TABLE 2.—THE IMPACT OF THE SENATE WELFARE REFORM PROPOSAL ON FAMILY INCOME—Continued

[By Income Quintiles and Family Type Stimulates effects of full implementation in 1996 dollars]

	Total reduction in income (in billions)	Average income under current law	Average income reduction per family	Percent change	Percent of families losing 15% or more of their income
Third	−1.1	32,016	−150	−0.5	0.9
Fourth	−0.4	45,868	−50	−0.1	0
Highest	−0.4	79,154	−52	−0.1	0
Total	−11.2	38,735	−292	−0.8	3.2

Notes: The comparison shown is between the Senate Republican Leadership welfare reform proposal and current law. The simulations include the impact of the provisions in S. 1120, as amended, on AFDC, SSI, and Food Stamps. Model incorporates a labor supply and state response.

The definition of quintile in this analysis uses adjusted family income and sorts an equal number of persons into each quintile. Adjusted family income is derived by dividing family income by the poverty level for the appropriate family size.

Source: TRIM2 model based on data from the March 1994 Current Population Survey.

METHODOLOGY

These preliminary results are based on the TRIM2 microsimulation model, using data from the March 1994 Current Population Survey. Overall, these estimates tend to be a conservative measure of the impact of S. 1120 on poverty and income distribution. The analysis assumes that states will continue to operate the program like the current AFDC program (i.e., they will service all families eligible for assistance); that states will maintain their 1994 spending levels; and that recipients are not cut off from benefits prior to the five year limit. Additionally, the results are conservative because not all provisions are included and because the data do not identify all persons who would potentially be affected by the program cuts. The model also assumes dynamic change in the labor supply response for those affected by the time limit provision, based on the best academic estimates of labor supply response.

The results compare the impact of the Senate Republican welfare reform proposal with current law. The computer simulations include the impact of the fully implemented provisions in S. 1120, as amended, on AFDC, SSI, and the Food Stamp Program in 1996 dollars and population. S. 1120 will decrease spending on AFDC-related programs by $8.8 billion, in 1996 dollars. Spending on children formerly eligible for SSI will decline by $1.5 billion. The Food Stamp Program will be reduced by $1.5 billion.

The poverty analysis is displayed in 1993 dollars. The definition of poverty in this analysis utilities a measure of income that includes cash income plus the value of food stamps, school lunches, housing programs, and the EITC less federal taxes. This income is then compared to the Census Bureau's poverty thresholds, adjusted for family size. For example, a family of three today (1995), is living in poverty with the income below $12,183; a family of four with income below $15,610.

The following are the specific provisions of S. 1120 that were modeled (these provisions may not reflect the final version of the Senate welfare reform bill):

AFDC

Reduce AFDC spending as a result of the block grant; Limit receipt of AFDC benefits to five years with a 15 percent hardship exemption; Deny benefits to immigrants; and Eliminate $50 child support disregard.

Deny benefits to immigrants; and Deny benefits to some children formerly eligible because of changes in the definition of disabilities.

STAMPS

Reduce the standard deduction; Reduce benefits to eligible households from 103 percent of the cost of the Thrifty Food Plan to 100 percent; include energy assistance as income in determining a household's eligibility and benefits; Eliminate indexing for one- and two-person households; and Lower age cutoff for disregard of students' earned income from 21 to 15 years; Require single, childless adults to work.

TABLE 1.—THE IMPACT OF CONGRESSIONAL PROPOSALS ON CHILD POVERTY

[Simulates effects of full implementation in 1993 dollars]

	Current law	House proposals	Change from current law
CHILDREN UNDER 18			
Number of people in poverty (in millions)	10.1	12.1	2.0
Poverty rate (in percent)	14.5	17.4	2.9
FAMILIES WITH CHILDREN			
Number of people in poverty (in millions)	17.1	20.6	3.5
Poverty rate (in percent)	11.8	14.2	2.4
Poverty gap (in billions)	16.3	24.5	8.1
ALL PERSONS			
Number of people in poverty (in millions)	28.2	32.2	4.0
Poverty rate (in percent)	10.9	12.4	1.5
Poverty gap (in billions)	46.9	55.8	9.9

Notes: The comparison shown is between Congressional House Republicans proposals and current law. Simulations include the impact of the House of Representatives welfare plan, HR 4 on AFDC, SSI, food stamps, and housing programs; the EITC proposal adopted by the Committee on Ways and Means; the House of Representatives proposal affecting LIHEAP appropriations; and the Budget Resolution proposal concerning federal employee pension contributions. Model incorporates a labor supply and state response to the welfare block grant.

This definition of poverty utilizes a measure of income that includes cash, the EITC, less federal taxes, to compare the poverty threshold.

Source: TRIM2 model based on data from the March 1994 Current Population Survey. Dated on Oct. 2, 1995.

EXPENDITURE LIMIT TOOL

Mr. CONRAD. Mr. President, I rise in strong opposition to the budget expenditure limit tool, known as the BELT, that would place artificial price caps on Medicare and jeopardize the quality of the health care received by millions of senior citizens. I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks several letters of support for the motion I had planned to make to strike the BELT. It is imperative that the Senate strike this ill-advised provision in order to preserve Medicare beneficiaries' ability to choose their own doctor and health plan.

The PRESIDING OFFICER. Without objection, it is so ordered

(See exhibit 1c)

Mr. CONRAD. In the interest of time, the point-of-order I had planned to make against the BELT provision has been included in the omnibus Byrd rule point of order being made by Senator EXON. However, I believe it is important to highlight the impact of the BELT, because it is a potential disaster for the Medicare Program and has not received anywhere near the attention it deserves.

The BELT amounts to what many of us have called a noose around the necks of older Americans. The BELT imposes artificial price caps on Medicare for the first time in history. And rather than work in a balanced fashion, the BELT only attacks fee-for-service Medicare. It cuts fee for service and ultimately forces seniors to use health plans they don't want and doctors they don't know.

The reconciliation bill allows seniors to choose coverage options other than traditional Medicare fee-for-service. I support that. But I only support it as an option. Seniors should not be forced into managed care. Unfortunately, the BELT could ultimately make managed care the only option for Medicare beneficiaries.

The BELT renders the so-called choice under Medicare an illusion. There will be more choice for a short time. But then the noose will tighten. It will slowly bleed fee-for-service Medicare dry. And if we learned anything from last year's health care debate, it is that health plans with insufficient resources will wither on the vine. And given yesterday's remarks by the Speaker of the House, that seems to be what some of my Republican colleagues have in mind for the Medicare Program.

The BELT promises to make even more draconian cuts in Medicare fee-for-service than the Republicans have already proposed. As the BELT tightens, Medicare will have fewer resources to provide needed health care to our parents and grandparents. The quality of Medicare fee-for-service will deteriorate and seniors will have little choice but to move into managed care. Medicare fee-for-service will wither on the vine.

During last year's health debate, we heard a great deal about artificial government cost controls. Harry and Louise told the Nation that arbitrary cost controls could bankrupt the insurance plans on which millions of Americans depend, leaving people without adequate insurance coverage.

The BELT provision does to Medicare what Harry and Louise said artificial cost controls would do to the national health care system. It inflicts arbitrary cost controls on Medicare at a moment's notice, and without congressional oversight. And it will force seniors into health care plans that may not meet their needs.

The letters I have entered into the RECORD expressed the concern of beneficiaries and providers, alike, that the BELT will erode the integrity of Medicare. The American Association of Retired Persons, National Council of Seniors Citizens, American College of Physicians, Healthcare Association of New York State, and North Dakota Hospital Association are only a handful of those who have expressed opposition to the BELT. The Congressional Budget Office has also said the BELT is unworkable and unwise, and I ask unanimous consent that CBO's analysis also be included in the RECORD.

Mr. President, the BELT has no place in this bill. It promises to erode and eventually destroy the integrity of Medicare fee-for-service. I hope my colleagues will support the point of order and strike the BELT provision from the bill.

EXHIBIT 1

NORTH DAKOTA HOSPITAL ASSOCIATION,
Bismarck, ND, October 25, 1995.

Senator KENT CONRAD,
Hart Senate Office Building,
Washington, DC.

DEAR KENT: The members of North Dakota Hospital Association are in strong support of your amendment to strike the Medicare Budget Enforcement Limiting Tool (BELT) from the Senate Reconciliation Bill.

It is our understanding that the proposed Senate Republican Medicare legislation to reach $270 billion in Medicare cuts reduces payments to hospitals by more than $86 billion over seven years. On top of that, legislation has been proposed to also reduce Medicaid funds to hospitals by $182 billion during that same amount of time. The magnitude of these reductions causes great concern for North Dakota, which has a large and growing population of citizens over 65 years of age.

In visiting with our administrators, they are hard pressed to understand how they can cut budget or plan to serve this population and others, when the BELT provision would entail additional reductions based on whether or not certain savings are achieved.

A number of our facilities, Cavalier County Memorial Hospital in Langdon; Jamestown Hospital in Jamestown, Tioga Medical Center in Tioga and Carrington Medical Center in Carrington have all publicly expressed concerns that the amount of proposed reductions, with lookbacks added, will mean that in seven years they cannot guarantee that their doors will be open.

Half of our facilities are co-located with and include long-term care facilities. Those that care for a large percentage of Medicare patients in their hospital and mostly Medicaid supported residents in their nursing homes will receive a double hit from which they also might not be able to recover. In a rural state like ours, you can imagine that access becomes a critical issue if a void is left in an area where distances can mean the difference between life and death.

It seems grossly unfair to single out healthcare providers as the group responsible for obtaining savings not achieved. It also seems grossly unfair to ask a particular segment of the business world in our country to operate with a system in which orderly business operations would be interrupted based on a compliance order not determined until the very last minute.

Our facilities are operating as cost-efficiently as possible, while still maintaining the quality expected of them by their patients. We feel it is imperative to the solvency and survivability of many of our providers that the BELT provision be excluded. NDHA supports your efforts and hopes your fellow legislators will understand how detrimental this provision would be to the healthcare facilities in our state and also support you in this effort.

Sincerely,

ARNOLD R. THOMAS,
President.

HEALTHCARE ASSOCIATION
OF NEW YORK STATE,
Washington, DC, October 24, 1995.

Senator KENT CONRAD,
Hart Senate Office Building,
Washington, DC.

DEAR SENATOR CONRAD: On behalf of the Healthcare Association of New York State, representing over 400 hospitals and health care providers, I would like to take this opportunity to express our support for your amendment to the Senate Budget Reconciliation Bill that would strike the Medicare Budget Enforcement Limiting Tool (BELT).

The Senate Republican Medicare legislation currently under consideration will be devastating to the health care delivery system. The $270 billion of Medicare cuts that would be required by the legislation would reduce Medicare hospital payments by more than $86 billion over the next seven years. Reductions of this magnitude, combined with $182 billion in proposed Medicaid cuts, would jeopardize the ability of health care providers to adequately care for our nation's senior citizens.

The Medicare BELT provision could exacerbate these already tremendous reductions. By placing absolute Medicare spending limits in the statute, health care providers that will already be receiving payment updates that do not keep pace with inflation could be faced with additional reductions—even if cost overruns are due to conditions beyond providers control.

There are many factors that contribute to increases in Medicare spending that can not be predicted in advance with absolute certainty. Placing the weight of a Medicare global budget on the backs of health care providers could mean absolute rate cuts and threaten the solvency of many hospitals, nursing facilities, home-health agencies, and other health care providers. It is critical that the BELT provision be dropped from Senate Medicare legislation and HANYS supports your efforts.

Sincerely,

STEVEN KROLL,
Director of Federal Relations.

AMERICAN HOSPITAL ASSOCIATION,
Washington, DC, October 25, 1995.

Senator KENT CONRAD,
Senate Hart Building, Washington, DC.

DEAR SENATOR CONRAD: We are pleased to lend our strong support for your amendment to strike the budget expenditure limiting tool (BELT) from the budget reconciliation bill.

As you know, the bill calls for reductions of $86 billion in hospital services over seven years. This unprecedented level of reductions in the Medicare program will have a dramatic impact on the ability of hospitals across the nation to continue to provide high quality care, not only to Medicare beneficiaries but to all our patients. If the BELT remains part of the bill, providers could be exposed to unlimited additional payment reductions beyond the deep cuts already proposed.

We are not only concerned about potential additional reductions, but also that these reductions would be made for reasons beyond hospitals' control. For example, if certain reforms not related to hospital behavior do not achieve the level of savings estimated by the Congressional Budget Office, then hospital payments would be arbitrarily cut. That's simply unfair given the $86 billion cut we are already being asked to absorb.

Even CBO, in a letter to Chairman Roth dated October 20, 1995, states that the ''use of the BELT would not be necessary.''

Thank you for your leadership on this important issue.

Sincerely,

RICK POLLACK,
Executive Vice President.

NATIONAL COUNCIL
OF SENIOR CITIZENS,
Washington, DC, October 26, 1995.

Hon. KENT CONRAD,
U.S. Senate, Senate Office Building, Washington, DC.

DEAR SENATOR CONRAD: The National Council of Senior Citizens supports your motion to strike from the Medicare section of the Reconciliation bill the ''BELT'' provision. This provision would severely cut resources from the traditional Medicare fee-for-service program and would restrict the range of ''choices'' generated by the ''reformed'' Medicare program. Average-to-lower income Medicare beneficiaries would be forced from fee-for-service into cut-rate, managed care programs.

Senator, a ''choice'' you can't afford is no choice at all.

We support your motion.

Sincerely,

DANIEL J. SCHULDER,
Director, Department of Legislation.

AARP,
Washington, DC, October 26, 1995.

Hon. KENT CONRAD,
U.S. Senate,
Washington, DC

DEAR SENATOR CONRAD: I am writing to express AARP's appreciation for the amendment you are planning to offer to strike the Budget Enforcement Limiting Tool (BELT) from the Medicare provisions of the Senate budget reconciliation bill. The BELT proposal would reduce traditional Medicare Fee-for-Service (FFS) provider reimbursements if Medicare spending in a fiscal year is projected to exceed an arbitrary amount set in the bill. The Congressional Budget Office (CBO) estimates that the provisions contained in the bill would meet the budget resolution target of saving $270 billion over the period between 1996 and 2002 and that the BELT would not be required. However, the CBO estimate assumes that the plan works, that is, that there is sufficient migration into managed care, that the provider reductions and increased premiums and deductibles control Medicare spending and that CBO's baseline assumptions are correct.

If any of these variables are incorrect, then the formula-driven BELT would reduce FFS spending to meet the targets set in the bill. Formula-driven approaches to budget cutting have always concerned AARP, in part, because of the rigidities they build into the system and their inherent potential for error and misestimation. This bureaucratic mechanism is one of many in the huge 2,000 page budget bill that the public knows nothing about. Older Americans will only find out about in after the Senate acts.

Congress has structured this bill to create incentives for beneficiaries to move into commercial health insurance plans and has capped the growth of premiums paid into those plans. The BELT provision would then cap the FFS part of the program. AARP is concerned about what kind of coverage will be available at the turn of the century. Will providers still be willing to see patients in a FFS setting? Will commercial health plans be willing to offer comprehensive coverage without huge out-of-pocket costs for beneficiaries? Will Medicare still be able to meet the health needs of older Americans?

In addition, we believe the current structure of the BELT contains silent beneficiary costs. For instance, under the Senate bill the Part B premium is expected to cover 31.5 percent of Part B annual spending. However, because the Senate writes the dollar amount of the premiums into law, rather than the percentage, and if the BELT is tightened and program spending is lowered, these stated premiums would account for more than 31.5 percent of annual spending. This silently shifts more costs onto beneficiaries.

The same problem occurs with the Part A hospital deductible. The deductible is based, in part, on Medicare's payment to hospitals. If the deductible is calculated before the BELT reduces Part A spending, it would be based on a higher payment amount and would, in turn, shift more costs onto Medicare beneficiaries.

AARP supports your amendment to strike the BELT provision from the Medicare Reconciliation bill. We feel that the long-term

risks to the program and the silent costs it imposes on beneficiaries would be unfair. Older Americans already pay a lot out of their own pockets for medical care—$2,750 on average in 1995 alone—not including the costs associated with long-term. The Senate bill already increases Part B premiums and deductibles and includes a new income-related premium. Adding hidden costs would add to this out-of-pocket burden.

Thank you, again, for your leadership on this amendment. Please feel free to contact me (434–3750) or Tricia Smith (434–3770) if you would like to discuss this amendment further.

Sincerely,

MARTIN CORRY,
Director, Federal Affairs.

AMERICAN COLLEGE OF PHYSICIANS,
Washington, DC, October 26, 1995.

Hon. KENT CONRAD,
U.S. Senate, Hart Senate Office Building, Washington, DC.

DEAR SENATOR CONRAD: As the Director of Public Policy for the American College of Physicians (ACP), I am writing to express the ACP's support for your amendment to eliminate the budget expenditure limit tool (BELT) from the Medicare reform legislation currently pending before the Senate.

The ACP is the nation's largest medical specialty society and has more than 85,000 members who practice internal medicine and its subspecialties. The College has consistently objected to the BELT provisions in the legislation because they establish arbitrary budget limits that dictate future payment amounts and impose price controls. These provisions make the simplistic and incorrect assumption that spending increases, regardless of cause, should be recouped by lowering payments to hospitals, physicians, and other providers.

Rather than arbitrary price controls, the College believes that the more effective way to achieve cost containment in the Medicare program, is to address the long-term factors that contribute to excess capacity and inappropriate utilization of services.

Thank you for your attention to this important matter.

Sincerely,

HOWARD B. SHAPIRO,
Director, Public Policy.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, October 20, 1995.

Hon. WILLIAM V. ROTH, Jr.,
Chairman, Committee on Finance, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office (CBO) has prepared the enclosed cost estimate for the Medicare reconciliation language reported by the Senate Committee on Finance on October 17, 1995.

The estimate shows the budgetary effects of the committee's proposals over the 1996–2002 period. CBO understands that the Committee on the Budget will be responsible for interpreting how these proposals compare with the reconciliation instructions in the budget resolution.

This estimate assumes the reconciliation bill will be enacted by November 15, 1995; the estimate could change if the bill is enacted later.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JUNE E. O'NEILL,
Director.

Enclosure.

FAIL-SAFE MECHANISM (BUDGET EXPENDITURE LIMITING TOOL)

The proposal incorporates a complex mechanism designed to ensure that Medicare outlays in a given two year period would not exceed the Medicare outlays specified in the bill for that period. The budget expenditure limiting tool (BELT) would operate both prospectively and retrospectively to control fee-for-service expenditures. Expenditures in the Choice market would not be directly affected because they would be determined by the updates to capitation rates specified in the bill.

Overview of the BELT

The BELT would reduce fee-for-service payment rates in order to eliminate any estimated Medicare ''outlay deficit''. A Medicare outlay deficit would occur if spending in fee-for-service Medicare for the current year and preceding one exceeded the combined outlays for those years specified in the bill. On October 15 of each year, the Office of Management and Budget (OMB) would report whether a Medicare outlay deficit was projected for that fiscal year. If so, a compliance order would be issued that would first require all automatic payment-rate updates to be frozen or reduced. If a freeze was insufficient to keep projected spending within the budget targets, proportional reductions would be made in payment rates for all providers.

The following March, OMB would release a report comparing current estimates of Medicare spending with the estimates released in October. If a compliance order was in effect for the year and the March projection continued to show a Medicare outlay deficit through the end of the year (despite previous rate reductions), the Administration would order further reductions in provider payment rates for the remainder of the fiscal year. Conversely, if the March projection indicates that current payment rates would more than eliminate the Medicare outlay deficit, those rates would be raised for the remainder of the fiscal year.

Following the release of OMB's October and March reports, the Congress would have a limited time in which to seek modifications to compliance orders. At least 60 percent of the members of each House would be required to approve provisions that would either lower the target reduction in spending or reduce the proposed payment reductions to less than the amounts necessary to eliminate the projected excess spending.

After fiscal year 1999, the Secretary of Health and Human Services could vary the adjustments in payment rates—in a budget-neutral way—to take geographical differences into account. The Secretary would be required to relate such variations to the contributions of different areas to excess Medicare expenditures.

Effects of the BELT

CBO's estimates assume that the specific policies to reduce Medicare spending in the bill would be sufficient to meet budget targets, and that use of the BELT would not be necessary through 2002. If the BELT was triggered, however, it probably would not be effective in controlling Medicare expenditures.

Uniform, across-the-board payment rate reductions that would be required by the BELT to meet a dollar savings target would not have uniform impacts on all providers, and would be extremely difficult to implement. A given percentage reduction in payment rates might be more or less stringent depending on the ability of different providers to adjust by increasing the volume and intensity of services they provide. Determining appropriate across-the-board reductions in payment rates to meet the budget targets would be complex, because estimators would have to take into account the variation in behavioral responses from different provider groups when faced with the same proportional reductions in payment rates. Allowing geographic variation in payment rate adjustments would add another layer of complexity to the whole process.

Rate adjustments under the BELT could be both frequent and inaccurate, and could increase uncertainty among providers. The October adjustment would be based on incomplete data for the previous fiscal year, and no data for the current year. Although more complete data would be available for the March adjustment, it would still include less than six months of data from the current year. Even minor discrepancies between the October and March projections would lead to payment rate adjustments under the BELT. Frequent, unpredictable changes in payment rates could interfere with the orderly business operations of providers.

The proposal also raises other issues of implementation. Compliance orders issued in October and March are intended to be effective immediately. Even if formal public notification requirements were waived, however, carriers and fiscal intermediaries would presumably require some advance notice. Moreover, the first steps in a compliance order would be to freeze or reduce automatic payment updates. But those updates do not generally occur at the beginning of the federal fiscal year. Updates for Part B payment rates, for example, are made on a calendar year basis while those for inpatient hospital operating payments are made at the beginning of each hospital's fiscal year. How across-the-board cuts in payment rates from the BELT would be integrated with the existing update policy is unclear.

THE BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, the impression will not go away: The $4.9 trillion Federal debt stands today as a sort of grotesque parallel to television's energizer bunny that appears and appears and appears in precisely the same way that the Federal debt keeps going up and up and up.

Politicians like to talk a good game—and talk is the operative word—about reducing the Federal deficit and bringing the Federal debt under control. But watch how they vote. Control, Mr. President. As of Tuesday, October 31 at the close of business, the total Federal debt stood at exactly $4,985,262,110,021.06 or $18,924.14 per man, woman, child on a per capita basis. Res ipsa loquitur.

Some control.

TRANSPORTATION APPROPRIATIONS

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Mr. SPECTER. Mr. President, as a member of the Senate Subcommittee on Transportation Appropriations, I am pleased to speak in support of the fiscal year 1996 Transportation appropriations conference report. This is an important piece of legislation, providing $37.5 billion for purposes including funding our Nation's highway, rail, and air transportation infrastructure, mass transit, Amtrak, and pipeline safety. This legislation will keep Americans on the move, create jobs, and improve our infrastructure, resulting in additional environmental and energy benefits.

I commend Chairman HATFIELD and our ranking minority member, Senator