut Medicare recipients.''

The facts are, if we do not reduce the rate of growth in Medicare spending we are going to have to raise payroll taxes. And I have not heard one of my colleagues yet who said, ''Let's raise payroll taxes to save the Medicare system.'' If they think that is an option they should use, let them offer that as an amendment.

But if we do not do that, we must reduce the rate of growth of this program. Those are our only options.

As I mentioned before, the law precludes us from borrowing from other trust funds. And we should not do that anyway. That is playing a shell game. The Medicare tax right now is 2.9 percent on all payroll. That is a lot of money. The program has been growing in cost at rates that are not acceptable. These claims are not just from DON NICKLES. They come from President Clinton, and Mrs. Clinton, and Secretary Shalala, and the other trustees of the Medicare trust fund. All have said we have to reform the system.

And we can reform the system. We can do a better job of providing health care for senior citizens at lower rates of growth, at rates of growth that are right now a couple of times the rate of inflation. Right now, they are three times the rate of inflation. We are trying to say it should be no more than two times the rate of inflation.

Is that realistic? Yes, it is. Can it be done? Yes, it can. Actually, it has to be done or the fund is going to go broke. Then what are we going to do? In the year 2002, we are not going to pay the bill. We will tell people, ''I'm sorry you went to the hospital. I know you owe money. But we can't pay you.'' That is not acceptable.

I will just mention that there is a lot of rhetoric on Medicare and a lot of demagoguery. I know a lot of people are trying to scare senior citizens, but I think they are smarter than that.

This chart shows that under current policy the rate of growth in Medicare is not sustainable. Under the plan that we now have in the budget before us, the growth rate of Medicare is a little over 7 percent per year. That will keep the fund solvent at least temporarily so we will not be bouncing checks.

This line represents a freeze on Medicare and Medicaid. I have heard a lot of my colleagues say, ''Let's freeze all spending.'' That is what a freeze is. I doubt that we will long hear that argument.

I think it is vitally important, Mr. President, that we be responsible. I think it is vitally important that we say, no, we are not going to allow deficits to continue to increase, we are not going to take a deficit right now that is $177 billion and allow it to go up to $277 or $300 billion. That is not responsible. That is not leadership.

I looked at the current services budget and it just happens to track right along with President Clinton's figures. There are no changes. It is just like the President said, ''Well, I've given up.''

And I have heard other claims, ''In 1993 we made a giant step toward real deficit reduction and we did this without Republican help. So too bad for you guys. You're going to have to do this one on your own.''

There is a good reason why Republicans voted against the 1993 budget package. And I want to take issue with some of things that President Clinton and Mr. Panetta have said. They claim to have reduced the deficit by nearly $600 billion. I have heard that figure time and time again.

I am going to insert into the RECORD several tables which make my points.

One of these tables shows the source of deficit decline since President Clinton took office.

Tax and fee increases account for $262 billion of that decline. I will give the President credit for those. Yes, we know he passed the largest tax increase in history.

I might mention, it was a large tax on middle-income Social Security recipients and on low and middle-income people that buy gasoline.

As for his claims to cut spending, according to the Congressional Budget Office he has not yet cut any spending. In fact, he increased spending $4 billion in 1993, $9 billion in 1994, and $3 billion in 1995.

I might mention, the House has passed a rescissions bill, the Senate will pass a rescissions bill, in all likelihood, next week, and the President already said he would veto it. So we will have had a chance to cut 10 billion dollars' worth of spending and the President said he would veto that.

If you believe the assumptions for 1996, 1997, and 1998 he will have some spending reductions totaling $88 billion.

The remainder of the deficit reduction since 1993 is attributable to technical, economic, and other changes. In other words, $213 billion of the deficit decline is in no way attributable to this administration.

So if you add all those figures together, yes, CBO says there is a $500 and-some-billion deficit reduction from the amount they have estimated in January 1993 compared to January 1995. But the truth is there are no real spending cuts. The truth is we have not had a spending cut yet all the way through 1995. The truth is we have spending increases and big tax increases.

This administration likes tax increases a lot and they like to spend more money.

The PRESIDING OFFICER. The Senator is advised he has used 15 minutes.

Mr. NICKLES. I ask unanimous consent for an additional 5 minutes.

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

Mr. NICKLES. So the facts are, taxes under this President go up dramatically and spending continuing to rise even faster than it would have under normal pretenses. And then if you look at the President's budget for the next several years we continue piling up debt upon debt upon debt. That is not acceptable.

I am excited about the fact that now we have balanced budget plans in both the House and the Senate.

The House has their assumptions, and the Senate has theirs. There may be some changes. I know some people are thinking about making some changes on the tax side. Fine, as long as we get to zero. And I would like to get there sooner if we can. I would like to get to where we had to borrow as little as possible. But let us get there. Let us do it.

In all the other previous budget resolutions that I have seen and I have been involved in, we have talked about trading off how much we are going to reduce the rate of spending with how much we are going to raise taxes. We are not doing that in this package.

My friend from Massachusetts said we need more taxes on big corporations or we need more taxes on somebody else.

Republicans are not going to raise taxes. The problem is not that we are undertaxed. The problem is we are overspent.

So we are going to attack the problem. We are going to reduce the rate of spending. Spending under this proposal will grow at over 3 percent per year. Under business as usual, it would have grown at over 5 percent per year.

A lot of special interest groups are going to scream and say it is not fair. The Senator from Massachusetts criticized the Senate and the House for making a reduction in the CPI.

I hope we do follow the instructions of this resolution and have analysts give us a correct determination of what they think an accurate reflection of CPI is. If we are going to have cost-of-living adjustments, they should be accurate, and if there are savings to be made in that, fine, they should be accurate. When you have people like Alan Greenspan say the CPI is overinflated and has been for some time, that tells me we should make a change.

Finally, I know we are going to have a debate on earned-income tax credit next week, and I will save most of my remarks on that subject. But I heard my colleagues say that our proposal is a tax increase on the working poor. That is totally false. We ought to deal with the facts.

The earned-income tax credit is inappropriately named. Over 80 percent of the spending on this program is a direct handout to people with zero tax liability. And it is a program that is fraught with abuse. How in the world can our colleagues defend a program when the General Accounting Office says that they found 42 percent of the people receiving benefits received too much in benefits, and 32 percent of the people were not even eligible to receive benefits—32 percent. We do not have a program that I am aware of that is so open for fraud and abuse and it needs to be reformed.

Do we reduce the rate of growth of earned income tax credit? Yes, we do, and we should. We can get more than the savings we proposed if we just eliminate the waste and the abuse in the system. But the system has been enlarged and expanded to such an extent, people can receive such large annual lump sum payments that there is a great incentive for fraud. They can file fraudulent tax returns and they can get cash.

It is false to say, ''Hey, this is a tax increase on low-income people,'' when only 20 percent of the people who receive this benefit have any tax credit whatsoever; 80 percent do not have tax liability. They get a lump sum cash payment at the end of the year and that payment this year is over $3,000 if you receive the maximum amount. It will grow up to about $4,000.

We allow it to grow under this budget; we just do not allow it to grow so much, quite so fast. Every year under our proposal, the EITC will grow in total amount, but it will not continue to compound at 55 percent per year as it has done in the recent past. We cannot allow a program where we are writing checks to be growing at such unbelievable rates. The program cost a few billion dollars a few years ago and now we are looking at a $25 and $30 billion program. It still grows to $30 billion under Senator DOMENICI's plan. We reduced the rate of growth in that program. We need to reduce the rate of growth in that program. We need to clean out the waste and abuse in that program. We ought to be ashamed of ourselves if we do not, and we are going to try to do that.

For our colleagues on the other side or others to say that is a tax increase on working poor, I beg to differ. I think they are entitled to their own opinion, but they are not entitled to their own facts.

I thank the indulgence of the Chair and my colleagues. I ask unanimous consent for an additional 2 minutes.

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

Mr. NICKLES. Mr. President, I urge my colleagues to be serious when we take up this budget. It bothers me to see that it is so partisan. It bothers me to see that there are not more bipartisan efforts to get to a balanced budget. If there is a better idea—and there is bound to be a better idea because this is not a perfect plan—bring that plan forward.

When we took a vote on the balanced budget amendment a couple months ago, a lot of people said we should balance the budget whether we pass a constitutional amendment or not. We were serious, and now we are going to try to do it. It is going to take some votes from both sides to pass a reconciliation bill.

So I hope we will not get so polarized that we are not able to work together to make sure we quit piling up endless debts on our children and on our children's children. To me that is a vital question: Are we serious? Are we actually going to finally start living within our means? I remember going to a town meeting and somebody raising their hand: ''Senator NICKLES, will we ever see a balanced budget in my lifetime?'' The person was in their early twenties. I want that answer to be ''yes.'' I think this Congress has a chance to make it yes, and I hope that we will during the course of next week. I yield the floor.

Mrs. MURRAY addressed the Chair.

The PRESIDING OFFICER. The Senator from Washington is recognized.

Mrs. MURRAY. Thank you, Mr. President. I was listening to the debate earlier this afternoon about the pending amendment that restores some of the tremendous cuts to Medicare that occurred in this budget. I wanted to come over to the floor to just make a few points.

I heard many of my colleagues talk about the tremendous impacts that are going to occur to senior citizens as we cut Medicare in the budget that is pending. I, like many people, have two elderly parents, both of whom have chronic health care problems, and they are very concerned about the Medicare Program and they let me know about it. But I came over today to remind all of us that the impacts on cutting Medicare do not just hit the elderly, they hit the people I also care a lot about in this Nation—working families.

What we see happening here is cuts to Medicare that will no doubt cause premiums to be raised or seniors to be shut out of care or will gut quality. The impact of that will not only be felt on our seniors, but it will be felt on everyday working families.

I know those families well. I am one of them, raising two kids and taking care of my parents at the same time. I can tell you exactly what is happening in many working families across this Nation today.

We get up, we race our kids off to school, we worry about whether or not they are getting a good education, we get to work, we try to do a good job, we race home in time to get them to a baseball game, get food on the table and, at the same time, we worry that our parents are going to call and say, ''I need to go to the doctor,'' or, ''I need to go to the hospital,'' or ''I have run out of medication.'' It is an added pressure to many working families in this Nation today.

If we cut the Medicare Program as drastically as is proposed, it will add to the pressure of those parents, those working parents, those everyday average working parents, because then they will worry that their parents will not go to the doctor because of the added cost, they will worry that they will not be taking their medication because their out-of-pocket expenses have increased, they will worry that their parents are not eating right because they are having to choose between whether or not to go to the doctor, buy a prescription, or put food on the table.

These cuts to Medicare will have a tremendous impact on everyday average working families who are just trying to make it every day raising their own kids and worrying about their parents as well. But it will also have an economic impact because, I assure you, if we just cap the costs of Medicare that we pay out, we are not going to see hospitals reduce their costs, they are going to shift that to somebody else. Guess who that is going to be? People who are going to work every day and paying their taxes and paying their insurance. Working middle-income families will see their insurance rates rise, their out-of-pocket medical care costs rise in order to pay for seniors who go to the hospitals and to the doctors and who no longer are being paid back by the Medicare Program.

This will create a tremendous pressure on families and a tremendous cost shift to families. That is why it is absolutely critical that we do not reform health care within this budget by just cutting costs to Medicare and Medicaid, but we go back to understanding that we have to do health care reform in totality, look at the entire picture, figure out how much we are going to spend on health care in this Nation and impact all ends of the age spectrum and life spectrum, or we are going to put tremendous burdens on a few people. I urge my colleagues to remember that Medicare cuts will dramatically impact working families across this Nation.

I have heard over and over that these budget cuts to Medicare are being done to save it. I have to tell you that

makes no sense to me. If we care about our seniors, if we care about our families who are going to work every day, then we also should care that we have a moral responsibility to ensure the well-being of our citizens, and frankly, this budget says just the opposite to me. It says we care about the rich, it says we care more about the Pentagon than people, but it says we do not care about those working-class families.

This budget will have a tremendous impact on working-class families. It will say to them: ''We're going to cut your Medicaid. If your child has cystic fibrosis or severe asthma and you don't have the medical insurance to take care of it, Medicaid will be cut back and you may not be able to rely on that.''

It says to parents, ''Your children may not be taken care of if they are sick,'' a pressure to working-class families.

It says to working-class families that ''Your child may not be able to get a loan to go to college.''

It says to middle-class families that ''Your education dollars will be cut,'' and it will mean eventually, as this gets passed on to the States and our local school districts, that class sizes will increase and our good teachers will go elsewhere for jobs that pay enough to keep them going.

And it says to low-income families, we are going to take away the earned-income tax credit. The one thing that they have, they go to work every day, they earn less than $28,000 a year and we are going to take away a small bit of cash they have just to help them make it by gutting the earned income tax credit. You bet this is a tax increase on those earning less than $28,000. It is absolutely a tax increase on them. I think it is unfair and wrong-headed.

Finally, let me just say, I talk to many teenagers day in and day out as a parent of two teenagers. And they fear, more than anything, that there is no hope for them in this world, that there is no opportunity out there. And this budget, I assure you, does not send a message of hope and opportunity.

I urge my colleagues to support the Lautenberg-Rockefeller amendment, to restore some of those cuts to Medicare, to give some hope back to middle-income, working families in this Nation and eventually to defeat the budget that is before us.

I yield the floor.

Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah is recognized.

Mr. BENNETT. Mr. President, I appreciate the concern that everyone is showing here on the floor for Medicare and Medicaid and the desire that they have to keep these programs well and healthy and viable for the people who depend upon them.

Unfortunately, Mr. President, the desire to keep these programs healthy and well has been translated into a desire to keep them as they are. And life being what it is, if they stay as they are, they will be neither healthy nor stable for the people who depend upon them; indeed, they will ultimately disappear.

Let us talk about Medicare for just a moment and go through the history of that program. Although I am a newcomer to the Senate, I am not a newcomer, if you will, to this issue. Back in 1962, when my father was running for reelection to the Senate, I was his campaign manager, and this was an issue in his campaign. Yes, that is right, Mr. President, in 1962; it has been around that long. At the time, there was no Medicare. It was passed by the Congress after the 1962 election. There were all kinds of projections about how much it would cost and what it would do.

As we look back over this last 30-year period, we see that all of those projections were wrong, and they were wrong on the wrong side; that is, they were all too low. Medicare has been growing much more rapidly than its initial authors ever thought it would, and it has been costing the Federal Government an ever-increasing percentage of gross domestic product. There have been charts on that, and I will not repeat the charts because people have seen all of those.

However, when people talk to me about Medicare and how it must be preserved, I go back to the 1960's and my memory of that debate, and I make this point. I say Medicare is a wonderful program as it is currently structured and would work perfectly, indeed we could afford it, if people would just have the courtesy to die at the same rate they did in the 1960's when Medicare was established. And, indeed, if we went back to practice medicine the same way we did in the 1960's, they probably would.

But we practice medicine in a vastly different way now than we did in the 1960's. I have been told that 90 percent of the medicine we practice today did not exist in the 1960's. It has all been invented since that time. The treatments have changed, the equipment has changed, the facilities have changed. But the program by which it is financed has not changed. It is still built around the notions that we had when we watched that 1960's television program, ''Marcus Welby,'' a single practitioner who operated out of a single facility set in an idyllic setting, assisted by the most caring, wonderful nurse in the world, Consuela. He would sit there and somehow figure out all of your ills, and not only take care of your medical problems; he would solve your divorce, take care of the teenage child that was in trouble, and counsel you in your employment problems. Well, Dr. Welby does not exist anymore. Medicine has changed. Our way of delivering it has changed. And the old notion of having a ''Dr. Welby'' who will be reimbursed from the Federal Government for all of his skill and all of his counsel has to change, too.

I am standing here in support of the underlying budget proposal not because I hate Medicare, not because I am heartless toward those in the aging population. I am not unfamiliar with those. I guess I am aging a little myself. But within the past year, year and a half, my wife and I have buried three of our children's four grandparents. We have had the Medicare experience with my father, my father-in-law, and my mother-in-law. The forms are incomprehensible. They create a regulatory thicket that virtually no one can plow through.

I have a constituent who tells me, ''Senator, I have to take care of an aging mother. The idea that she would be able to understand any of the forms she gets from Medicare is on its face ridiculous. I am a college graduate, I am a successful business woman, and I think I know my way around, but I cannot figure out these forms, let alone my mother.'' So she said, ''I wasted a lot of time trying to figure out what they meant until I finally adopted the following strategy. I realize it is high risk, but it is low stress. Every form from Medicare I throw away, and at the end of the month I call the Salt Lake Clinic and say, 'Do I owe you any money for my mother?' I let them do the bookkeeping and do not worry about the form that says 'This is not a bill' and is covered with numbers and that says we cover this percentage and you that percentage.'' She says, ''I throw them all away, and once a month, I call the Salt Lake Clinic and I say, 'Do I owe you any money for my mother?' They say, 'Yes, according to our computers, you owe us *X* amount,' and I write out a check and do not pay any attention to the rest of it.''

I hope the Salt Lake Clinic, for her sake, is keeping good books. That is the kind of program we have under Medicare. Is that what we want to preserve exactly as it is? Or do we want to say: Wait a minute; the time has come to restructure; the time has come to reform. And we are convinced if we do restructure and reform, the time has come to have a handle on the costs that make sense.

To repeat that which has been said here on the floor so many times—and it may be wearing out now, but it needs to be repeated—we are not talking about cutting Medicare below its present rate of reimbursement; we are talking about increasing Medicare above its present rate of reimbursement on the basis of roughly 7 percent per year compounded. Anybody who has been in the business world long enough to know the power of compound interest rates knows how powerful a 7-percent per year compounded increase can be in raising the benefits for Medicare.

Right now, the per capita spending is around $4,300 per person, and at the end of the 7-year period outlined in this bill, it will be $6,300 per person, and that rate of increase is roughly the same as the rate of increase for health

costs in the private sector today. So we know that health care can survive, indeed thrive, with that rate of increase. What we need to do is say we are going to take the private rate of increase, lock it into the Federal circumstance so that it cannot grow any more rapidly and then, within those parameters, make the kinds of administrative changes necessary to make this thing work.

What is wrong with that? What is threatening about that? I assure you, as one who has had to deal with these forms and had to deal with aged parents and had to struggle with the medical challenge, and as an administrator, if you will, for my father and in-laws, I would welcome that kind of circumstance. I am not threatened by it. No one in our senior population should be threatened by it.

There is a saying that I learned in college. I wish I could quote it all. I do not have the photographic memory that the Senator from West Virginia possesses, so I will do my best. It is out of the literature that talks about King Arthur and Camelot. That should strike a chord somewhere around here. There are people that have talked about Camelot with respect to a past administration.

At the moment where Camelot is over, in the epic poem by Sir Walter Scott, there are those who mourn the loss of the Knights of the Round Table and say how terrible it is that this is gone. Then this phrase:

> The old order changeth, yielding place to new, lest one good custom should corrupt the world.

Mr. President, we are at that point in Medicare. The old order has been a good order. It has helped a lot of people. But if we try to preserve it absolutely as it was written and established and laid down over 30 years ago as we move into the next millennium, that one good custom will corrupt the world. The old order changeth, and we must change the law to go with it.

I repeat and summarize, Mr. President, I am not here in any sense to challenge the need of our senior citizens for the Federal Government to stay fully involved and fully committed to the notion that they are entitled—entitled, yes, I use the fatal word—they are entitled to support in their medical costs in their declining and retired years. I support that absolutely.

I stand here fully committed to a budget that will cause that support to increase at a rate of 7 percent per year compounded. But I say to those who want to keep the old system exactly as it is and keep pouring money down the black hole that it has become, those people are wedded to a mechanism of the 1960's while we are living in the 1990's and preparing for the new century and the new millennium.

When we do that, regardless of how pure the intent, we are doing our senior citizens no favor. We are doing them no benefit.

We must recognize that the old order and everything changeth, yielding place to new, lest one good custom should corrupt the world. With that attempt, Mr. President, to sound at least somewhat as classical as the Senator from West Virginia, recognizing that I could never truly approach him, I yield the floor.

The PRESIDING OFFICER. The distinguished senior Senator from Rhode Island is recognized.

Mr. PELL. Mr. President, I rise in support of the Rockefeller amendment to restore $100 billion in funding for Medicare and long-term care, to be offset by the funds which the committee bill would reserve for tax cuts.

This amendment coincides with my own philosophy on the matter of the budget. We must curtail spending and reduce the deficit, but we must do so by the most humane means. And we should not even think about tax cuts until we have achieved some kind of equilibrium between income and expenditures, and have done so without shifting the burden to those least able to bear it.

While there is no question that we must take seriously the recent report of the Medicare trustees which warns that—if we don't do something—the Medicare trust fund will go bankrupt in the year 2002, our efforts to fix the system should not be driven by our desire for deficit reduction. While reducing the deficit is a goal that we all share, it is not something that can be accomplished without affecting real people, who have real needs and real problems.

Let's look for a moment at the House Republican budget proposal. House Republicans propose to cut $286 billion from Medicare and to use the proceeds for deficit reduction and a $20,000 tax cut for the wealthiest Americans. In my view, this defies logic.

By paying these Social Security taxes, a portion of which goes to fund the Medicare trust fund for part A hospital benefits, the citizens of this country have a contract with the Government that this program, for which their hard-earned money is collected, will be used to provide them with health care when they are aged or disabled. Not to provide deficit reduction. And not to provide tax relief, especially to those who need it least.

And the Senate Republican budget proposal isn't much better. It proposes to cut $256 billion from Medicare solely for deficit reduction. This level of cut fails to recognize that—in future years—more and more people will reach the Medicare age of 65, will depend on its benefits, and will have to rely on a much smaller pot of funds to pay what are likely to be higher costs for the same care they are receiving now. So there is no comfort in the explanation that the proposed cuts are simply reductions in the rate of growth of the program.

These proposed cuts will clearly mean higher deductibles, higher out-of-pocket costs, and a greater burden on the family members of beneficiaries who cannot afford the increase. And with the proposed cuts in Medicaid which are also part of the Republican plan, any safety net for all but the very poorest Americans will be eliminated, offering no help at all to hard working, middle-income families.

Mr. President, the medical inflation rate and the changing demographics of our population are not the fault of our senior citizens. As Government leaders, it is our responsibility to anticipate our citizens' needs and to prepare for them. It is my strong view that neither the House nor the Senate Republican budget proposals do this. Rather, both proposals will cause a bad situation to become worse.

I have examined my own views and conscience on the matter of Medicare very carefully. I know that we must make changes—some of which may be very painful—in order to ensure that Medicare is there not only for today's senior citizens, but also for future generations of senior citizens. I believe that today's senior citizens understand that—and that, while they are deeply concerned about the cost of their own medical care—they truly want this fine system to be around when their children and grandchildren need it.

So I am prepared to take steps that are needed to cut costs, even if this causes some pain to current and future recipients. But I do not intend to balance the budget on the backs of senior citizens.

And I do not intend to support using Medicare trust funds, or making modifications in the Medicare Program, that do not go directly to the effort to strengthen the Medicare Program and ensure its long-term viability, unless it is part of more comprehensive health care reform that improves the overall health care system for all our citizens, including our seniors.

Mr. President, the problems plaguing Medicare today are the same problems that have plagued our health care system for some time: the rate of medical inflation, the increased use of expensive medical technology, and more hospital admissions—due in part to the aging of America. And while I recognize fully that the Nation may not be ready for the kind of comprehensive health care reform that was proposed last year, I believe that we cannot intelligently address the rising health care costs of one segment of the population—the elderly—without addressing the system as a whole and the fact that those who are not elderly today will—if they are lucky—be elderly tomorrow. So I certainly hope that we will revisit health care reform very soon and recognize that a crucial part of reform is the strengthening of the Medicare Program.

I hope that as the budget debate begins, we will be able to focus much more on what cuts the Medicare system can withstand and much less on the amount that Members believe they

should cut to provide deficit reduction or tax cuts to the favored few. I believe that if Members of Congress pursue policy over politics, we will be able to pass legislation that will start us on the road to protecting and preserving Medicare's promise for future generations, while leaving room for future programmatic reform.

The PRESIDING OFFICER. The Senator from Nevada is recognized.

Mr. REID. Mr. President, will the Chair inform the Senator from Nevada if there are time constraints at this time in the proceedings?

The PRESIDING OFFICER. At this time both sides retain time on the bill. There are 16 hours 22 minutes remaining on the Republican side; 16 hours 51 minutes on the Democratic side.

Mr. REID. So there is no time agreement on this amendment?

The PRESIDING OFFICER. This amendment will not be voted on until Monday.

Mr. REID. Thank you, Mr. President.

The PRESIDING OFFICER. Whatever time the Senator may choose to take would come out of the overall time.

Mr. REID. I understand that. I thank the Chair.

Mr. President, I think it is appropriate to once again mention that we have heard far too many cries about how bad things are. I think it is important that we talk about how good things are in this country.

We, in the fall of 1993, passed a deficit reduction plan that was the largest deficit reduction plan in the history of this country. It passed, however, sadly, Mr. President, without any help from those on the other side of the aisle. We received no help in the House from the Republican Party or from the Republicans in the Senate. And that is too bad. It should have been a bipartisan effort to do a better job of handling the yearly deficits that have accumulated.

As a result of that bill that passed, the deficit reduction package that I talked about, we have reduced the deficit by over $600 billion. To be exact, the deficit will be $616 billion less, as a result of that action, over the 5 years from the time the bill passed. It will drop in half as a percentage of national income, from 4.9 to 2.4 percent. Because of the deficit reduction plan, the 1994 deficit as a percentage of GDP, as projected, is tied among the lowest for all G–7 countries. As a result of that plan, the unemployment rate is 5.8 percent, down from over 7 percent in 1992. There now are 1.4 million fewer people unemployed than at the start of this administration, a 15-percent drop. There are, as a result of the deficit reduction plan, 6.3 million more jobs than we had previous to that plan having passed. And keep in mind, these jobs that have been created are good jobs. For example, managerial and professional jobs make up 58 percent of the new jobs created since 1994.

In addition to that, 170,000 fewer people are working for the Federal Government than at the beginning of this administration. That is significant and it is important. The deficits have been reduced, and they have not been reduced enough, but interestingly this will be the third year in a row that there has been a declining deficit; for the first time in 50 years that has taken place in this country. That is significant.

According to the CBO, this deficit reduction package resulted in little more than 1 percent of the American people paying more in taxes. A significant number paid less in taxes. Inflation? We have the lowest inflation and the lowest unemployment since the years of John Kennedy. That is significant.

Home sales for 1994 amounted to almost 4 million. This is the largest total since 1978 and the second largest total ever. Consumer confidence is up by 78 percent.

Mr. President, the reason I mention this is I think we tend to dwell on the negative. We are doing extremely well as an economy. Certainly we would all agree that what we have to do is a better job of handling our deficit, and that is what we are here to talk about today. Can we do a better job? I believe the answer is yes, we can do a better job. But I think what we are going to talk about today is a matter of priorities.

There is no dispute that we are going to be on a glidepath to the year 2002 to have a balanced budget. The question is how should we arrive at that figure? There is a significant difference between how those of us on this side of the aisle feel and those on the other side of the aisle feel as to how we should arrive at that balance. This will make a distinction between the philosophy of the two parties. It is a matter of priorities.

We now have the long-awaited budget proposal that we received from the Budget Committee. What we are here to talk about today is not the fact that not only does the budget proposal we have received lower taxes for the wealthy, but it also increases taxes for people who work every day. People who make less than $28,000 a year will pay an average of $400 a year more in the way of taxes. That is their priority.

We do not believe, on this side of the aisle, that we should have a tax decrease for the wealthy until we get our fiscal house in order. And certainly we should not increase taxes for working people in this country, the people who make under $28,000 a year, so the wealthy can get a tax decrease. That does not make a lot of sense and it does not sound fair.

I am not going to talk today about the fact that the proposal we have received from the Budget Committee devastates many educational programs. The reason I am here today is to talk about Medicare. Why are we being asked to vote for a budget resolution that takes a bigger cut out of Medicare than it does anything else? Why are we being asked to do that? That does not seem fair.

These cuts will shift $900 a year in costs to the Medicare recipient. Every Medicare recipient will receive in effect a tax increase. Every senior citizen will pay $900 more in additional health care costs. This does not seem appropriate.

What really makes it significantly bad is that many of the costs are being shifted back to the State and local governments. They are going to have to pick up these costs. Throughout the debate that has surrounded these cuts, my colleagues on the other side of the aisle have consistently cited their concern about the Medicare trust fund and their commitment to solve the Medicare crisis. No one within the sound of my voice should be fooled that suddenly we have a Medicare crisis. We have had a Medicare crisis because Medicare is only part of the overall health care crisis that we spent days and weeks on last year.

When we started the debate on this floor saying there was a health care crisis, over 80 percent of the American public agreed there was a health care crisis. When we finished the debate, no one agreed there was a health care crisis. Why? Because the health insurance industry set out to try to confuse and frighten the American public. And they did a masterful job. It cost them about $200 million for their Harry and Louise ads and the other things they did to frighten and confuse the American public, but they were the champions. They were the only winner in the health care debate. There were lots of losers. They were the winner, and you have to hand it to them, they did a good job. Because, when we finished the debate nobody favored health care reform. Even seniors were frightened and confused, even though they would have done extremely well because they would have gotten a prescription drug benefit and a lot of other health care reforms which would have benefited them significantly.

The crisis has no more urgency this year than it did last year. The only reason it has more urgency this year is because all the cuts are taken from Medicare to finance a tax cut.

The rhetoric for Medicare reform is nothing but a smokescreen for the tax cuts for the wealthiest of Americans. In fact, despite earlier claims to the contrary, the budget resolution being debated in this body on this day does call for tax cuts. It is disguised. They are saying we are going to have these savings, and, therefore, the savings will be given to the Finance Committee. And what can the Finance Committee do according to the budget resolution? They can do one thing, and that is to give tax cuts. So we should not be fooled. The Senate resolution calls for tax cuts, and the House resolution calls for tax cuts of just a little bit more than the Senate version.

Let us be clear. What has been proposed in this budget resolution is taking more than $900 a year from every senior citizen in America on Medicare to pay for the $20,000 annual tax cut for Americans making over $350,000 a year. In fact, over half the tax cuts proposed will go to Americans with incomes well over $100,000. When the facts are filtered from this rhetoric, it is not the Medicare trust fund they are concerned about at all. If it were, the recommendations of the Finance Committee would be any savings we get should be to restore the cuts that have been made in this resolution to Medicare. It would be to divert the savings achieved from a balanced budget back to the Medicare program ensuring health coverage for our Nation's seniors.

Those on the other side of the aisle continue to mask their tax cut as Medicare reform. But there is no reform in this resolution. The Republican approach to reform contained in this resolution is the appointment of yet another government commission to study the issue. The American public, and certainly we in this body, should understand when we call for a commission, when we call for a study, it is a way to camouflage the inability to make a decision. What we need now is the courage to implement change; that is, to go back and do some good, reasonable health care reform, reforms that will not decrease benefits or increase costs. But certainly we do not need the kind of slash and burn approach taken in this resolution.

I received, as we all do, letters regarding the Medicare proposal within this budget resolution. A letter that I have is quite clear and quite direct. It says:

DEAR SENATOR: * * * We see and hear all around us stories of the wasteful spending by Government in this country—the Commissions that are obsolete, the entire Departments that are without a mandate (DOE comes to mind—how long has it been since there was a need to supply power to rural areas?) the graft that must be present if we are actually paying $10.00 for an item that can be bought in any hardware store for 80 cents, and the $350 vacuum cleaners that we pay $1350 for.

Much of the above are things that the average citizen sees no need for at all, let alone at such inflated prices. Medicare is one thing that we get back from our years and years of paying taxes that we can see and understand. Granted there may be excesses. But why is this program singled out for dismemberment when programs that benefit other countries, or sadly, nobody but those on the Government payroll, are kept well beyond their usefulness?

If you want to cut the cost of Medicare, you must phase it out over time. You must not yank the rug out from under those of us who earned our money in days when we earned less than half what people in our former positions earn today. Yet the inflation that brought their salaries up and affects the prices we all pay applies to us equally with them. It could mean the difference between living with dignity and living in abject poverty for those with medical problems.

Mr. President, I have another letter here which is dated April 12, addressed to me.

DEAR SENATOR REID: I know you fought to save Social Security, but not a word about Medicare.

This is interesting because it is written from someone from Nevada.

The Washington Post had an article February 28, 1995 citing that huge Medicare cutback foreseen by Packwood.

I am not a rich Senior Citizen nor do I get enough for my money. I am not in the poor variety but a few dollars above. This is why we cannot reduce the balanced budget on the backs of the poor and the elderly. I want to be able to choose my own doctors for in my case I have trigeminal neuralgia which is uncurable. I need to find the best specialists around to help me. I don't want to be forced to go into any HMO's.

As far as voting I go for the person and not the Party.

I feel this way. If an encumbant or any candidate running for office does not care about me than I do not care about their future. I will not vote for him/her.

Remember the debate we had last year. We have to maintain choice. What we were going to do in health care reform, as you will recall, was have health cooperatives, which was the original idea where we would have a number of people go out and bid to get the best and cheapest coverage. We were criticized for that. But now that is being recommended.

Managed care is the word of the day, which is certainly a lot worse than anything we ever suggested because what we suggested was there was no middleman that would eat up all the money. Who are the highest paid executives in America today? Among the highest paid executives in America today are the people who run these health maintenance organizations, who run these managed care operations. They do not know how to spend all of their money.

I go on with the letter:

As far as voting, I go for the person and not the party. I feel this way. If an incumbent or any candidate running for office does not care about me, then I do not care about their future.

Mr. President, in my office, like in your office, I receive phone calls when issues come up, whether it is on the gun control issue, abortion issue, or in this instance, cutting Medicare. We have received hundreds and hundreds of telephone calls in my Reno office, my Carson City office, the Las Vegas office, and the Washington office.

Here is a call we received from Dottie, living in Las Vegas, in an apartment.

Opposed to Medicare cuts. If it were not for Medicare, you would not be talking to me today; three strokes and a car accident.

A note from Harry Decker:

Don't cut Medicare irresponsibly. This will hurt people.

I can tell Harry Decker that, if this budget resolution passes, he will have his worst dream fulfilled because that is what is done in this budget resolution. We are cutting Medicare irresponsibly.

A call from Michael:

Oppose cuts to Medicare. I am going to have to go on welfare. Making it very tough on seniors.

Another message from Robert:

Don't cut Medicare until there is a plan in place. Do it correctly and less painfully.

I do not think he is being unreasonable. We do not have a plan in place.

Frank:

Please don't cut our Medicare. The money just does not cover now what is needed.

These are just a few at random telephone calls and letters that I have received. If we all sorted through our mail, we would all find the same type of responses from the public.

Why, I repeat, is it fair to give tax cuts to the wealthy, tax increases to the workers making $28,000 a year, cuts in education, and then make the biggest cut of all, Medicare. This does not sound fair.

Mr. President, these letters that I shared with the Senate and the telephone calls are not just a few here and a few there. As we are speaking, my office is receiving lots of telephone calls. My staff is going through the mail. If these cuts are implemented, there are approximately 200,000 Medicare enrollees in Nevada who will pay an average of $1,080 more in the year 2002 alone and $3,620 more over these next 7 years.

It is interesting also that the burden will be the greatest for the one in four seniors; that is, the 25 percent of seniors who rely solely on Social Security, who do not get a penny from anyone else. This will hurt them more than anyone else. These recipients will be forced to use much more of their Social Security check to cover these out-of-pocket costs for health care.

This budget proposal is not only about seniors. It is also about American families because, if there is an impact on a senior, most of the time it affects that person's family. These drastic cuts in Medicare not only threaten the pocketbooks of seniors, but also those of their families.

Why do we have Medicare? Why do we have Social Security generally? We have it, Mr. President, to give independence to the seniors, to make people feel like they are somebody.

I related during the debate we had on the balanced budget amendment the story of my grandmother, Harriet Reid, born in England, citizen of the United States. I can remember as a little boy going to the post office and picking up my grandmother's old age pension check. I did not know it had a fancy name at the time, her Social Security check. That check gave my old grandmother independence. She had children, but she did not have to depend on her children for everything because she had her old age pension.

What we are doing with these cuts in Medicare is taking away the independence of people, of people like my grandmother. My grandmother, were she alive today, if this budget resolution passes, would become more dependent

on her family, if in fact she was fortunate enough to have a family.

We can cart out all the charts and graphs showing how bad things are, but I ask everyone to go back again and realize how good things are in this economy today. For the third year in a row, we have had a deficit decline—170,000 fewer Federal employees, lowest inflation, lowest unemployment since the days of Kennedy, economic growth significantly high. We are doing very well.

And no one on this side of the aisle is saying we should not have a balanced budget. We believe that we should. And we are going to have an opportunity on a vote on a fair budget resolution. What we are saying is do not take the money out of the pockets of senior citizens, people who are going from hand to mouth with their Social Security checks.

We are saying it should not be tax cuts now. We want to give tax cuts just like everyone else would, but we want to do it when we can afford to give tax cuts. We want to get our budget deficit that comes every year under control. It is not fair, I say also, to raise taxes for people who work every day for a living making less than $28,000 a year. Why would we want to increase taxes for them in the same budget resolution and lower taxes for people making hundreds of thousands of dollars a year?

The burden will not only be felt by seniors directly, but it will be felt very significantly, strongly in rural America.

Nevada is the most urban State in the Union, I have been told, Mr. President; 90 percent of the people approximately live in the Reno and Las Vegas areas. In the huge State of Nevada, with 175 million acres, only about 10 percent of the people live outside of the metropolitan areas, but they are going to be hurt real bad. That 10 percent of the people of the State of Nevada also need health care.

We have a study by Lewin-VHI, a consulting firm. It recently unveiled an analysis of the impact these Medicare cuts that are in this Senate Budget Committee resolution would have on hospitals and beneficiaries. The study found that ''by the year 2002, Medicare could pay hospitals only 89 cents on the dollar for the operating costs of delivering inpatient care to a Medicare patient.'' Today hospitals almost do not break even, but this would be even more drastic than that.

The study also found that every type of hospital would suffer under those reductions and that the average hospital in the year 2002 would lose almost $900 per Medicare patient. But I am particularly concerned about rural hospitals. We are having fewer and fewer rural hospitals in Nevada all the time. They cannot stay in business because, interestingly enough, Medicare pays them less than it does an urban hospital for the same procedure, and we need these hospitals in rural Nevada. We have areas in Nevada that are separated by hundreds of miles, and we need these little hospitals. They are very important.

Nearly 10 million Medicare beneficiaries, that is, 25 percent of the total, live where? They live in rural America. They live in rural Nevada where there is often only a single hospital in their county, if in fact you are lucky. We do not have a hospital in every one of our counties.

Significant cuts as in this budget resolution in Medicare revenues will most likely force many of these hospitals, which are already in financial distress, to close or turn where? Turn to local taxpayers for more money. And where will local taxpayers be asked to contribute? From property taxes, from other types of taxes that local governments will have to come up with if they want to have rural hospitals. This is a way to make State and local governments pay more if they want to have hospitals because we are bailing out; the Federal Government is saying we want no more. That is what this resolution says.

Mr. DORGAN. Mr. President, I wonder if the Senator from Nevada will yield to me for a moment for a question.

Mr. REID. I will be happy to yield for a question.

Mr. DORGAN. I will not take much time. I know others are waiting. I will come and speak on Monday morning on this subject, but I was interested to hear the Senator from Nevada speak on rural hospitals.

I listened to some of the debate earlier today and it is framed by some in this Chamber as a debate between those who want a balanced budget and those who do not.

That is not the debate we are having at all. The question is not whether. The question is how. We think we ought to balance the budget. We think we ought to balance the budget by 2002. The question is what route do you take to get there.

The Senator from Nevada is talking about rural hospitals. If someone says the route we ought to take to get there is to have a very substantial cut in Medicare and give a big tax cut to folks that have a lot of income, a $20,000 tax cut to those whose incomes are $300,000 a year; if someone says we can afford to do that but we cannot afford to provide Medicare sufficient to keep rural hospitals open, we on this side of the aisle disagree with the how. We believe in this country that it is important to keep rural hospitals open. We believe you can do that and we believe you can still balance the budget.

The point the Senator is making I assume is pretty much the same point that we have in my State. In North Dakota, many rural hospitals find that up to 80 percent of the people who walk through the front door are Medicare patients.

Mr. REID. Absolutely right. Same in Nevada.

Mr. DORGAN. A very high percentage of the people are on Medicare. If you just precipitously decide to lop off the money on the health care side, even as you are giving tax cuts to the very affluent and doing a lot of other things we do not need to do and taking it out of the hide of those to whom it means the most, what you end up with is closure of rural hospitals.

In North Dakota, I estimate at least a dozen rural hospitals will close rather quickly if we see these kinds of cuts in Medicare without some kind of a plan to reduce the price of health care in a thoughtful way that still allows us to keep a structure out there so we can keep rural hospitals up and open and operating.

That is the issue. The issue is how do we get to a balanced budget, not whether. And some in this Chamber want to stop their vehicles at different intersections. They want to stop and give a little tax break to those affluent people in the house on the hill, and then they want to stop at this little house down below and take Medicare funds away from the person who does not have much income, and they want to stop at the next house on that street and take a few dollars away from those who want to send their kids to college.

We just have a different system for the delivery truck to get to the destination. We would like to ask everybody to pay their fair share.

The point we are making about rural hospitals is a very important point. It applies not just to Nevada but it applies to every State in this country that is a rural State.

I appreciate the Senator yielding to me.

Mr. REID. I say to my friend from North Dakota, he is absolutely right. He very, very precisely laid out the program.

You can present all the charts on the budget, saying if we do not do something, we are going to be in big trouble, all these charts showing what has gone on in the past.

I have done a couple things, I say to my friend from North Dakota, here today. I pointed out, No. 1, the economy is doing great. But having said that, I recognize, as we all do on this side of the aisle, that to continue the economic growth and viability of this country we have to have a glidepath to a balanced budget. We all want a balanced budget. I do not know of anyone over here on this side of the aisle who does not want a balanced budget. We all want one. I say to my friend he is absolutely right. It is a matter of priorities.

And I would say, one of the things that I have talked about here also, we have talked about the tax cuts for the wealthy, the tax increases to people making less than $28,000 a year, but also disguised in all of this is a heavy burden on State and local governments because we have to keep those rural hospitals open. And the Federal Government, because it will not live up to its responsibility to the senior citizens

of this country, will pass that burden to State and local governments. They are going to have to try to keep those hospitals open and they can only do it through taxation of people that live in those States.

So it is a disguised way of increasing taxes.

Mr. DORGAN. Will the Senator yield for 1 moment?

Mr. REID. I am happy to yield.

Mr. DORGAN. This is about priorities.

We have people who say, ''Let's rebuild star wars.'' And we have people in the Contract With America saying, ''Let's now start on a brand new, gold-plated weapons system called Star Wars. Let's build it now. Let's take money out of Medicare. Let's decide to freeze Head Start.''

This is about priorities. Frankly, some of us do not agree with the priorities that have been brought to the floor.

It is not a disagreement about whether we have a balanced budget. It is a disagreement about priorities.

I think the Senator from Nevada is laying that out and I appreciate him yielding.

Mr. REID. Again, I thank my friend from North Dakota, who has done such an outstanding job during this entire debate on the balanced budget. There is never an example in this Chamber that I have seen more effectively used than the fact that this Senator from North Dakota, who had years of experience in the House of Representatives on the Ways and Means Committee—I congratulate and applaud him for using that experience to come here and help explain and make more apparent some of the things we are doing on budget matters here in the Senate.

Mr. President, again talking about rural hospitals and rural health care delivery, closing hospitals will ultimately result in the loss of jobs and loss of physicians and, of course, hospitals in these communities.

This is very troublesome for the health care of rural Nevadans because, even though we do not have a lot of people who live in rural Nevada, those people who live there, few in number, are as important to me as the people who live in the big cities.

I am from rural Nevada, born and raised in rural Nevada. Unfortunately, it appears that those who are in the majority here are not as concerned about rural Americans as the rest of us.

In Nevada, a health profession shortage is already there today. It is a fact of life. Thirteen of Nevada's seventeen counties are identified as health profession shortage areas; 11 counties are classified as frontier, meaning there are 6 persons or fewer per square mile and more than 45 miles between medical service sites. The distance between major towns averages 100 miles, with distances of 180 to 200 miles in more isolated areas.

So, Mr. President, as you can see, drastic Medicare cuts resulting in the closure of rural hospitals would be devastating to the delivery of health care in rural Nevada and rural America.

What it all boils down to, I repeat, as my friend from North Dakota stated, is a matter of priorities. We all believe there should be a balanced budget and it should be by the year 2002. But what we are saying is that we do not believe the budget should be balanced on the backs of those people in their golden years; that is, the senior citizens of this country.

It is interesting to note that the amount of money that is going to be cut from Medicare is almost the same amount of money that is going to be given in tax cuts. That is unfair.

I think it is important to repeat again, Mr. President, the fact that we also believe in a balanced budget. We are going to have a plan that we will offer that will not devastate Medicare and will allow education to receive its fair share, and we will not give tax increases to people making less than $28,000 a year, nor will we give tax decreases to the wealthy.

This amendment which is now before this body which calls for a realignment is something that should pass. We believe that $100 billion of money that is being taken from Medicare should be replaced with the money that is going to be generated in this package that is marked by the Budget Committee to go to the Finance Committee for tax cuts for the wealthy. In effect, $100 billion in tax cuts for the wealthy should be returned to Medicare.

Mr. BROWN addressed the Chair.

The PRESIDING OFFICER (Mr. GORTON). Who yields time?

Mr. BROWN. Mr. President, I yield myself such time as I may consume from the Republican side.

I ask unanimous consent, since we have had two Democrat speeches in a row, that we might have two Republican speeches in a row.

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

The Senator from Colorado is recognized.

Mr. BROWN. Thank you, Mr. President.

I know Americans listening in and those here must sometimes find Congress a puzzling place. There is no question that at times rhetoric is inspirational and at times it is less than that. But let me just say, anyone who has listened to this discussion very long will find all kinds, and I think at times will find it quite puzzling.

Sometimes they will hear cuts in spending described as increases, and increases in spending described as cuts. What is a person to think? Sometimes we will find people who avoided the draft giving glowing speeches about what vehement hawks they are in military affairs, and I guess vice versa. Sometimes those who consistently vote for higher deficits make the most eloquent speeches about balancing the budget. Indeed, this is a confusing place.

But, Mr. President, few things have equaled the millionaire lectures in this debate on class warfare. Let me be very specific. Throughout the last day, we have listened to those who went to private schools when they grew up lecture those of us who went to public schools about what it is like to be poor. Mr. President, they do not know what they are talking about.

Mr. President, we have listened to people who, when vacation time came in school, took their trips to the bay in Massachusetts or went to Florida for vacations, lecture those of us who worked when vacation time came.

Mr. President, we have listened to those who went to Ivy League schools, of which they are duly proud, lecture those of us who went to public schools.

We have listened to those who are millionaires and had their daddy buy everything they wanted at college lecture those of us who worked 30 and 40 hours a week to get through college. And when they lecture us, they tell us what it is like to be poor. They do not know what they are talking about.

Mr. President, I have listened to people on this floor who, when they got out of college, did not take advantage of the opportunity to serve our country in the Armed Forces, but had daddy pay for their trip around the world or a vacation or maybe they got a Government job, or perhaps they even started in business. But the chances are they started at the top, not the bottom. Those same people have turned to us who have served our country in the military when we got out of school, or began work and started at the bottom, and they have lectured us about what it is like to be poor and what it is like to be rich. These marvelous, inspiring speeches about class warfare have seen trust-fund liberal millionaires come to this floor and lecture people who are from working-class, conservative backgrounds about the class warfare that is in this budget.

Men and women, Democrats and Republicans, will understand that people of good conscience disagree over this budget and disagree over the implications of it. But I suspect most Americans will find themselves choke over the irony of trust-fund millionaires coming to this floor and talking about class welfare and lecturing those of us who worked our way through life.

Mr. President, this debate ought to be about facts. It ought to be about the truth. And let us cover it, because I think some frank words are appropriate.

The trust-fund millionaires have come to this floor and said this budget slashes Medicare. Mr. President, I do not care how rich your background is, I do not care what your father did, you ought to at least have the decency to come to this floor and be honest.

Now, what are the facts? The Medicare funds go up, not down. Let me repeat that. Under this budget, Medicare goes up $105 billion. Now, I do not care if you are a multimillionaire, $105 billion is an increase, not a cut. And no

one in this country, no matter how rich they are or how liberal they are or how much they inherited, is entitled to come to this floor and misrepresent the facts. Medicare spending goes up every year. It goes up $105 billion, and that is not a cut. That is an increase. Medicare spending goes up 7.1 percent a year every year on the average.

Medicare spending per capita goes up from $4,950 to $6,400. Regardless of where you learned your math, that is an increase, not a cut.

To come to this floor and say we cut Medicare and imply that is class warfare is simply inaccurate. Tragically, Mr. President, I fear some of those who have done that know better.

One of the great ironies is these trust fund liberals have come to the floor with another story. They have said this budget involves tax cuts for the rich. One said it is tax cuts for the wealthy. One said it is a redistribution to help the wealthy. You are entitled to your view on whether you like this budget or not and you are entitled to dislike the idea you are going to go to a balanced budget—it is a change for America—but, Mr. President, to say this budget involves a tax cut for the rich is simply not true, is simply a reflection that they have not read it. You can be a Democrat or Republican or liberal or conservative, but you cannot come to this floor and say it with a straight face because it is a lie, it is not true.

Here are the facts: There is no tax cut in the Senate budget that came out of committee. There is a provision that says if we balance the budget, if we pass the reconciliation, and if there is a recalculation by CBO of the economies of this, that there could be a tax cut only with the money that comes from refiguring the numbers.

But, Mr. President, what it also says specifically—and it is a Democratic amendment that I cosponsor—it deals with any tax cut that could come about that way; that is, through a recalculation of the numbers. That amendment specifically addresses how any tax cut would be dealt with. That amendment specifically states it is the intent of the Senate and eventually the intent of Congress that 90 percent of any tax cut would go to working people who have incomes under $100,000.

You can say, ''I don't agree with that policy,'' or you can say, ''I agree with it,'' but to come and say that this budget is all about a tax cut for the rich is simply not accurate, it is not true. All you have to do is bother to read the budget.

Mr. President, I have heard others come here and say it penalizes the poor. That is interesting. That is interesting. This budget increases 3 percent a year, and the programs that go up the fastest are the ones that are aimed at the poor. The ones that are cut most dramatically fall in the category, in many areas, of corporate welfare.

To say this budget's net effect is to penalize the poor is simply not accurate. You can disagree with what the budget does, and it does many things, but to inaccurately describe it and misrepresent it, I think, detracts from the quality of the debate this Chamber ought to have.

I have heard people come to the floor and say, ''This budget takes away the earned income tax credit.'' Others have said it savages it. Mr. President, this budget will leave the earned income tax credit higher when it finishes than when it starts.

Does it change current law? Of course, it changes current law. It does not allow the earned income tax credit to increase as much. You can disagree with that. You can say it ought to increase more. Honest men and women can disagree about that subject, but to say it wipes out the earned income tax credit is simply not accurate.

This budget recognizes the fact that the earned income tax credit had a problem. There were indications of fraud and abuse in excess of 30 percent of the claims. This budget suggests that you ought to take a look at that fraud and eliminate it, that you ought to correct the fraud.

I can understand how someone could say, even though an objective congressional body said there was fraud in it, ''We do not agree.'' They are entitled to say that. I do not believe that is accurate, but I can understand they disagree with it. But they have not said that. They say this wipes out the earned income tax credit.

I can see how someone can come to the floor and say, ''Look, even though it had fraud in it, I think it is still worthwhile and you ought to increase it the way it originally was done.'' I do not agree with that, but I think it would be an accurate statement. But to come and say this wipes out the earned income tax credit is not true.

I think what offends me most is those who have had the most in their life, who have been given millions and inherited millions come to the floor and lecture us on class warfare.

Mr. President, there are a couple things that I think are specific there that the American people ought to be aware of. For you as a Senator or any Member of this body to vote for endless and increasing deficits for our country, I honestly do not believe is a benefit to the poor of this Nation. That is what the President's budget is. It is an increase in deficits that continue on and increase. If there is someone who honestly believes that is a benefit to the poor, they have a different view of the world than I do. All you have to do is look at the burden of paying the interest on what we owe.

Some people have come to the floor, some of the millionaires have come to the floor and talked about how this involves tax increases on working people. Mr. President, those are exactly the same ones, or at least some of them are exactly the same ones that in prior Congresses have voted a tax increase on Social Security on working people, or people who had worked for those benefits. They are exactly the same ones who came, or at least there are as many of them that are the same, that voted for the tax increase on fuel who now come and decry tax increases on working people.

Mr. President, the fact is this: This country has the lowest net savings rate of any major industrialized country in the world. Young men and women who want an opportunity in this country depend on savings to give new investment and new jobs. One of the reasons that we have productivity increasing at a slower rate in this country is because as Americans we have not reinvested in our future and in our Nation.

I hope the level of debate will deal with the facts in this case, and I hope the level of the debate will be accurate because there are disagreements here and they are honest ones. But for trust fund liberal Democrats and trust fund liberal millionaires to come to this floor and lecture those of us who work for a living about class warfare I do not think contributes to the quality of debate.

For Members to come to this floor and misrepresent the facts of what this budget does I do not think contributes to this debate. Mr. President, I think what is more important is the working men and women of this country have an ability to see through the quality of rhetoric that has appeared on this floor about the budget. Most working men and women in this country understand that bankrupting this Nation is not to their benefit. Most men and women who work for a living in this country want a future for their children and they are willing not only to work for it but to sacrifice for it and to commit for it.

And most working men and women in this Nation understand, above all else, that there is not any gift of free things in this world; that ultimately what we have is what we work for, and that a politician who wants their vote by giving them handouts is not their friend nor their savior, and that someone who offers them a hand up, not a handout, perhaps offers them the greatest gift of all.

I yield the floor, Mr. President.

The PRESIDING OFFICER. Does the Senator from Colorado seek to yield time?

Mr. BROWN. Mr. President, I yield to the Senator from Maine such time as she requires.

The PRESIDING OFFICER. The Senator from Maine.

Ms. SNOWE. Mr. President, I thank the Senator for yielding and concur with the remarks that have been made by the Senator from Colorado in terms of being able to deal with the facts, because I think that this issue is far too important to ignore the realities of the problem that are facing this country for now and future generations, but also the facts with respect to the plan that is before this Senate.

First of all, as a member of the Senate Budget Committee, I certainly

want to commend Senator DOMENICI as chair of the Senate Budget Committee for doing a magnificent job and providing the leadership necessary to bring forth a balanced budget plan.

What has been interesting about this debate so far as a member of the Senate Budget Committee and formerly as a Member of the House of Representatives in the last Congress—I also served on the House Budget Committee—at that time we were in the minority and we were challenged by the President and administration officials as a minority to bring forward our specific recommendations for budget cuts. The President put forward a plan and challenged Republicans to bring forward a plan. We did and it was rejected by the Democrats and it was rejected by the administration. But nevertheless, we put forward $433 billion worth of specific deficit reduction recommendations.

Now, here today, we are in the majority and we feel that we have a responsibility, as we promised the American people, to provide a balanced budget by the year 2002. Indeed, the first month of this Congress, we debated a constitutional amendment to balance the budget. We heard, time and time again, from many Members of the minority, who said, ''I support a balanced budget. I think we should balance the budget. I think we should have a balanced budget by the year 2002, but I do not think a constitutional amendment is necessary.'' In fact, we passed an amendment instructing the Budget Committee, with a vote of 87 to 10, to come forward with a balanced budget plan.

What has happened in the interim is that we have had no alternatives from the minority as to how to balance the budget. What we have heard today here, and in previous debates, is attacking and criticizing the specifics of our plan. I do not doubt that we can find fault with a plan that attempts to balance the budget over the next 7 years, given the fact that it has been 26 years since this Nation has experienced a balanced budget. But the fact is that there has been no constructive contribution as to how we balance the budget.

I have two charts here, because I think it is important to illustrate the point. To my right, we have the balanced budget proposal before the Senate. You can see over 7 years, we find that in the year 2002 we put the budget back into the black. It is not perfect. There are a lot of things I do not like in it either. But we have to get to a bottom line, which is to balance the budget by the year 2002. It is in the interest of this country, in the interest of future generations to do just that.

Now the other chart I have is pretty much of a blank. It is the Democrat plan to balance the budget. There is nothing. We are not debating alternatives or competitive plans. We had a vote earlier today on the President's plan. The vote was 99 to zero against.

So the point is that the only plan before this Senate is a credible CBO-scored plan that says we can balance the budget by the year 2002. We have no other plans. We heard in the Senate Budget Committee, well, it is not really a balanced budget because we have not addressed the surplus of the Social Security trust fund. Again, I agree, that would be another approximately $700 billion that we would have to address beyond the $1.2 trillion. But I also would suggest that this plan gets us off the trust fund eventually and is the only plan to do so.

Now, if other Members have suggestions as to how we can take the trust fund off now with finding an additional $700 billion in cuts over and above the $1.2 trillion we have to find to balance the budget by 2002, we would welcome those recommendations. But you hear time and time again about attacking specifics of this plan and what we have done. But they do not talk about the positive benefits, which I will get into in a moment. They do not have an alternative. You do not hear about competing balanced budget plans here. We do not hear about constructive recommendations as to how we can do it differently.

All we are hearing is criticism and bickering about what is wrong with the plan. I think that those who support the principle of a balanced budget, and support it in reality, have an obligation to come forward with a specific plan and alternative if they cannot support this plan. They owe it to the American people. We can cite, as we did in committee time and time again, the fact that many Members made statements in the last few months saying how much they supported a balanced budget and they wanted to work together. But when we faced that reality in committee, we did not have any ideas forthcoming. They talked about spending a dividend that might or might not materialize at the end of 7 years, and the Congressional Budget Office has said if in fact we put in place a plan over 7 years that balances the budget, we can realize a dividend of $170 billion. But that will happen over 7 years, assuming that all we put in place happens. So what we faced in the committee were numerous amendments on how to spend the dividend. There were more than $500 billion worth of recommended increases in spending. But we did not get the corresponding reductions. We did not get recommendations as to how we could cut this budget and balance it by the year 2002.

So I think that people as they are watching these debates are going to understand the difference between those who are trying to do something for the future of this country and those who are not doing anything.

The President's budget, as I mentioned earlier today, did not address the issue of deficit reduction. In fact, the President's budget that was enacted in the last Congress, which represented the largest tax increase in the history of this country, only provided $88 billion worth of spending cuts over 5 years of a collective budget—over 5 years of perhaps $6 trillion. The budget that the President put forward this year actually only reduced Federal spending by $32 billion over 5 years which, again, represents over 5 years of collective budget of $6 to $7 trillion. And he only recommended $32 billion in that period of time.

One of the previous speakers said we have had 3 consecutive years of declining deficits. Yes, that was the good news. But the bad news is that the deficit is going back up. That is the whole point. That is the major problem facing this country, because the President's budget and plan from the past, as well as the one he recommended to Congress this year, add another $2 trillion worth of debt by the year 2002—another $2 trillion.

In fact, the deficit will be $100 billion larger in the year 2000 than what the President had predicted in the budget that he submitted to Congress this year. It will be $100 billion larger. That is not even taking into account, according to the Congressional Budget Office, high inflationary periods or a recession. That is assuming that everything goes well economically between now and the year 2000. So, in fact, that could be even a higher number, a higher number than the $100 billion more than the President had projected for the year 2000. So those are some of the facts that we are attempting to deal with.

I feel if people have constructive criticism, then they have to recommend ways in which to balance this budget differently. But that is the bottom line. If you believe the magnitude of the debt is going to seriously impair this country's ability to prosper and provide the kind of standard of living that the American people deserve, then you have to support this plan, because this is the only plan that is before the Senate.

I know some of the previous speakers also mentioned tax cuts, which is something that was in the House plan. Well, this is the Senate plan. We do not have tax cuts in this plan. We hear about tax cuts and other things that have no relationship to the plan that is before the Senate. And it is very, very important, I think, to make that distinction.

This plan before us today will balance the budget for the first time in 26 years in American history. The last time we had a balanced budget in this country is when America put a man on the Moon.

Our deficit and our debt have grown 1,250 percent since we last balanced the budget back in 1969. That is what we are talking about. There is no other way in which to face this problem other than to make some of the tough choices now. I think everybody agrees

we have to make some of these difficult choices, provided it is fair and is responsible.

First of all, I should say that our plan saves Medicare. We have heard an awful lot about Medicare today. It is a very, very important program. So important that I would think that everyone would be concerned about the trustees' report which indicates without question that the hospital insurance trust fund will be insolvent by the year 2002.

It is the Medicare trustees—they are not Republicans—and it was not the Budget Committee who have predicted the insolvency or the bankruptcy of the Medicare Program in 2002.

Understand one thing: If we do nothing, if we do nothing about the Medicare problem, there will be no Medicare benefits for any of the 36 million Americans it serves after the year 2002. None. It will not exist. By law, the Government is prevented from providing any benefits if there are no assets in the insurance trust fund.

I would like to quote the Medicare trustees themselves, who stated the following:

> With the magnitude of the projected actuarial and hospital insurance program, the trustees urge Congress to take additional action designed to control the hospital insurance program costs. The trustees believe that prompt, effective and decisive action is necessary.

That is exactly what we do in our document.

Amazingly, the minority has no proposals, no ideas, to remedy the Medicare crisis. This, despite the fact that three of the Medicare trustees are actual Cabinet Secretaries, and they still refuse to admit there is a crisis. They say it has been mentioned before.

Well, we have 7 years in which to address the problem. As several of the trustees testified before the Senate Budget Committee recently, they said we have to take some action because it is going to take some time to have an impact on the revenues of the trust fund.

We cannot wait until the year 2002. We cannot wait until the year 2000. We cannot even wait until 1997. It has to be done now, in order to have a positive impact.

I, personally, think that the 36 million Americans who depend on this program—and more in the future because we will have more people retiring—is that they should have a sustainable health care program.

Now, we have one of two choices. We either attempt to address it this year or we ignore it. I, frankly, think we have a responsibility to address this problem.

So this is not a manufactured number. It is not a manufactured crisis. This is from a report that was done by the trustees of the Medicare system. This just came out. Three of the President's Cabinet Secretaries are on this board. They have said that there is a problem. I think that we do have an obligation.

Now, I think the President recognized that there has been a problem because in the past he has been quoted on several occasions, and I have these quotes on the charts because I think it is important to remind everyone that the President spoke about these issues as well when it came to Medicare and the growth and the problems we have in the future.

He said at one meeting, back in April 1994, ''Then we'll be able to lower the rate of inflation—keep in mind, we do not propose to cut Medicare and Medicaid, Ma'am,'' in answer to a question at a town meeting. ''Medicare and Medicaid under our proposal would go up at twice the rate of inflation, instead of three times the rate of inflation.''

Then, back in October 1993, in speaking to the AARP, a very important organization that represents senior citizens in this country, he said, ''Today, Medicaid and Medicare are going up at three times the rate of inflation. We propose to let it go up at two times the rate of inflation.'' Now, that is less than what we have in our budget. We have much more. ''That is not a Medicare or Medicaid cut. Only in Washington do people believe that no one can get by on twice the rate of inflation, so when you hear all this business about cuts, let me caution you that is not what is going on. We are going to have increases in Medicare and Medicaid.''

I think we owe it to the seniors of this country to begin to address this problem. In this proposal, we are recommending that we establish a bipartisan commission to recommend ways in which to address the insolvency of the program that will occur in the year 2002, according to the trustees, when they issue their report.

Now we heard many say it has to be done within the context of comprehensive health care reform. I think we ought to have health care reform. I think it is an imperative. Hopefully, we will be able to address that, as well, in this Congress.

We asked the trustees when they appeared before the committee as to whether or not we should have comprehensive health care reform in order to address this problem, or should we do it on a separate, legislative approach.

Mr. Ross responded,

> I, personally, believe there may well be a two-step process that is necessary, doing those things that can be done now to address things that can be affected in the short run, while setting up a process to deal in a more long-range and fuller basis with the problem in the context of broader health care reform.

The other trustee was asked, What are the alternatives if we do not address the problems? And Mr. Walker said, ''Delaying will only serve to increase the difficulty and the severity of any related changes. In addition, failure to address the financial imbalance in the Medicare programs will likely have long-term adverse consensus on Social Security, since the Congress has had a history of redirection of funds for the relatively better financed,'' because none of these programs is well financed, ''the relatively better financed programs in the short-term in order to shore up the troubled programs.''

What they were recommending is that we take action in the short term and, yes, then address some of the other issues in the context of health care reform for longer-term recommendations for the long-term stability of the program far beyond the year 2002.

The trustees also estimated that it would take an immediate 4-percent increase in the payroll tax or an immediate reduction in Medicare spending by 30 percent to deal with the insolvency issue if Congress does not make the changes in the system.

Obviously, we do not want that to happen. That is why, I think, that a commission on Medicare would be very, very, helpful. Our plan before the Senate today actually increases Medicare spending and saves the Medicare Program from going bankrupt in 7 years, as the Medicare trustees have predicted.

Our plan provides for overall cumulative spending for Medicare over 7 years of $1.6 trillion. Medicare spending will climb from $178 billion this year to an estimated $283 billion in the fiscal year 2002 under this proposal, an increase of $105 billion, or almost 60 percent above this year's outlays alone.

Moreover, per capita spending on Medicare under this measure will rise from $4,950 per Medicare beneficiary in 1995 to more than $6,400 per person in the year 2002, a 29-percent increase. That is an increase of over $1,500 in 7 years, or an extra $200 per person each year in Medicare spending.

Our plan also protects Social Security. That is why I am also amazed that so many here have said in their previous speeches that somehow this plan affects Social Security. They said that about the constitutional amendment to balance the budget, as well. But there is nothing more important to the Social Security trust fund than making sure that we get our house in order with respect to our Federal budget deficits. The more we spend in the red, the more we borrow from the trust fund.

It is paramount for Social Security recipients that we address the deficit issue and make every attempt to restrain the growth of our national debt. That is the real threat to the Social Security program. The fact is that no less than 10 percent of our Federal debt, much of which has been added over the last 2 years, is already owed to the Social Security trust fund. That is why it is so critical for us to balance the Federal budget. In fact, the former Commissioner, Robert Myers, of the Social Security Administration—he was Deputy Commissioner in 1981 and 1982, and he also, in 1982 and 1983, served as the Executive Director on Social Security reform—this is what he had to say:

In my opinion, the most serious threat to Social Security is the federal government's fiscal irresponsibility. If we continue to run Federal deficits year after year, and if interest payments continue to rise at an alarming rate, we will face two dangerous possibilities. Either we will raid the trust funds to pay for our current profligacy, or we will print money, dishonestly inflating our way out of indebtedness. Both cases would devastate the real value of the Social Security trust funds.

Further quoting Mr. Myers:

Regaining control of our fiscal affairs is the most important step that we can take to protect the soundness of the Social Security trust funds. I urge Congress to make that goal a reality.

So our plan preserves a secure legacy for future generations. We are not embracing the status quo. We do not want to condemn future generations to impossible choices on spending, which is what the administration's plan certainly offered, and certainly what the minority's plan has offered, which is no plan. So there are no choices here. And that is why this proposal before us today is so critical. Because this is the only plan that will address the indebtedness of this country, and to put us on a more stable path. You might ask, if we do nothing to end the rising tide of debts, what happens to the young people of today and to future generations? It is interesting to note, the National Taxpayers Union has estimated that a child born today will have to pay over $100,000 in extra taxes over the course of his or her lifetime in order to pay just the interest on the debt which will accumulate in the next 18 years. And for every $200 billion in new deficit spending, a child born today will need to pay an additional $5,000 in taxes, just to cover the interest charges.

Tax burdens are so enormous that projections are that a child born today will now have to pay between 90 and 100 percent—90 and 100 percent—of his or her income in order to pay for the expected spending. That is simply not a fair burden to place on future generations. It is morally reprehensible and financially disastrous.

On the contrary, our plan will relieve future generations from having to carry the yoke of debts and deficits by reaching a balanced budget by the year 2002. That is our gift to the next generation of Americans. And they deserve no less.

While much has been said recently about supposed tax reductions in our plan, I would like to make one thing clear once and for all. In our plan, deficit reduction and balancing the budget is our only priority. Lest we forget, it was this very administration which took great pride and effort to preempt the new majority in Congress last November after the election by issuing its own tax cut proposal to the American people of at least $69 billion.

As the majority of Americans in every income bracket have expressed in opinion poll after opinion poll, we understand that deficit reduction must be our first priority, our only priority in this budget plan and our first order of business. And that is exactly what you are going to find in this budget proposal. It is nothing more and nothing less.

Under our plan, the Federal Government spending will be slowed by $961 billion over the next 7 years, reducing Government outlays from a total of $12.8 trillion to $11.9 trillion. If we are going to lead by example, we should in deficit cutting, and we have in our budget. In fact, we place a strict 7-year freeze on all pay for Members of Congress because we think it is important that we do all that we can to make sure that we are contributing to deficit reduction. In fact, I think we should do more.

In addition to reducing Federal spending, our plan reduces the albatross of Federal bureaucracy. Our budget proposal reduces the size and scope of a Federal bureaucracy that has overtaxed, overregulated, and overextended itself over past years, hurting small businesses, middle-class families, and economic expansion.

Our plan eliminates dozens and dozens of Federal departments, agencies, and programs. It abolishes unnecessary bureaucracy, eradicates Government waste, terminates duplication, and consolidates and streamlines Federal programs to improve efficiency and prioritizes our very limited Federal resources. In short, our budget plan puts the Federal Government on a much-needed low dollar diet, and applies some fiscal therapy to our governing institutions.

What did the administration attempt to do? I remind you, the President, back in June 1992, said that he was going to have a 5-year plan for the American people to balance the budget. Of course, he never presented that to the Congress. He has never developed such a plan. But in his budget for fiscal year 1996 he eliminates just one Federal program, the Interstate Commerce Commission. That was the administrations's commitment to reducing the size of Government in Washington.

But I think it is important to look at the benefits of a plan to balance the budget by the year 2002. A balanced budget plan prepares America for future economic growth. It is right for America because the balanced Federal budget is good economics, good accounting, it is good for job creation, it is good for productivity, it is good for savings, it is good for reducing taxes, and it is very, very important in restoring the faith and trust that is essential for America to have between government and the people.

According to the General Accounting Office, if we balance the budget by the year 2002, the average American will have a real growth in income of 36 percent by the year 2020. Others predict that passage of a balanced budget will result in a 2.5-percent drop in interest rates, while the Wharton School of Business predicts a 4-percent drop. With a 2.5-percent drop in interest rates, our interest payments will be lowered by more than $600 billion between now and the year 2002.

Finally, it has been pointed out that when we do have a balanced budget, in the year 2002, interest rates will stay around 3.5 percent. For average homeowners this will mean a savings of $500 per month on their mortgage payments.

Another reason we must have a balanced budget set forth in our plan is because our Nation cannot continue to live in a fiscal condition where our standard of living is being continually challenged and lowered by the effects of annual deficits and increased debts. Without a balanced budget, America will become a second-rate economy with a second-rate standard of living.

We can no longer afford a gross interest payment on the debt of $339 billion this year and $372 billion next year. Within a few years—and this is an amazing statistic—the interest on the debt will consume 50 percent of all discretionary spending. In fact, since 1980 interest on the debt is the only area of the budget that has grown faster than entitlements, at a rate of 120 percent.

We can no longer afford a debt of $4.9 trillion, a debt so large that each person's share of the debt would have grown from $18,500 today to $23,700 per person, under the President's proposal, in 1999, a proposal, as I mentioned, we soundly rejected this morning by a vote of 99 to zero. So who says bipartisanship is nonexistent when it comes to recognizing a bad budget?

We can no longer afford to continue to allow the income of American families to deteriorate because of the Federal Government's fiscal ineptitude. According to the Concord Coalition, without the debt burdens imposed by recurring debts, the average family income would be $50,000 rather than $35,000.

The truth is, our plan for a balanced budget by the year 2002 is the right plan for America because, if it passes, it will be the very first balanced budget in more than a quarter of a century. Today, 26 years and a generation later, we have a chance to restore some fiscal equilibrium in our country. So now is clearly the time. Judging the trends, now is the time to act or we will quickly reach a dangerous and irresponsible point of no return.

In the 1960's, deficits in America averaged $6 billion per year. In the 1970's, deficits averaged $38 billion per year. In the 1980's, they averaged $156 billion per year.

So far in the 1990's they have averaged almost $260 billion per year. Clearly, signs are pointing to a worsening of economic conditions before we reach an improvement. That is why this is potentially our last rendezvous with history. We have tried different paths before. We have tried numerous legislative fixes, jump-starts, we have even tried statutory attempts like Gramm-Rudman-Hollings and the Rudman Act and the Byrd Act, and the

Humphrey-Hawkins Act. We tried rescissions and freezes and spending caps, and some, like the administration, even resorted to onerous tax hikes to get the American people to pay for the Federal Government's inaction. But the fact is that the problem remains, and it has only gotten worse.

I think, Mr. President, that we can do better, and we must do better. This plan sets aside the gimmicks, and balances the budget and the old fashioned way with real budget priorities, spending reduction, and fiscal responsibility. It will allow us to start anew and to plan for a brighter future for our children as they pursue their own American dream. Our children's legacy is too priceless to be squandered.

Mr. President, I yield the floor.

Mr. ROBB addressed the Chair.

The PRESIDING OFFICER. Who yields time?

The Senator from Virginia.

Mr. ROBB. Mr. President, I do not know who is controlling time on this side. But I yield myself such time as I may use at this particular point.

The PRESIDING OFFICER. The Senator has to ask unanimous consent to use time.

Mr. ROBB. I ask unanimous consent to use such time as may be required.

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

The Senator from Virginia is recognized.

Mr. ROBB. Thank you, Mr. President.

Mr. President, as we continue our debate on the budget resolution, let us remember that this is the easy part. A budget resolution is not a budget any more than a balanced budget amendment is a balanced budget. It is easy to vote for a constitutional amendment to balance the budget, and it is relatively easy to vote for a nonspecific budget resolution. The hard part is actually producing a balanced budget.

Both a balanced budget amendment and a balanced budget resolution are in effect a commitment to make the really tough choices required to get to a balanced budget. The heavy lifting comes later. The pain will not really be felt, and the magnitude of the sheer sacrifice required will not truly become a reality until the authorizing, appropriating, and finance committees finish their work, and specific programs are cut by specific amounts and specific revenues are raised either by increasing tax rates or eliminating tax breaks. That formidable task still looms over the horizon even after this budget resolution is passed.

Those of us who voted for the balanced budget amendment and those who voted against the balanced budget amendment, because they did not believe we needed to change the Constitution to provide the courage required to make the tough decisions, have a special responsibility to work together to produce a balanced budget. The framework of this debate is how to get to a balanced budget by the year 2002.

We ought to acknowledge up front, however, that even the current Republican budget resolution does not actually get us to a true balanced budget by 2002 because it still uses the Social Security surpluses for the next 7 years to mask the size of the remaining deficit as we have been doing for many years in the past. Therefore, we cannot deny that, even if we fulfill the promise of the current budget resolution in 2002, we will still be spending $113 billion more than we take in.

Nonetheless, this resolution clearly moves us in the right direction, and the Republicans are to be commended.

President Clinton started us in the right direction in 1993 with a bold mix of spending cuts and income tax increases limited to the top 1.2 percent of the wage earners that gave us the largest deficit reduction package in our Nation's history. I had hoped for similar boldness in the administration's budget for this year. The political considerations apparently dictated otherwise, as they obviously did for the two previous administrations. Therefore, the Republicans get and deserve credit for keeping the momentum going.

Now in control of the Congress, the Republicans are struggling to make the tough choices. And it seems to me that it is critical that we work together to reach the agreed-upon goal by the year 2002.

We should applaud Senator DOMENICI and Representative KASICH for doing what they said they would do by developing budget resolutions that create an outline for how our budget can, if we count in the Social Security surplus, achieve balance by the year 2002. We do not have to agree on every suggested cut. But I hope we can be constructive in our criticism.

In all fairness, it is difficult to attack Republicans for advancing a faulty plan when we Democrats have not yet offered a better one. We should take advantage of this historic opportunity to lay out our different priorities for the Nation within the context of a balanced budget. And I can assure you that nothing that we are planning, Mr. President, to propose in the way of a amendment lessen our chances of meeting that goal in the year 2002.

Our parties have very different visions of government. We should debate these differences honestly and constructively. I applaud the strength of the convictions that drives my Democratic colleagues to fight for programs which help children, the elderly, and the disadvantaged. Protecting the defenseless and aiding the less fortunate have always been a hallmark of our great party. In my view, however, failing to balance the budget as soon as possible will ultimately harm precisely those we seek to protect.

We are on an unsustainable path that places our Nation's future at risk. Every dollar we borrow to fund a program today will have to be repaid with interest by our children tomorrow. And every dollar our children have to spend repaying interest on our debt is one less dollar for them to use to build schools, improve highways, pride health care, or fund law enforcement. In truth, we are paying today for past failures to address the upwardly spiraling national debt. This year, 15 percent of our annual budget is devoted to paying interest on the massive debt we began accruing in earnest during the 1980's. In fact, if it were not for the interest we are paying on this whole debt, our budget this year would be balanced.

In any event, we can no longer afford to use deficit reduction as a political hot potato. Now is the time for real leadership. We should begin providing that leadership by educating the American people on a bipartisan basis about the sacrifice that reducing the deficit requires from us all. We have a higher calling than current political passion. The temptation to tear down the other side is difficult to resist.

For the sake of the next generation, however, we should not allow ourselves to do to Republicans what they did to us when we made the tough decisions to reduce the deficit in 1993. When we were in the majority, we made the hard choices without a single Republican vote. Republicans then in the minority decided to exploit those tough decisions, and succeeded in the last election largely as a result. The middle class was led to believe their income taxes had been raised when, in fact, we increased the income tax rate only on wealthiest 1.2 percent of Americans who could best afford it, and actually reduced taxes for the 16 percent least affluent working families who needed a break.

Likewise, people were led to believe that we did not cut spending. But the fact is that we cut $255 billion in Federal spending. The tactics deployed to attack the 1993 plan, however, are what make balancing the budget so difficult and which have kept us on the path to incomprehensible indebtedness.

If we seek revenge against the Republicans and resort to the scare tactics and distortions that so successfully ruined our efforts to achieve even greater deficit reduction in 1993, we will have abdicated our responsibility to protect future generations.

We need the courage to ignore the polls which suggest that, while a majority of Americans believe we should balance the budget, and even greater majority oppose cutting the programs that contribute the most to the deficit. And of course, no one wants a tax increase.

There are, however, only two ways to balance the budget. We either cut spending or raise revenues. And, in truth, we need to do both. We need to focus our efforts on cutting all the Federal spending that we can eliminate in good conscience. And we should not shy away from terminating departments, agencies or programs that do not make sense, even though they have a strong constituency. But, after we cancel all of the useless, inefficient, or unnecessary spending we can identify,

if we still cannot balance the budget, we are going to have to have the political courage to raise taxes. Otherwise, we will be conceding that we are unwilling to live within our means.

Our job as leaders is to describe the choices, educate the people, and explain that we cannot get to balance merely by eliminating waste, fraud and abuse, cutting welfare, and stopping foreign aid. There is no line item for the former, and the latter each represent less than one percent of our current budget. And we cannot let the polls dictate our response. Our best judgment of what is right for America in the long run should be our guide. In the oft-repeated words of Edmund Burke, ''[y]our representative owes you, not his industry only, but his judgment; and he betrays instead of serving you if he sacrifices it to your opinion.''

If, to gain political advantage, we pummel those who make the tough decisions to reduce the deficit, we will poison the atmosphere and sow the seeds of our own destruction. Balancing the budget will become impossible. As a result, we will have succeeded in being the first generation to leave the country in worse condition than we inherited. By arguing that painful cuts or tax increases are not necessary, we send a dangerous message to the people we serve. We simply cannot continue to tell the American people that it is possible to have it all without paying for it.

The fear of partisan attack, however, has already made this process more difficult. Knowing the power of various interest groups, both sides are afraid to recommend cutting sacred programs or raising needed revenues. Social Security accounts for 22 percent of our annual current budget, Medicare for 12 percent. If we do nothing, entitlements and interest on the national debt will consume every dollar the Federal Government receives by 2013. No program can be placed off-limits if we seek to balance the budget in the most even-handed manner possible. If sacrifice is spread broadly and fairly, we can succeed. Otherwise, we will fail.

Our guiding principle should be to provide Federal benefits only to those who truly need the Federal Government. We can no longer afford to do otherwise. Calls for limiting Federal benefits to those in need, however, should not be misconstrued as a battle cry for class warfare.

Democrats should be willing to admit that there is nothing wrong with wealth or economic success. Indeed, that is the rung on the economic ladder that most Americans are trying to reach. Republicans, on the other hand, should acknowledge that a progressive income tax, which is based on the fair notion that people should pay taxes according to their ability, and denying unneeded benefits to the well-off, is not class warfare. It is merely a recognition that we do not have the money to pay $30 billion in entitlements each year to families who make over $100,000 annually. In short, Federal revenues should go only to those who need and deserve our help.

Given this fiscal crisis, I believe it is sheer folly to even be considering a tax cut at this time. Indeed, we play a dangerous game when we pander to those who say ''it's our money, and we want it back.'' Tax revenues pay for governmental functions that benefit all of us, such as national defense, highways, schools, and law enforcement. We are bound together as a community of individuals who support a social contract. We can support that social contract either out of compassion, believing that we have a moral obligation to each other, or we can support the social contract out of fear, knowing that if we fail to help those truly in need, a feeling of sheer hopelessness will eventually lead them to believe that they have no choice but to take by force what they believe they need to survive.

I support the bold efforts of those who seek to balance the budget by 2002. The longer we wait, the more difficult the task becomes. If the events of the last week are an indication, however, we are at risk once again of making deficit reduction a pitched political battle. If we do so, the primary casualties will be the children of the next generation, defenselessly caught in the crossfire. Madam President, I thank the Chair and I yield the floor.

Mr. WARNER addressed the Chair.

The PRESIDING OFFICER (Ms. SNOWE). The Senator from Virginia.

Mr. WARNER. Madam President, I join my distinguished colleague from Virginia in our endeavor to support a balanced budget.

I am not sure I fully understood his final comments about the children in the crossfire, but it is clear to me that children will shoulder this debt, which is growing constantly, unless we join together, as my colleague said, Republicans and Democrats, in resolving this budget problem.

Madam President, I will have further detailed remarks on this issue early next week; but I wanted at this time to close out the debate today with an appeal for all Senators to examine the impact of the Senate budget proposal on our national defense.

Both my junior colleague and I are privileged to serve on the Senate Armed Services Committee, and he knows full well that defense has been declining, Madam President, for every fiscal year for a decade; for a full decade.

This morning, I say to my colleagues, this article appeared in the newspapers in Virginia's Tidewater area, where we are privileged to have the world's largest naval base, in Norfolk. It states: ''Naval Reserve Jets Activated for Duty in Bosnia Combat.'' If I may ask my colleagues to bear with me while I read one or two paragraphs.

''Special reserves'' are being used during downsizing. For the first time—

I repeat, for the first time.

since the Vietnam War, a squadron of Naval Reserve warplanes is being activated and sent to the Mediterranean to join military operations over Bosnia.

The deployment is part of the Pentagon's plan to rely more on the ''select reserves'' during the military's downsizing, officials said.

I ask unanimous consent that, at the conclusion of my remarks, the entire article, together with another one, appear.

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

(See exhibit 1.)

Mr. WARNER. I thank the Chair.

Now, there is clear documentation of these 10 consecutive years of downsizing of the U.S. military—10 years. And the Senate Armed Services Committee, indeed the Republicans under the leadership of Chairman THURMOND, have been addressing this issue. And under the leadership of the chairman and Senator MCCAIN, there will be forthcoming proposals to address what I regard as a very serious problem, namely that the House Budget Committee proposal for defense spending, which is $267.3 billion and adopted by the House just yesterday, falls in the area which I hope, and others hope, to achieve for the Senate.

The Senate bill is the same as the President's submission and considerably less than the House bill. And therein lies the difference that I, together with others, will ask the Senate to address next week. It is a very serious problem.

Also appearing in the news today is a second article, from the Washington Post, that concerns me greatly, Madam President. And that is entitled, ''Clinton Administration Trades Military Modernization for Readiness.''

I ask my colleagues to indulge me in reading a paragraph or two:

''In avoiding a short-term problem with military readiness, the Clinton administration has created a long-term headache over modernization of weapons and equipment.

''It has cut procurement of weapons systems to the lowest level''—I repeat, the low lowest level—''in nearly a half-century in order to sustain training, maintenance and other readiness spending at robust levels.''

Madam President, I am not faulting the Secretary of Defense. He is given only so much money to deal with. He does the very best he can—indeed, Secretary Perry is one of the finest to have ever held that office—the very best he can to project the Department's expenditures over each of the fiscal years. He comes from the research and development area of the private sector. He knows full well the danger of this course of action.

I have discussed this very problem with him, as have other Members of this Chamber, and we realize he really has no alternative.

All of this to say, Madam President, that early next week I hope the managers of this bill provide the Armed Services Committee an opportunity to

address this issue in greater detail and to focus the attention of the entire Senate on the very significant difference between the House approach and the current Senate proposal now before us. It is my hope that the Senate will make some adjustments. But I leave the details as to how it is to be done until the opening remarks by our chairman of the committee, together with Senator MCCAIN, and I hope to join them in this effort.

I thank the Chair and I yield the floor.

EXHIBIT 1

NAVAL RESERVE JETS ACTIVATED FOR DUTY IN BOSNIA COMBAT

(By Jack Dorsey)

For the first time since the Vietnam War, a squadron of Naval Reserve warplanes is being activated and sent to the Mediterranean to join military operations over Bosnia.

The deployment is part of the Pentagon's plan to rely more on the ''select reserves'' during the military's downsizing, officials said.

Two EA-6B Prowler jets and about 30 personnel from Tactical Electronic Warfare Squadron 209, based at Andrews Air Force Base near Washington, left Thursday for the Norfolk-based carrier Theodore Roosevelt.

The Roosevelt, currently in the Red Sea, is heading toward the Adriatic Sea off the coast of the former Yugoslavia to assist NATO and United Nations personnel taking part in Operation Deny Flight.

In this instance, the jets will augment an active-duty squadron of four or five Prowlers assigned to the carrier. The reserves will rotate pilots and crews from the U.S. every 30 to 60 days for six months.

The deployment of reserves also is a result of the military's ''right-sizing,'' said Capt. John Kistler, deputy chief of staff for the Naval Reserve Command, headquartered in New Orleans.

While some reserve units were called up during the Desert Shield and Desert Storm operations, no reserve tactical jets were needed aboard carriers, Kistler said. The military refers to its ''tactical'' aircraft as those capable of waging combat, such as fighters and bombers.

''Until right-sizing started, we had an air wing for every carrier,'' Kistler said. ''There was always plenty to go around.

''Now, when they need to make up a different configuration for a better scenario like they did for this one, we believe they will be increasing their reliance on reserves to finish out a carrier (air wing) to whatever size they want it to be.''

The next deployment may require more helicopters, for example, he said. A Naval Reserve squadron of H–60 helicopters out of Norfolk was ordered to Haiti last fall for six weeks.

All of the reservists volunteered for the Haiti assignment, Kistler said.

''It is very exciting for them. They have always known they could do the job well and this is another chance to prove it. We didn't have to ask anyone to go. It was all volunteer.''

The Navy Prowlers are four-seat, twin-engine jets equipped with anti-radar missiles that home in our enemy ground radar. The jets also carry pods that contain high-powered electronic jamming equipment that can be used against enemy air defenses.

While the fighting forces in Bosnia have relatively few aircraft: possibly two or more Soviet-built MiGs—land-based mobile missile launchers on the backs of trucks.

The Prowlers can jam electronic signals, including communications and missile commands.

Each jet has a pilot, navigator, electronic warfare operator and missile operator.

A unit of Air Force EF–111 Ravens currently performing similar duties out of Aviano Air Base in Northern Italy is ready to rotate back to the United States.

The Navy Prowlers will take their place, operating primarily from the carrier but out of Aviano during periods of poor weather.

CLINTON ADMINISTRATION TRADES MILITARY MODERNIZATION FOR READINESS

(By Bradley Graham)

In avoiding a short-term problem with military readiness, the Clinton administration has created a long-term headache over modernization of weapons and equipment.

It has cut procurement of weapons systems to the lowest in nearly a half-century in order to sustain training, maintenance and other readiness spending at robust levels.

So far, this trade-off has paid off politically and operationally. Pentagon officials largely have silenced earlier congressional allegations of a readiness crisis, citing the able performance of U.S. forces in Haiti and the Persian Gulf region. The military chiefs have supported assertions by the Defense Department's civilian leaders that no immediate readiness problem exists.

But Defense Secretary William J. Perry acknowledges his spending plan is open to attack for shortchanging modernization in the near term.

''If you're looking at an area where this budget can be criticized,'' Perry told members of the House Budget Committee recently, ''I think that this is the area where it is most vulnerable.''

Indeed, Perry is coming under fire from some in Congress for the gross imbalance between readiness and modernization. ''This shortsighted strategy puts at risk our future military capability,'' Rep. Floyd Spence (R-S.C.), chairman of the House National Security Committee, told the service secretaries at a recent hearing.

For all their concern, however, congressional Republicans have not put forward a formula for maintaining both readiness and modernization giving existing budget constraints and troop levels.

GOP leaders had hoped to bolster the procurement accounts by boosting overall defense spending, but that objective has become subordinate to the imperative of reducing the deficit. Rather than attempt any major re-balancing of President Clinton's program, Congress appears inclined to add little if anything to the administration's plan.

Perry has been committed since taking charge of the Pentagon early last year to keeping readiness high during the draw-down of U.S. forces. He wants to avoid the deterioration in performance and morale that marked defense cutbacks under President Jimmy Carter. He also makes the point that the numerous demands being placed on the military to respond to hot spots around the world require a high state of preparedness.

When anecdotal reports of eroding readiness started emerging last autumn, followed by official confirmation in November that the readiness ratings of three Army divisions had fallen, congressional Republicans accused the administration of military mismanagement.

The administration blamed the problem instead on lack of funding for unplanned operations in Somalia, Rwanda, Bosnia, Haiti and elsewhere; to compensate, the services siphoned money from readiness accounts. With a fresh infusion of operational funds from two supplemental appropriations in the past eight months, the Pentagon was able to raise its flagging readiness indicators—and political controversy shifted to the depressed state of military modernization.

A panel of retired four-star officers concluded in a recent report to Congress that the administration was ''failing utterly'' to invest adequately in the nation's military future. ''Our legacy to the next generation is likely to be 45-year-old training aircraft, 35-year-old bombers and airlifters, 25-year-old fighters, 35-year-old trucks and 40-year-old medium lift helicopters,'' said the report by Air Force Gen. Charles A. Gabriel, Marine Corps Gen. Alfred M. Gray, Adm. Carlisle A.H. Trost and Army Gen. Robert W. RisCassi.

The administration has requested $39.4 billion in budget authority for procurement in fiscal 1996, which adjusted for inflation would be a decline of 71 percent from a peak in 1985 and the lowest level since 1950.

For the Army, this means no major equipment orders beyond several dozen Black Hawk helicopters, only upgrades of Apache helicopters, Bradley vehicles and Abrams tanks. For the Air Force, which is pouring billions of dollars into development of the new F–22 fighter to supplant the F–15, there is little money left to replace aging squadrons of F–16s. And for the Navy, orders for new ships are to dwindle to three next year; naval planners also are concerned about possibly running out of planes in the next few years to put aboard aircraft carriers as A–6 aircraft are retired early.

The administration's five-year budget plan envisions a 47 percent increase in modernization spending between 1996 and 2001, but much of that is not projected to materialize until the turn of the century—and depends on the uncertain realization of substantial savings from military base closings and acquisition reforms being instituted.

In the meantime, the administration is gambling that high-tech upgrades can extend the useful lives of existing military hardware. And it is betting that the nation's military-industrial base still will be there when needed again.

Further, the wholesale deferment of many modernization projects risks creating a ''bow wave'' of future procurement that some defense experts warn may prove too large and costly to manage. Rather than cancel acquisition programs, the Pentagon for the most part has opted for stretch-outs and deferrals of such items as the Army's Comanche helicopter, the Air Force's F–22 fighter, the Navy's DDG–51 destroyer and New Attack Submarine and the Marine Corps' V–22 aircraft and new amphibious vehicle. Other programs are slated for cuts in planned production rates.

''Generally, the most efficient way to achieve savings in the procurement budget is to cancel outright a relatively small number of programs, rather than to stretch out or defer production of a large number of programs,'' noted a report by the Defense Budget Project, an independent think tank. ''Unfortunately, the administration appears to be taking the latter approach.''

Mr. FRIST addressed the Chair.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. FRIST. Madam President, I rise to discuss the issue of Medicare and Medicare reform.

The two Medicare public trustees, in the 1995 annual report, have stated: ''We feel strongly that comprehensive Medicare reforms should be undertaken to make this program financially sound now and over the long term.''

As a newcomer to this body, I see these words as a physician who has taken care of thousands of Medicare

patients. I want to speak for those patients and say that we have an obligation to respond.

I have seen the great advantages of the Medicare system which has served millions, almost 38 million people currently, who are senior citizens and individuals with disabilities. I have seen the very great aspects of the program and I have seen the deficiencies. I have seen the need for improving the Medicare system. And I can tell you that such improvements are required to guarantee the future of the program.

These very same trustees have stated that Medicare part A, the hospital part of Medicare, will be bankrupt in 7 years unless we act.

Our elderly population will continue to grow faster than other segments of the population and they will continue to live longer. Medical innovations will continue—innovations that literally transform health care as we know it today. We need to deliver high-quality health care at a lower aggregate cost. But that does not mean that maintaining the current rate of spending growth or even adding more money to the Medicare system will get to the driving source of the problems, the challenges we face today in Medicare.

My hope, in part, in coming to the Senate was to be able to share my expertise and perspective, my experience as a physician, with my colleagues. As the only physician in the Senate today, I want to share some of the realities of the Medicare system that we have today—realities that go far beyond the talk of billions of dollars or percentage of rates of growth, realities that will help put it in perspective.

Let us think for a moment of Medicare as a patient. Let us say Medicare is a man in his early sixties. He visits his doctor because of chest pain. The patient is 40 pounds overweight, smokes too much, drinks too much, does not exercise. The doctor explains in very clear terms that the patient is at high risk of a heart attack.

The doctor tells him very clearly that he must change his diet, cut back on alcohol, cut back on smoking, exercise more. All of these things will reduce the risk of a heart attack in the short run. Moreover, he will lose weight and improve his long-term health and life expectancy. This will give his family greater security, as well.

''But, Doctor,'' the patient asks, ''I don't care about my weight. Just tell me what I can do to fix my chest pain.'' The doctor again explains to him that when he changes his behavior to save his heart, he will also lose weight, feel better, achieve a better quality of life, and live longer. Weight reduction will result from the actions he will take to protect his heart. It is not the reason he is engaging in this program of exercise and diet to lose weight, but by losing weight that is what will happen.

I hope the analogy is clear. The public trustees have told us that the patient—Medicare—is at high risk of a heart attack. The diagnosis has been made for us. It is crystal clear. They tell us if we do nothing, Medicare simply will not be with us in 7 years. We need to change Medicare to preserve Medicare, to prevent bankruptcy. In the long run, we will have to look at structural reforms to improve Medicare well into the 21st century. We are going to have to look at how to improve Medicare so that it can live a long and prosperous life.

The program changes made in the short term to slow the rate of growth are very similar to the heart patient's exercise regime. No one wants to do it, but it has to be done. Some short-term pain, yes, but for significant long-term gain. It is hard enough to lose 40 pounds, let alone to put it off until all of a sudden you are up to 80 pounds. At 80 pounds, it becomes next to impossible.

As we see in this proposed budget, when we save Medicare from a short-term heart attack, the deficit will come down as a necessary byproduct. We must change Medicare to save it. And when the deficit comes down, we should look on all this as a good thing because it will produce significant benefits for our entire economy in the same way that our Medicare patient losing weight will benefit his health. But the primary reason we are changing Medicare is to preserve and protect Medicare, just as the patient is losing weight to prevent that heart attack.

Earlier today my distinguished colleague from West Virginia said he has not heard a single complaint or a single problem about Medicare lacking choices. I have lived within Medicare. I have heard the complaints, as well as experienced the benefits. There is much we can do—much we can do—to improve Medicare, to save it.

My last heart transplant that I performed was on December 13, 1993, a wonderful fellow, Bob Meadows. Bob is doing well now. He has a new heart. He is feeling great. He is on top of the world. However, he wrote me a letter recently talking about a problem that very specifically aims at Medicare.

He and I have been through a lot together. His problem is that he is going to be 65 years old on June 23, a month from now. At that point, he will be eligible for Medicare. So what is the problem? Bob will give up his current insurance that he has, which is pretty good, and move into the Government-run Medicare Program. He has no choice today. Should Bob not have a choice? He had a choice when he was 64 and 63 years of age. He has no choice when he is 65 years of age. Should he be forced to leave his current plan just because of a birthday, because he is entering the Medicare program?

To improve Medicare we should allow choice, we should give him that opportunity to stay with his previous plan. We should have him direct Medicare, to direct his Medicare dollars and to use as he best determines for himself, given his own medical needs, rather than have Medicare direct him.

When we talk about reforming Medicare or improving Medicare, we must stress the importance of having choice in our Medicare system, choice which simply does not exist today, choice similar to the choice that I had in coming to this body 5 months ago. I had a choice of a variety of health plans. Our seniors do not have that choice. I had a choice in the Federal Employees Health Benefits Plan. Seniors do not have that type of choice, but we can give them a structure of similar choices to improve the system.

Bob had a choice before I did his heart transplant. He will not have a choice next month. Some of our colleagues have told us that people like Bob, senior citizens, individuals with disabilities, do not deserve a choice once they go into the Government-run Medicare system, or others say they do not know if these plans will be good for seniors, and others simply say that seniors are not capable of making the choice of what is best for them. I disagree.

Bob, because he is a heart transplant recipient, is discovering very quickly that Medicare is going to be so inflexible that it will not meet his needs. Bob has enormous prescription drug costs because he is required to take medicines, drugs, immuno-suppressive agents on schedule everyday for the rest of his life. If he misses it, the heart that I put in will stop, and he will die. His heart will be rejected. It will result in longer hospitalizations, increased costs to the taxpayers.

His prescription costs are high, almost $2,000 per month during this first year. Luckily his insurance has been covering these costs, but next month, when Bob joins Medicare, he will not have access to a plan that will give him affordable coverage for these drugs. His drug costs will continue, continue very high, more than $10,000 each year.

Bob has been doing all the right things. He has been shopping around for supplemental coverage. Almost 90 percent of patients getting Medicare today have some type of supplemental coverage, but the supplemental medigap models, they are called, only provide for limited prescription drug coverage. Bob, even with medigap coverage, will have to pay more than $7,000 a year for his immuno-suppressive medicines. In Medicare today, unlike most private plans, there is no limit to out-of-pocket expenditures. Yes, there are things we can do to improve Medicare today, to give choice to our senior citizens.

Bob will be joining Medicare. If he fails to do so promptly, he is going to be penalized if he tries to join at a later date. Bob will have to find supplemental coverage and will ultimately look into having to be declared what is called medically needy by the State of Tennessee so that he can then access Medicaid funding to help pay these

bills. Again, there is room to reform and improve the Medicare system.

Bob and his wife planned for retirement, but his health status, which he did not ask for, straddles him with enormous medical costs. Now Medicare is going to straddle him with extraordinary reliance on a program that is not flexible. We, together, would serve Bob better, far better, if we improved, reformed Medicare to give him the opportunity to choose from among a variety of health plans that would better serve his individual needs.

The Republican balanced budget plan will allow Medicare's rate of spending to increase by more than twice the rate of inflation. At the same time, we must update Medicare, bring it into 1995 and to the 21st century to allow people like Bob continuity of health care by permitting them to keep the same plan that they had when they were 64 years of age. Our senior citizens deserve it. Our senior citizens must be given the security that Medicare will be here 7 years from now, security that they do not have unless we act.

Bob's new heart that I put in last year will be going strong in 7 years, but will Medicare? Not unless we act. We must pass the balanced budget plan. We must establish the bipartisan commission which is part of that plan to make recommendations on true Medicare improvements, Medicare reform, and we must ensure that Bob and other senior citizens truly will have a Medicare system that will be preserved and of which they can be proud over the next decade.

I yield the floor.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. I thank the Chair.

Madam President, as far as this Senator knows, we have no further speakers for today. I have some remarks that I would like to make on the matter at hand and then advise the Senate briefly what amendments we intend to take up and what those amendments are about that we have scheduled on our side, recognizing that we will be going back and forth on the amendments.

But first, Madam President, we will be talking more about this on Monday. What we are going to be talking more about Monday is to try and explain to America the deep cuts that are being provided for in the Republican budget with regard to Medicare.

I hear a lot of comment about the concern for America. I have heard a lot of talk about the Democrats that want to spend. I simply say to the Senate again that the Democrats, once again, have not offered an amendment in committee, we have not offered an amendment on the floor of the U.S. Senate that raises the deficit, the violates the 2002 date suggested in the Republican budget which this Senator and several Democrats happen to agree with.

Once again, on this amendment, and others that we are going to be offering, we are simply going to be dipping into the reserve of $170 billion that is specified eventually likely to be available for a tax cut, to alleviate the extraordinary hits—not eliminate them—but to relieve the extraordinary hits on some programs that we just do not think are capable of accepting those kinds of hits.

So let us make it clear once again, despite the theatrics that I have heard from those on the other side of the aisle today, that this is a terrible spending program that the Democrats are about, that the Republicans are trying to save money, they are trying to balance the budget and they are the only good guys because those bad Democrats on the other side of the aisle, you see, want to take this money and throw it away, I guess.

In this particular case, and on other amendments we will be offering, we are not throwing money away. We are not going out and saying, ''Here, wind, take these hard earned tax dollars and let it blow into the Potomac.''

No, what we are saying, Madam President, is that we just have different priorities than our Republican brethren. We are simply saying that we do not agree with the priorities that have been set on that side of the aisle.

We are not trying to eliminate the 2002 date for balancing the budget. We are not trying to raise the deficit. We are certainly not trying to raise the national debt. What we are talking about is whether or not we can move without violating the basic principles that have been laid down to reach a balanced budget that this Senator ascribes to, as evidenced by the fact that I voted in favor of the constitutional amendment to balance the budget. We are for these things.

I emphasize once again, Madam President, that what we on this side of the aisle are attempting to do is to say, let us get our heads screwed on right with regard to priorities. And with regard to the devastating Medicare cuts, I would simply say—and I will be addressing this in a few moments—as to how unfair these would be—not only unfair but devastating to the rural health care delivery system in my State of Nebraska. What I say about Nebraska and the facts that I will use to back that up can be said for many other States in the Union that have a substantial portion of rural population.

Madam President, the Medicare cuts in the Republican budget are grossly unfair to the average senior citizen. But rural America will, once again, bear the brunt of the storm of deficit reduction. What we are saying is we want to alleviate some of that by dipping into the money set aside for a tax cut in the Republican budget. And I remind all, once again, that not only is a $170 billion set aside, the $170 billion is specifically set aside for one thing and one thing only—a tax cut. Now, we are for cutting taxes, too, if we can provide that tax cut in a form that does not primarily benefit the wealthiest people in the United States of America, as clearly the plan offered and passed yesterday in the House of Representatives does. We are against that. We happen to believe that, in the case of the amendment presently before the Senate, to dip to the tune of $100 billion into the $170 billion kitty that is in the Republican Senate budget, to alleviate by that amount of money, $100 billion, the unfair and tremendous hit in the area of $250 billion that is scheduled over the next several years by the Republican budget.

It does not mean that it is not going to be cut. It simply says it would be fair and probably acceptable to most of us on this side of the aisle if we just did not hit those senior citizens on Medicare right between the eyes, as clearly the Republican budget does, notwithstanding the protests of those on that side of the aisle. They are wrong. I think they are wrong on the numbers, I think they are very sincere. But I hope that possibly we can pick up enough Republican votes on this very reasonable amendment to allow it to pass.

Madam President, cuts in Medicare and Medicaid could lay siege to small rural hospitals, which often serve a much greater share of the elderly and low-income patients. Nearly 10 million Medicare beneficiaries—10 million, which is one-fourth of all beneficiaries—live in rural America, where there is often one hospital per county. Many times, that one hospital serves many counties, more than just one. Nebraska is a perfect example of rural America's health care crisis that is going to be driven into a more serious crisis if eventually we accept anything close to the cuts suggested in the Republican budget for Medicare.

Let me lay out a few of the statistics. Nearly one-third of Nebraska, or 1.6 million citizens, live in rural areas. More than 38 of our ninety-three counties have elderly populations in excess of 20 percent. Nineteen of Nebraska's 93 counties have no hospitals. Here is the kicker: Medicare patients account for 68 to 70 percent of hospital administration admissions. Cuts in Medicare will cause many of our remaining rural hospitals simply to close. The downturn spiral has already begun. Ten percent of all rural hospitals closed during the 1980's. Medicare cuts will only accelerate that decline. Unlike urban and suburban hospitals, shifting costs to the private sector is not an option. It is not an option when the majority of rural patients are on Medicare and many others are uninsured.

Madam President, I ask at this time, because it is particularly pertinent to the remarks that I am making, that at the conclusion of my remarks a letter that I introduced in the RECORD last night from the head of the hospital association substantiating my figures be printed again in the RECORD.

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

(See exhibit 1.)

Mr. EXON. Big cuts in Medicare will cause many of these remaining hospitals no other option but to close. In 1993, Nebraska hospitals lost $383 per case caring for Medicare patients. Let me repeat that. In 1993, Nebraska hospitals lost $383 per case caring for Medicare patients. Based on the Republican budget, they would lose an average of $1,370 per case in the year 2000. That is a pretty devastating figure. And that would be only if the hospitals are still open. How can our hospitals respond to cuts of this magnitude? Several hospitals in my State are teetering on the brink of insolvency, and these cuts may put them over the edge. They are forced to slash wages, lay off employees, cut back on services, or simply close their doors. Once they close, Madam President, physicians leave our small rural communities and they never, ever will come back. The hospitals are gone forever, and so are the doctors.

Hospitals should not close simply because they serve a large population of Medicare patients. And that is what the Republican budget does. The No. 1 health priority for rural areas is increasing the supply of primary care physicians for our 22 million rural Americans. The Republican budget takes us in the direct opposite direction. More than 75 percent of Nebraska's counties have been designated medically underserved. Up to 25 percent of the rural doctors will retire or relocate within the next 5 years. More than 2,000 practitioners are needed to even begin to meet the rural needs of America.

Madam President, in recent years, a variety of Federal grants have been awarded to States with large rural-urban populations to help them develop new and innovative ways of delivering health care to our rural areas and we have appreciated that. Rural States like Nebraska have formed consortiums among their schools, churches and clinics, in order to pool resources and reach out to vulnerable residents. They have formed regional emergency care networks and organized training programs for their emergency volunteers. They have used physician assistants and nurse practitioners, and they have been a Godsend. Telemedicine grants that help connect rural and urban hospitals through the information highway show real promise in improving quality and access to care for our rural elderly who cannot travel the long distance to urban hospitals.

Rural America got the short end of the stick in the Republican budget. These and other programs critical to the health care of our rural communities were left to wither on the stalks.

I have heard time and time again today the phrase that has been used over and over again that the Republicans have worked so very, very hard to fashion a budget that is going to save America, that is going to balance the budget by the year 2002, that will make these hard choices; that those on the Democratic side of the aisle want to change all that, not give a tax cut, and they want to increase spending.

Obviously, from all of the extensive polling that they have done with GOPAC and all of those other good organizations, they have found good buzzwords. They know that ''spending'' is a good buzzword that catches a lot of attention. So when we say the Democrats are trying to spend more, it rings a bell that they hope will fool the people of America into believing that we are—we as Democrats—offering this amendment that I emphasize, once again, does not change the balanced budget by 2002, and does not increase the deficit. It keeps it the same as outlined in the Republican budgets. It does not raise the national debt.

The only way that we can interpret this as spending would be to say, since we want to keep hospitals open in rural Nebraska and elsewhere, by not eliminating the cut, but softening the cut that has been suggested in the Republican budget, somehow we are big spenders.

Well, if that is the definition of being a big, wild-eyed spender, this conservative deficit hawk, as Governor of Nebraska for 8 years and having the privilege of representing them, this is my 17th year, with a record of trying to reduce spending, with that background, I say if I am going to be labeled as a big spender because I am trying to help out the most fragile parts and sections and individuals in our country, those senior citizens living in rural America, alleviating just a little bit the tremendous hit that they are going to be taking as a result of the budget submitted by the Republican majority, then I stand convicted. I stand convicted, Madam President, of being a big, wild-eyed spender. I simply say that the record speaks for itself.

Madam President, I would like for the purpose of clarification to know where we think we should be going on this side. For the information of my friend and colleague, the Senator from New Mexico, as we bring this week's debate on the budget resolution to a close, I just want to lay out the content of the amendments on this side of the aisle that we will be pursuing after we vote Monday afternoon on the measure before the Senate.

At that time, I assume that we, therefore, will go to the other side of the aisle for the next amendment. As I stated earlier yesterday and then again today, we on this side plan a series of deficit-neutral amendments that seek changes in priorities in the Republican budget. Each and every one of the amendments that we will be offering fall exactly within the guidelines that I have just enunciated with regard to the amendment before the Senate.

All of these amendments, and any that I know of, maintain the Senate path as outlined in a Republican budget to a balanced budget, that is basically the underlying principle of the budget resolution.

The first amendment that we offered that is pending now is referred to as the Rockefeller-Lautenberg amendment on Medicare. That amendment seeks to trim back—not eliminate, but trim back—the tax cut in the Republican resolution and devote more of those savings to alleviating the hits in the Medicare Program that we think are unreasonable.

The amendment following that, when we on this side have an opportunity to offer our next amendment, will be an amendment to offer to trim back the tax cuts just some, a little bit further, and debate those savings, to reduce the cut and the hit on education.

Now, Madam President, we will be making the very similar case and following generally the same roads of reasoning as to why we think the Republican budget that came unanimously out of the Republican-controlled Budget Committee does the same thing to education as their figures on Medicare do to Medicare recipients and hospitals that primarily serve Medicare patients.

There will be a very similar amendment. I suspect that the debate will be very similar, perhaps, to what we are having today. That is the amendment that will follow.

Following that, the next amendment that we contemplate would trim back those Republican tax cuts just a little further, and devote those savings once again to eliminating the tax increase in the Republican budget on working families making less than $28,000 a year. Generally, that is referred to as the earned income tax credit. It has come up on several occasions during the debate in the last several hours.

Taken together, those amendments that I have just offered constitute a different vision for America. A different vision—again, not violating the basic principles of the budget brought by the Republican majority.

This Senator has commented previously—not only commented, but complimented especially Senator DOMENICI, who I know has worked very hard and very long on this proposition. I simply say to my good friend, ''You have done an overall very good job.'' Just please reason with this side and allow changes within the budget that has been submitted.

If we can come to that, we are going to have a much stronger bipartisan budget as it leaves the U.S. Senate than we would have had otherwise.

Our vision puts a higher priority on seniors—not eliminating any cuts but reducing the cuts. It does the same for working families. It does the same for education.

Together, these amendments define the difference, I suggest, the difference in the two parties with regard to priorities. As Harry Truman once said, ''With us as Democrats, the people come first.'' I wish we could do more, but we cannot. I believe the people of America are willing to join to make some very hard choices and to take some very painful cuts.

Once again, I emphasize in closing, Madam President, that all we are trying to do is to do some surgery on the Republican budget. Not violating, obviously, the basic principle; not violating balancing the budget by the year 2002; not violating the overall goals with regard to spending, the totals; not increasing the national debt. What we are trying to do in all good faith is to be joint partners, as the minority party, in making some changes that will allow many of us, with a lot of thought and consideration, to simply say to Senator DOMENICI and our friends on that side of the aisle: We will join with you in making these very painful choices, because we realize, we recognize, and we think it is a must to make some dramatic changes in what has taken place with wild-eyed spending and very high deficits over the last few years, starting back basically with the election of President Ronald Reagan as President of the United States.

So I simply say that we recognize the fault for this is not all on the Republicans, and it is certainly not all on the Democrats. We are in this boat together. I hope we can work in consort, in a bipartisan fashion, to begin to work our way out of it.

We do not believe any of the amendments we have offered thus far, or the amendments we will be offering before we go to the final debate and vote on the resolution itself, are anything other than reasonable priorities that we would like to reset and make some changes in, as advanced by the Republicans when they brought this budget to the floor of the U.S. Senate.

I thank the Chair and I yield the floor.

EXHIBIT 1

NEBRASKA ASSOCIATION OF HOSPITALS AND HEALTH SYSTEMS,
May 10, 1995.

Hon. J. JAMES EXON,
U.S. Senate, Washington, DC.

DEAR SENATOR EXON: On behalf of the 94 acute care hospitals in Nebraska, I wish to call your attention to a serious potential problem.

Clearly, the United States must work its way out of debt. To do that, Federal spending must be cut. It is my understanding that the Senate Budget Committee Chairman's mark is set an an overall reduction of $1.5 trillion by the year 2002. I further understand that in order to achieve a savings of that magnitude, Medicare is targeted for $256 billion reduction in spending over the same seven-year period.

Here's the problem. For fiscal year 1993 (FY '93) (the most current completed year), Nebraska hospitals had a net operating margin of −7.5 percent for care rendered to Medicare recipients. Based upon the Chairman's mark for Medicare spending, in the year 2000 Nebraska hospitals would have a net operating margin of −23 percent for Medicare patients. This figure is expected to improve by the year 2002 to a net operating margin loss of only 14.5 percent, because the reductions are ''front loaded.''

Putting this into financial terms, in FY '93 Nebraska hospitals lost $383 per case caring for Medicare patients. Based upon the Chairman's mark, in the year 2000 they would lose on average $1,339 per case and in 2002 they would lose $983 per case caring for Medicare patients. This is all compounded by the fact that Nebraska is a state with a higher proportion of elderly citizens in its population.

How can hospitals respond to the cuts of this magnitude? Hospitals are caught in a catch-22. They can: (1) shift more costs to the private sector—this is no longer a viable option in today's managed care environment; (2) slash wages and lay-off employees; (3) cut back on the scope of services provided—all of which threatens the quality of care, will close rural hospitals and restrict access. It is a lose-lose situation for community hospitals. Reimbursement reductions of this magnitude in a state with a disproportionate share of the elderly population, a state in which Medicare patients account for 60 to 70 percent of hospital admissions, clearly threatens the health care system upon which all of us depend.

Medicare needs to be fixed. There is an opportunity for Congress to change Medicare, but the change must be driven by sound health care policy, not budgetary or political imperatives. The Senate Budget Committee's proposed Medicare reductions would crush Nebraska hospitals.

As always, Nebraska's hospitals look to your leadership.

Sincerely,

HARLAN M. HEALD,
President.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Madam President, is the Chair personally on some serious time impediment at this point?

The PRESIDING OFFICER. No, the Senator may proceed.

Mr. DOMENICI. I will not take very much time. I have five or six unanimous-consent requests. I assume my colleague has cleared those?

Mr. EXON. I believe these requests have all been cleared.

I would like to ask, as long as we are in this, we are scheduled to come in at 8:30, is it, Monday?

Mr. DOMENICI. Right.

Mr. EXON. If I understand it right, when we close the business today there has been a joint agreement that we would either have used or have agreed to use 10 hours, is that right, today?

Mr. DOMENICI. Yes. Ten yesterday and ten today—twenty.

Mr. EXON. So when we start debate Monday morning we will have 30 hours left on the budget resolution, is that correct?

Mr. DOMENICI. Correct.

Mr. EXON. I thank my colleague.

Mr. DOMENICI. Madam President, let me just put in perspective where we are. It is amazing. I am not saying this is Senator EXON, but let me just see if I can put in perspective that side of the aisle, and what we have heard all day long and what we are going to hear for the next couple of days, on this side of the aisle.

Frankly, any time you try to reduce spending in any major area which is bankrupting the Government, you hear that you surely should not do that one because that is terribly important to everybody.

I am going to make an assumption for this RECORD, just to put in perspective where we are. First, we know Social Security is off this budget. It is going to continue and get its cost of living.

Let me assume that since Medicare, which is growing at 10 percent—there are many who say it should keep on growing at 10 percent, and I am sure in spite of the amendment that says we will take a little less than that, which is the Democrat amendment, there is an overwhelming number of Democrats who would say leave it like it is. It is very important. You cannot touch it. It has to grow at 10 percent.

Let it grow at 10 percent.

And then there are those who say, welfare? You can reform welfare but you are not going to save any money. OK, so we take that off. If we are not going to save any money, there is no use talking about it in the budget, right?

Then there is education. Even though we say wait until we debate it, Pell grants have been on this floor with three different speakers saying we abolish them. Madam President our assumption is that Pell grants go up $6.6 billion during the 7 years. How much is enough when you are bankrupt? How much is enough when you are $300 billion in debt here, in just a few years? That is the issue. What can you afford? Not what you like. Not what would be wonderful. Not what would be sensational for our people. Not what you can go home and brag to people we protected you.

Who protects the millions and millions of Americans and the young people from this debt that keeps going up? So we take out welfare. We cannot save any money. That is kind of the theory from the other side.

Earned income tax credit? We are destroying, we are cutting —raising people's taxes. Earned income tax credit, the fastest-growing program in the Tax Code, it is going to go up 40 percent in this budget. How much can we afford? Is 40 not enough? How much should it go up, 70? Why is that the case, when the country is borrowing the money to pay it back to people? Where do we stop? What is affordable?

And then, no offense but there are some who say we should not cut agriculture. Look, it is not a giant program and I am not saying Senator EXON said no cuts. But I am guaranteeing there is a very large contingency on that side that would say you cannot touch agriculture.

I am just going to do, for the Senate, in rough numbers, and for the people listening, I am going to take all those things off budget. OK? And I am going to try to get a balanced budget. So I am going to take off Medicare. I am going to take off Medicaid. We have heard an argument about Medicaid. Medicaid, 4 years ago, Madam President, because we changed the law and States found out rather quickly how to harvest the program—some say cheat, but some say harvest the program— so they found out how to harvest the program. Guess how much it went up?

Twenty-seven percent. The following year we were still at it out there in the States, 26-percent increase. And then it came down to 8, and then it went back to 10 and there it is.

Frankly, we have to leave that there because many on that side see as ruinous for America if you do not leave that program just like it is. But nobody says who is paying for it, right? We just sit around here and say we really need that. So that is another one.

I have added them up as best I can and here is where we would be. You have to pay the interest on the debt, I assume. OK? So we put that in.

I think we have, then, what is left on the table. I was almost going to say nothing, but I have to be honest. What is left on the table is $390 billion out of a $1.6 trillion deficit. So that is how this goes. We take one off but we only take it off because we argue it is so great. We do not understand how do you stop borrowing the money from our kids, taxing them without representation. We do not figure out how we do that. We just say we must keep this.

My staff has gone through and said, Senator, if there is $390 billion left, to get to balance what might we have to do? If people are worried about doing some draconian things, here is our best guess. Eliminate the Department of Defense, for starters. Eliminate the Department of State, Department of Justice, Department of Transportation. NASA is complaining. We did not cut NASA as much as the House in our recommendation, but they disappear under this scenario. Oh, actually, we do not think there is even a Department of Veterans left under this.

So the point is, no matter what you try to eliminate, no matter what you try to change, no matter what you try to reform, there are those who want to keep it all and at the same time say we are for a balanced budget.

You just cannot do it. And I have given an example today, rough as it is, do not hold me to it to the exact millions, but just hold me to it as a pretty good workmanlike approach to where we are. That is where we would be.

Now, I forgot to mention something. After we did all that, senior citizens, Medicare is on the road to bankruptcy, right? Because we just left it like it is. And leaving it like it is we are doing all these nice things that nobody wants to change, but it is going bankrupt.

So that is even an additional one to add to what we have done. Shame on us. Shame on us. As we say we are helping senior citizens, we want to leave it like it is. Many here want to leave it like it is because to try to find some way to reform it, manage it better, give seniors choice, somehow or another we are going to harm them, we are going to hurt them. To tell you the truth, what is really going to harm and hurt Americans is if we do not figure out some way to stop borrowing money. That is what is going to hurt America.

Now, my last observation about all of this is also something that I would like to quickly make. How many Americans are going to be harmed by our incessant borrowing of money? I believe the number is in the millions, for I believe they have already been hurt. I believe the huge debt we have today has already harmed the standard of living, the real paycheck of millions and millions and millions of Americans.

So one might say, who is really worried about the people? Is it those who talk about Federal programs that are worried about the people? Or is it those who talk about Federal programs that we could not pay for so we borrowed money so all the people get hurt? Who is for the people? I believe I know where I am, and I am very comfortable with it. I believe this budget is for the people of this country.

Now, my last observation about all this is just let us take an analysis of where our Democratic brothers are going to be Monday with their vote and in three successive votes after that. Let us just take a look for a minute. The Republicans produce a balanced budget. Here it is. Here it is, the Republican balanced budget. No help from the President. We produce it. No help from the Democrats. We produce it. We say to the American people we want to be leaders for making some hard choice. They do not. We do.

Now, what happens when we get it finished? The Congressional Budget Office says there is a high probability that when you get that done, you get an economic dividend. Some people are choosing to call it on this side the Domenici dividend, double D. I do not know what it is, whose it is, but it is reality. There is a benefit from balancing the budget. It is $170 billion more or less depending upon how it all turns out.

In a sense, it is looked at this way. After you balance the budget, interest rates come down, and they are down over the whole 7 years and you have a little dividend. Now, the entire package of Democratic amendments which you heard about today and you are going to hear about next week turns right around and says now that you have the dividend, spend it. That is the issue. Now that you have the dividend that may be there, turn right around, after all this effort, and take this contingency and start spending it again. And would that not be nice for the seniors if we really made Medicare solvent in the process?

But we have not. But we have not. But we are going to spend it again with no new plan for Medicare. Just put the issue off. Just put off the issue of rural hospitals, put off the issue of older hospital beds all across this Nation that we are not going to have one way or another in a few years because we have many hospitals at 50 percent occupancy, and we are kidding ourselves that they are going to be here for 5, 10, or 20 years.

So essentially, just so we put it all in perspective, these are the amendments of the Democratic Party. Spend the dividend that you earned for Americans, spend it, put it back in this ever-growing Federal budget that got us in this jam.

Republicans say something very different. We say if that occurs, if that benefit is forthcoming, that dividend, if it is forthcoming, we would like to give it back to the American people by way of a tax cut. It will be there only if we get a balance.

Frankly, I am convinced that at that point the American people earned it. They paid for all this budget. Middle-income Americans paid for most of it. And we in our budget say give back middle-income Americans a modest tax cut, perhaps the $500 per child tax credit. That may fit. Now, frankly, I believe that is a good game plan.

I want to just close. Again, there is nothing mean about this budget. There is plenty, plenty mean about saying we do not care about our children. We want to tax them without representation. It does not matter about the deficit because it is mean not to give the American people programs that we cannot afford. That is mean. To say to Americans we cannot afford the program, and therefore we must ask you to sacrifice, that is mean? I do not think so.

I think what is mean is not to ask that of our seniors, to not to ask that of Americans and to then say somebody else pays for it all. We are not quite sure who, but somebody else pays for it.

Frankly, the chairman of the Budget Committee in the House yesterday had it right. His one and only closing prop was a nice big picture with about 50 little children on it. That is what we ought to hold up here when we start voting on this and say, who is worried about them? Who is worried about them and their standard of living? And when they start working, that $100,000 of their income that has to come back to America to pay interest on the debt during their lifetimes, who is worried about that?

We welcome the debate. It will be a good debate next week. We will have some good amendments, too. And we will have some disagreements on our side of the aisle. Republicans are not all out of one mold. We will have some disagreements. But in the end, this is the year to make it right and we will do that.

Now, Madam President, I have a few unanimous-consent requests. First, I ask unanimous consent that when the Senate resumes consideration of the concurrent resolution on Monday, May 22, there be 30 hours of debate remaining under the statutory time limit.

Mr. EXON. No objection. We agree to that.

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