104TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPT. 104–119
Part 1

TO REQUIRE THE TRUSTEES OF THE MEDICARE TRUST FUNDS TO REPORT RECOMMENDATIONS ON RESOLVING PROJECTED FINANCIAL IMBALANCE IN MEDICARE TRUST FUNDS

MAY 15, 1995.—Ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means, submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 1590]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 1590) to require the Trustees of the medicare trust funds to report recommendations on resolving projected financial imbalance in medicare trust funds, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

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99–006

I. INTRODUCTION

A. Purpose and Summary

H.R. 1590 would require the Trustees of the medicare trust funds to report recommendations on resolving projected financial imbalance in the medicare trust funds.

B. Background and Need for Legislation

Medicare is a federal health insurance program for the aged and certain disabled individuals. Medicare is an entitlement program which in FY 1995 will cover approximately 35.7 million people and cost an estimated $181.1 billion.

It consists of two parts: the Hospital Insurance (part A) program and the Supplementary Medical Insurance (part B) Program. Part A provides coverage for hospital services, post hospital skilled nursing facilities, home health services and hospice care. It is financed primarily through a payroll tax levied on current workers and their employers which is deposited into the Federal Hospital Insurance (HI) Trust Fund. Currently, employer and employees each pay a tax of 1.45% on all earnings. Part B provides coverage for physicians' services, and other medical services. Part B is financed through a combination of beneficiary premiums and general revenues.

On April 3, 1995, the Board of Trustees for the Federal Hospital Insurance Trust Fund issued a report that indicates under the Trustees' intermediate assumptions, the present financing schedule for the HI program is sufficient to ensure payment of benefits only over the next 7 years. The exhaustion period is projected to occur around the turn of the century, in 2002 under the immediate assumptions and in 2001 if the high cost assumptions are realized. As a result the HI Trust Fund does not meet the Trustees' short-range test of financial solvency. The long-range financial outlook is even more unfavorable. Over the 75 years projection period, the HI Trust Fund has an actuarial balance of −3.52 percent of taxable payroll, using the intermediate set of assumptions. The current payroll tax would need to be more than doubled immediately to keep the HI Trust Fund solvent over the 75 year projection period. The Trustees concluded that the HI Trust Fund fails to meet the Trustees' test of long-range close actuarial balance by an extremely wide margin. To make the HI program solvent even for the next 25 year period would require an immediate 44 percent payroll tax increase.

The 1995 annual report of Board of Trustees for the Federal Supplementary Medical Insurance Trust Fund, submitted on April 3, 1995, notes with great concern the past and projected rapid growth in cost of the medicare supplemental insurance program. The report indicates that the growth rates have been so rapid that the outlays of the program have increased 53 percent in aggregate and 40 percent per enrollee in the last 5 years and 19 percent faster than the economy.

The medicare trust fund reports urge Congressional action but provide no specific legislative recommendations designed to address either the fact that the HI Trust Fund will begin going broke in 1996 and will likely be bankrupt by the year 2002, or the high cost growth of the medicare part B program.

C. Legislative History

COMMITTEE BILL

H.R. 1590 was introduced on May 8, 1995 by Mr. Archer of Texas and Mr. Thomas of California and referred to the Committee on Ways and Means, and, in addition, to the Committee on Commerce. The bill as introduced contained two provisions: (1) Trustees' conclusions regarding financial status of medicare trust funds; (2) Recommendations on resolving projected financial imbalance in medicare trust funds.

The Committee on Ways and Means marked up the bill on May 9, 1995, and ordered the bill to be favorably reported without amendment by a roll call vote of 20 yeas and 15 nays.

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The Subcommittee on Health of the Committee on Ways and Means held a public hearing on February 23, 1995. The hearing focused on the medicare part A provisions in the President's fiscal year 1996 budget proposal and the effects of those provisions on the insolvency date of the HI Trust fund. The full Committee on Ways and Means held a public hearing on May 2, 1995. The hearing reviewed the 1995 Annual Report of the Trustees of the Federal Hospital Insurance Trust Fund.

II. EXPLANATION OF THE BILL

Present Law

Under present law, the Trustees of the Federal Hospital Insurance Trust Fund and the Trustees of the Federal Supplementary Medical Insurance Trust Fund report to Congress each year on the operation and status of the trust funds. The law does not require the Trustees to submit recommendations for specific program legislation to correct reported inadequacies in either operations or status of the medicare trust funds.

Explanation of Provisions

Section 1 of the bill describes the conclusions of the 1995 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund and the 1995 Annual Report of the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund.

Section 2 of the bill would require the Board of Trustees of the Federal Hospital Insurance Trust Fund and the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund to submit to Congress recommendations for specific program legislation designed solely to control medical hospital insurance program costs and to address the projected financial imbalance in the Federal Hospital Insurance Trust Fund in both the short-range and long-range; and to more effectively control medicare supplementary insurance costs. These recommendations would be required to be submitted no later than June 30, 1995.

REASONS FOR CHANGE

The Federal Hospital Insurance Trust Fund is rapidly approaching bankruptcy. Complete exhaustion of the fund is expected to occur around the turn of the century, in 2002 under the intermediate assumptions, and in 2001 if the high cost assumptions are realized. The 1995 annual report of the Board of Trustees of the Federal Hospital Insurance Trust Fund concludes that the HI Trust Fund does not meet either the Trustees' short-range or long-range solvency tests, the HI program costs are expected to far exceed revenues over the 75 year long-range period under any set of assumptions, and that, as a result, the HI program is severely out of financial balance. The Trustees' also conclude that Congress must take timely action to establish long-term financial stability for the program.

The 1995 report of the Trustees of the Federal Supplementary Medical Insurance Trust Fund indicates that although the SMI Trust Fund is actuarially sound the program has experienced unparalleled growth in recent years. The Trustees expressed great concern about the past and projected rapid growth in cost of the medicare supplemental insurance program. The report indicates that the growth rates have been so rapid that the outlays of the program have increased 53 percent in aggregate and 40 percent per enrollee in the last 5 years and 19 percent faster than the economy.

The present Board of Trustees of the medicare trust funds are uniquely qualified to make specific legislative recommendations Congress solely designed to resolve the financial imbalance in the medicare trust funds.

As Secretary of the Treasury, Managing Trustee Rubin directs and provides oversight for hundreds of financial policy analysts at the Department of the Treasury; many of whom have health care financial and economic policy expertise as well. Prior to his appointment as Secretary of the Treasury, Secretary Rubin served in the White House as Assistant to the President for Economic Policy where he directed the activities of the National Economic Council. In the Fall of 1994, while at the White House, Secretary Rubin was appointed to co-chair policy development for the President's health care reform initiative.

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Similarly, Secretary of Labor Reich is responsible for the overseeing Department of Labor economists, demographers and other analytical experts in their activities of projecting labor related economic trends including those related to health policy. As an economist, Secretary Reich personally has the expertise needed to develop the recommendations required by these provisions. Secretary Reich also participated in the development of the President's health care reform initiative.

As Commissioner of Social Security, Trustee Chater has responsibility for the Social Security Program. Not only does the Social Security Program serve nearly all the same beneficiaries as the medicare program but the Social Security Administration also keeps data on the medicare program and serves as the link between the medicare program and medicare beneficiaries at the local level. Many of the Medicare policy decisions that will have to be made regarding the recommendation to Congress required by these provisions are directly related to the programs the Commissioner directs. The Social Security Administration also has actuarial, economic, and demographic policy expertise needed for completing the required recommendations.

Effective date

The provisions are effective upon enactment.

III. VOTES OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee in its consideration of the bill, H.R. 1590.

MOTION TO REPORT THE BILL

The bill, H.R. 1590, was ordered favorably reported by a rollcall vote of 20 yeas and 15 nays on May 9, 1995, with a quorum present. The rollcall vote was as follows:

YEAS	NAYS
Mr. Archer	Mr. Gibbons
Mr. Crane	Mr. Rangel
Mr. Thomas	Mr. Stark
Mr. Shaw	Mr. Jacobs
Mrs. Johnson	Mr. Ford
Mr. Houghton	Mr. Matsui
Mr. Herger	Ms. Kennelly
Mr. McCrery	Mr. Coyne
Mr. Hancock	Mr. Levin
Mr. Camp	Mr. Cardin
Mr. Ramstad	Mr. McDermott
Mr. Zimmer	Mr. Kleczka
Mr. Nussle	Mr. Lewis
Mr. Johnson	Mr. Payne
Ms. Dunn	Mr. Neal
Mr. Collins	
Portman	
English	
Ensign	
Christensen	

IV. BUDGET EFFECTS

A. Committee Estimate of Budgetary Effects

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of this bill, H.R. 1590, as reported:

The Committee agrees with the estimate prepared by CBO, which is included below.

B. Statement Regarding New Budget Authority and Tax Expenditures

In compliance with subdivision (b) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of H.R. 1590 do not involve any new budget authority, or any increase or decrease in revenues or tax expenditures.

C. Cost Estimate Prepared by the Congressional Budget Office

In compliance with subdivision (C) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. Congress,
Congressional Budget Office,
Washington, DC, May 12, 1995.

Hon. Bill Archer,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has reviewed H.R. 1590, as ordered reported by the House Committee on Ways and Means on May 9, 1995. The bill requires the Board of Trustees of the Federal Hospital Insurance Trust Fund and the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund to submit to the Congress recommendations for legislation to resolve the projected financial imbalance in the Medicare trust funds. CBO estimates that enactment of H.R. 1590 would not significantly affect the federal budget or the budgets of state and local governments.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Lisa Layman.

Sincerely,

June E. O'Neill, *Director.*

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

With respect to subdivision (A) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was as a result of the Committee's oversight activities concerning the Federal Hospital Insurance Trust Fund that the Committee concluded that it is appropriate to enact the provisions contained in the bill.

B. Summary of Findings and Recommendations of the Committee on Government Reform and Oversight

With respect to subdivision (D) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that no oversight findings or recommendations have been submitted to this Committee by the Committee on Government Reform and Oversight with respect to the provisions contained in this bill.

C. Inflationary Impact Statement

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the bill are not expected to have an overall inflationary impact on prices and costs in the operation of the national economy. As is indicated above (in Part IV of this report), the bill is projected to be deficit neutral over fiscal years 1995–2000.

VI. LETTER FROM THE COMMITTEE ON COMMERCE

U.S. House of Representatives,
Committee on Commerce,
Washington, DC, May 12, 1995.

Hon. Bill Archer,
Chairman, Committee on Ways and Means, Longworth House Office Building, Washington, DC.

Dear Chairman Archer: I am writing with respect to H.R. 1590, legislation to require the Trustees of the Medicare trust funds to report recommendations on resolving the projected financial imbalance in the Medicare trust funds, which you and Congressman Thomas introduced in the House on Tuesday, May 9, 1995. As you know, this bill was referred to both the Committee on Ways and Means and the Committee on Commerce.

I understand that your Committee met on Wednesday, May 10, and ordered H.R. 1590 reported to the House. I further understand that you are anxious to schedule this bill for consideration by the House as quickly as possible.

The Commerce Committee shares your concern with the need for swift action on this legislation. In Fiscal Year 1995, the Medicare entitlement program covered approximately 35.7 million people at an estimated cost of $181.1 billion. The report issued on April 3, 1995, by the Board of Trustees for the Medicare Hospital Insurance Fund and the Supplementary Medical Insurance Trust Fund urging Congress to examine the Medicare program because both trust funds are facing significant financial problems in both the short term and long term was disturbing, to say the least. Particularly distressing was the Board's estimate that the Hospital Insurance Trust Fund will be exhausted by the year 2002. Of equal concern were the views of the Chief Actuary for Medicare which indicated that not only is the Hospital Insurance Trust Fund financially out of balance, but spending growth by the Supplementary Medical Insurance Trust Fund is also a concern because the rate of growth is unsustainable.

The Commerce Committee is deeply concerned about the future of the Medicare program. It is clear from the Trustees' report that a serious review of all aspects of the Medicare program must be undertaken immediately in order to find a solution to this crisis. It is equally clear that the time for such a review is now if we are to solve this problem in a fiscally responsible and timely manner.

To that end, it would be extremely beneficial if the Board of Trustees, who have been examining the Medicare trust funds in great detail, were to submit their legislative recommendations to Congress for consideration as we undergo this process. I, therefore, support your legislation which would require the Board of Trustees of the Medicare trust funds to submit specific program legislation to Congress by not later than June 30, 1995.

For that reason, I intend to notify the Speaker that, in order to expedite House passage of H.R. 1590 so as to receive the Trustees' recommendations in a timely manner, I will waive the Commerce Committee's right to mark up this legislation and allow the Committee to be discharged from further consideration of H.R. 1590, provided that such waiver does not in any way prejudice the Commerce Committee's jurisdictional prerogatives in the future with respect to this measure or any similar legislation.

It is also my intention to ask the Speaker that, should this legislation become the subject of a House-Senate conference, the Commerce Committee would be afforded an equal number of conferees as those appointed from the Committee on Ways and Means with respect to H.R. 1590, and any Senate amendments thereto.

In furtherance of our mutual interest on this legislation, I would also ask that you include this letter in the Ways and Means Committee report on H.R. 1590.

I look forward to working with you in the future, both on this bill and on other legislation of interest to our two Committees.

Sincerely,

THOMAS J. BLILEY, Jr., *Chairman.*

VII. DISSENTING VIEWS

H.R. 1590 is not needed, accomplishes nothing which cannot be accomplished without legislation, and is technically flawed in that it asks the wrong people to render opinions on issues which are not within their area of expertise.

With H.R. 1590 the Majority is trying to find someone else to fulfill its responsibilities. As the majority party, the Republicans must propose a budget, along with the detailed proposals necessary to meet that budget's requirements.

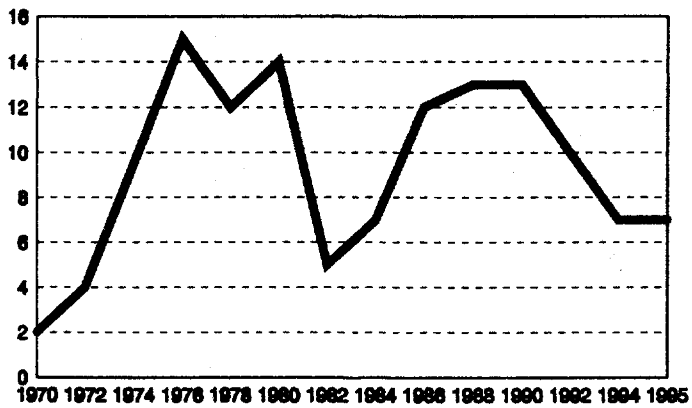
We understand and appreciate their problem. Last year we proposed a detailed health reform bill which laid out specific Medicare cuts which would have reduced Medicare spending by $168 billion over seven years, and improved significantly the status of the Hospital Insurance (Part A) Trust Fund. We did not ask the President for the proposals that we made, nor did we rely upon alarming statements about the status of Medicare's trust funds in order to scare the public into accepting our proposals.

The Republican response to our Medicare savings proposals was to offer an amendment in Committee to strip all of them from the bill. Every Republican on the Committee voted "aye." At the time Mr. Archer alleged that our proposals would "devastate their program under Medicare," and that "quality of care and availability of care * * * [would be] the price that is going to have to be paid to pay for these cuts." Mr. Shaw said that our proposals would "destroy a health care program in this country that we know works and that our seniors are depending on."

Their most recent effort is to focus on the insolvency of the Part A Trust Fund. This effort to frighten the public into accepting huge cuts in Medicare does not correspond with their past performance.

A few facts are in order to put this issue into perspective. First, the Trust Fund is currently estimated to be insolvent during FY 2002, seven years hence. This is by no means the closest to insolvency which the program has been, as the following chart illustrates.

History of HI Trust Fund Insolvency Predictions
Years of Insolvency Remaining as of Each Year's Trustees' Report



It is also important to point out that the insolvency status of the Trust Fund in 1994 was the same as it is in 1995—seven years of solvency remaining. No one on the Republican side pointed with alarm to last year's report, although insolvency was estimated to be just as imminent. And, as has already been pointed out, Republicans unanimously voted down proposals which would have extended the solvency of the Part A Trust Fund to about fifteen years.

Ironically, the only action taken thus far relating to the solvency of the Part A Trust Fund is approval of the Republican Contract with America provision which takes money *out* of the Part A Trust Fund through a reduction in the amount of Social Security benefits subject to taxation. It is at best disingenuous to worry with great anguish about the future solvency of the Trust Fund when you have a proposal on the table which takes the Fund in exactly the wrong direction.

In addition, the question of Trust Fund insolvency has nothing to do with Medicare's Supplementary Medical Insurance program, Part B. The report of the Part B Trustees states that Part B is actuarially sound. Therefore, if reductions in Medicare are being made solely to "save" the Trust Funds, there is not reason to cut Part B at all since Part B's Trust Fund doesn't need saving.

Of course, the debate has nothing to do with "saving" the Medicare Part A Trust Fund. As the FY 1995 budget resolution approved by the Budget Committee makes clear, the Republicans are looking for huge cuts in Medicare, $283 billion over seven years, far beyond any amount that is needed to reasonably extend the solvency of the Part A Trust Fund. The resolution envisions large cuts in Part B which have nothing to do with solvency, and would impose large increases on out-of-pocket spending by beneficiaries. No wonder they want to get someone else to endorse their desire to slash this program.

The bill is also technically flawed. The law states that it shall be the duty of the Trustees to "hold the Trust Fund," "report to the Congress. * * * each year on the operation and status of the Trust Fund;" "report immediately whenever* * * the amount of the Fund is unduly small;" and "review the general policies followed in managing the Fund." The statute does not give the Boards of Trustees any responsibility for managing the Medicare program—their responsibilities are to manage the Trust Funds, and to report to Congress on their operation.

The Trustees do not as a group have the expertise to make recommendations on operating the Medicare program. The Secretary of the Treasury is the managing trustee. Asking him how to manage Medicare is like asking one's banker how to run one's life. Nevertheless, H.R. 1590 asks the Secretary of the Treasury, as the managing Trustee, to make recommendations on how to control hospital and physician costs, matters clearly outside his area of expertise. And although the Secretary of Health and Human Services sits as a Trustee, she is joined by three other ex officio Trustees who may or may not have expertise on these highly technical matters.

The fact is that the Trustees have done their job—they have reported to the Congress that action needs to be taken to resolve the Part A Trust Fund's long-range imbalance of expenditures over revenue. It is the job of the Congress to act on the report which the Trustees have submitted.

If in fact the Majority was truly interested in seeking recommendations on controlling the growth in Medicare, then competent authorities such as the Prospective Payment Assessment Commission, the Physician Payment Review Commission, the General Accounting Office, the Office of Technology Assessment, and the Congressional Research Service should have been asked. All of these experts work directly for the Congress and would make recommendations if asked, rendering this bill unnecessary.

In summary, this is a nonsensical bill, destined to be ignored once the real battle over Medicare is joined. If the Republicans wish to cut Medicare, the need to put their proposals on the table, as Budget Committee Chairman Kasich has done, and let the Committee work their will. No additional reports or studies are required for that to occur. This bill is only about public relations, and given that, we urge a "No" vote.

SAM M. GIBBONS.
PETE STARK.
ROBERT T. MATSUI.
SANDER M. LEVIN.

CHARLES B. RANGEL.
JIM MCDERMOTT.
JERRY KLECZKA.
L.F. PAYNE.
RICHARD E. NEAL.
WILLIAM J. COYNE.
HAROLD FORD.
BARBARA B. KENNELLY.
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BEN CARDIN.

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Effective date

The provisions are effective upon enactment.

III. VOTES OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee in its consideration of the bill, H.R. 1590.

MOTION TO REPORT THE BILL

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YEAS	NAYS
Mr. Archer	Mr. Gibbons
Mr. Crane	Mr. Rangel
Mr. Thomas	Mr. Stark
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Mr. Herger	Ms. Kennelly
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Mr. Hancock	Mr. Levin
Mr. Camp	Mr. Cardin
Mr. Ramstad	Mr. McDermott
Mr. Zimmer	Mr. Kleczka
Mr. Nussle	Mr. Lewis
Mr. Johnson	Mr. Payne
Ms. Dunn	Mr. Neal
Mr. Collins	
Mr. Portman	
Mr. English	
Mr. Ensign	
Mr. Christensen	

IV. BUDGET EFFECTS

A. Committee Estimate of Budgetary Effects

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of this bill, H.R. 1590, as reported: The Committee agrees with the estimate prepared by CBO, which is included below.

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C. Cost Estimate Prepared by the Congressional Budget Office

In compliance with subdivision (C) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. Congress,
Congressional Budget Office,
Washington, DC, May 12, 1995.

Hon. Bill Archer,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has reviewed H.R. 1590, as ordered reported by the House Committee on Ways and Means on May 9, 1995. The bill requires the Board of Trustees of the Federal Hospital Insurance Trust Fund and the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund to submit to the Congress recommendations for legislation to resolve the projected financial imbalance in the Medicare trust funds. CBO estimates that enactment of H.R. 1590 would not significantly affect the federal budget or the budgets of state and local governments.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Lisa Layman.

Sincerely,

June E. O'Neill, *Director.*

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

With respect to subdivision (A) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was as a result of the Committee's oversight activities concerning the Federal Hospital Insurance Trust Fund that the Committee concluded that it is appropriate to enact the provisions contained in the bill.

B. Summary of Findings and Recommendations of the Committee on Government Reform and Oversight

With respect to subdivision (D) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that no oversight findings or recommendations have been submitted to this Committee by the Committee on Government Reform and Oversight with respect to the provisions contained in this bill.

C. Inflationary Impact Statement

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the bill are not expected to have an overall inflationary impact on prices and costs in the operation of the national economy. As is indicated above (in Part IV of this report), the bill is projected to be deficit neutral over fiscal years 1995–2000.

VI. LETTER FROM THE COMMITTEE ON COMMERCE

U.S. House of Representatives,
Committee on Commerce,
Washington, DC, May 12, 1995.

Hon. Bill Archer,
Chairman, Committee on Ways and Means, Longworth House Office Building, Washington, DC.

Dear Chairman Archer: I am writing with respect to H.R. 1590, legislation to require the Trustees of the Medicare trust funds to report recommendations on resolving the projected financial imbalance in the Medicare trust funds, which you and Congressman Thomas introduced in the House on Tuesday, May 9, 1995. As you know, this bill was referred to both the Committee on Ways and Means and the Committee on Commerce.

I understand that your Committee met on Wednesday, May 10, and ordered H.R. 1590 reported to the House. I further understand that you are anxious to schedule this bill for consideration by the House as quickly as possible.

The Commerce Committee shares your concern with the need for swift action on this legislation. In Fiscal Year 1995, the Medicare entitlement program covered approximately 35.7 million people at an estimated cost of $181.1 billion. The report issued on April 3, 1995, by the Board of Trustees for the Medicare Hospital Insurance Fund and the Supplementary Medical Insurance Trust Fund urging Congress to examine the Medicare program because both trust funds are facing significant financial problems in both the short term and long term was disturbing, to say the least. Particularly distressing was the Board's estimate that the Hospital Insurance Trust Fund will be exhausted by the year 2002. Of equal concern were the views of the Chief Actuary for Medicare which indicated that not only is the Hospital Insurance Trust Fund financially out of balance, but spending growth by the Supplementary Medical Insurance Trust Fund is also a concern because the rate of growth is unsustainable.

The Commerce Committee is deeply concerned about the future of the Medicare program. It is clear from the Trustees' report that a serious review of all aspects of the Medicare program must be undertaken immediately in order to find a solution to this crisis. It is equally clear that the time for such a review is now if we are to solve this problem in a fiscally responsible and timely manner.

To that end, it would be extremely beneficial if the Board of Trustees, who have been examining the Medicare trust funds in great detail, were to submit their legislative recommendations to Congress for consideration as we undergo this process. I, therefore, support your legislation which would require the Board of Trustees of the Medicare trust funds to submit specific program legislation to Congress by not later than June 30, 1995.

For that reason, I intend to notify the Speaker that, in order to expedite House passage of H.R. 1590 so as to receive the Trustees' recommendations in a timely manner, I will waive the Commerce Committee's right to mark up this legislation and allow the Committee to be discharged from further consideration of H.R. 1590, provided that such waiver does not in any way prejudice the Commerce Committee's jurisdictional prerogatives in the future with respect to this measure or any similar legislation.

It is also my intention to ask the Speaker that, should this legislation become the subject of a House-Senate conference, the Commerce Committee would be afforded an equal number of conferees as those appointed from the Committee on Ways and Means with respect to H.R. 1590, and any Senate amendments thereto.

In furtherance of our mutual interest on this legislation, I would also ask that you include this letter in the Ways and Means Committee report on H.R. 1590.

I look forward to working with you in the future, both on this bill and on other legislation of interest to our two Committees.

Sincerely,

THOMAS J. BLILEY, Jr., *Chairman.*

VII. DISSENTING VIEWS

H.R. 1590 is not needed, accomplishes nothing which cannot be accomplished without legislation, and is technically flawed in that it asks the wrong people to render opinions on issues which are not within their area of expertise.

With H.R. 1590 the Majority is trying to find someone else to fulfill its responsibilities. As the majority party, the Republicans must propose a budget, along with the detailed proposals necessary to meet that budget's requirements.

We understand and appreciate their problem. Last year we proposed a detailed health reform bill which laid out specific Medicare cuts which would have reduced Medicare spending by $168 billion over seven years, and improved significantly the status of the Hospital Insurance (Part A) Trust Fund. We did not ask the President for the proposals that we made, nor did we rely upon alarming statements about the status of Medicare's trust funds in order to scare the public into accepting our proposals.

The Republican response to our Medicare savings proposals was to offer an amendment in Committee to strip all of them from the bill. Every Republican on the Committee voted "aye." At the time Mr. Archer alleged that our proposals would "devastate their program under Medicare," and that "quality of care and availability of care * * * [would be] the price that is going to have to be paid to pay for these cuts." Mr. Shaw said that our proposals would "destroy a health care program in this country that we know works and that our seniors are depending on."

Their most recent effort is to focus on the insolvency of the Part A Trust Fund. This effort to frighten the public into accepting huge cuts in Medicare does not correspond with their past performance.

A few facts are in order to put this issue into perspective. First, the Trust Fund is currently estimated to be insolvent during FY 2002, seven years hence. This is by no means the closest to insolvency which the program has been, as the following chart illustrates.

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It is also important to point out that the insolvency status of the Trust Fund in 1994 was the same as it is in 1995—seven years of solvency remaining. No one on the Republican side pointed with alarm to last year's report, although insolvency was estimated to be just as imminent. And, as has already been pointed out, Republicans unanimously voted down proposals which would have extended the solvency of the Part A Trust Fund to about fifteen years.

Ironically, the only action taken thus far relating to the solvency of the Part A Trust Fund is approval of the Republican Contract with America provision which takes money *out* of the Part A Trust Fund through a reduction in the amount of Social Security benefits subject to taxation. It is at best disingenuous to worry with great anguish about the future solvency of the Trust Fund when you have a proposal on the table which takes the Fund in exactly the wrong direction.

In addition, the question of Trust Fund insolvency has nothing to do with Medicare's Supplementary Medical Insurance program, Part B. The report of the Part B Trustees states that Part B is actuarially sound. Therefore, if reductions in Medicare are being made solely to "save" the Trust Funds, there is not reason to cut Part B at all since Part B's Trust Fund doesn't need saving.

Of course, the debate has nothing to do with "saving" the Medicare Part A Trust Fund. As the FY 1995 budget resolution approved by the Budget Committee makes clear, the Republicans are looking for huge cuts in Medicare, $283 billion over seven years, far beyond any amount that is needed to reasonably extend the solvency of the Part A Trust Fund. The resolution envisions large cuts in Part B which have nothing to do with solvency, and would impose large increases on out-of-pocket spending by beneficiaries. No wonder they want to get someone else to endorse their desire to slash this program.

The bill is also technically flawed. The law states that it shall be the duty of the Trustees to "hold the Trust Fund," "report to the Congress. * * * each year on the operation and status of the Trust Fund;" "report immediately whenever * * * the amount of the Fund is unduly small;" and "review the general policies followed in managing the Fund." The statute does not give the Boards of Trustees any responsibility for managing the Medicare program—their responsibilities are to manage the Trust Funds, and to report to Congress on their operation.

The Trustees do not as a group have the expertise to make recommendations on operating the Medicare program. The Secretary of the Treasury is the managing trustee. Asking him how to manage Medicare is like asking one's banker how to run one's life. Nevertheless, H.R. 1590 asks the Secretary of the Treasury, as the managing Trustee, to make recommendations on how to control hospital and physician costs, matters clearly outside his area of expertise. And although the Secretary of Health and Human Services sits as a Trustee, she is joined by three other ex officio Trustees who may or may not have expertise on these highly technical matters.

The fact is that the Trustees have done their job—they have reported to the Congress that action needs to be taken to resolve the Part A Trust Fund's long-range imbalance of expenditures over revenue. It is the job of the Congress to act on the report which the Trustees have submitted.

If in fact the Majority was truly interested in seeking recommendations on controlling the growth in Medicare, then competent authorities such as the Prospective Payment Assessment Commission, the Physician Payment Review Commission, the General Accounting Office, the Office of Technology Assessment, and the Congressional Research Service should have been asked. All of these experts work directly for the Congress and would make recommendations if asked, rendering this bill unnecessary.

In summary, this is a nonsensical bill, destined to be ignored once the real battle over Medicare is joined. If the Republicans wish to cut Medicare, the need to put their proposals on the table, as Budget Committee Chairman Kasich has done, and let the Committee work their will. No additional reports or studies are required for that to occur. This bill is only about public relations, and given that, we urge a "No" vote.

SAM M. GIBBONS.
PETE STARK.
ROBERT T. MATSUI.
SANDER M. LEVIN.
CHARLES B. RANGEL.
JIM MCDERMOTT.
JERRY KLECZKA.
L.F. PAYNE.
RICHARD E. NEAL.
WILLIAM J. COYNE.
HAROLD FORD.
BARBARA B. KENNELLY.
JOHN LEWIS.
BEN CARDIN.

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