Mr. GUTKNECHT. We have got to close here. I just want to say it has been my pleasure to participate in this special order. I do believe, as John Adams said, facts are stubborn things. I do think more of the American people, the more they get to know the facts, whether we are talking about welfare reform, tax relief for families, saving Medicare, I think the American people will understand. I think they do understand that this is what they sent us here to do. They do not want politics as usual. They want to save Medicare, not just to get through the next election but they want to save Medicare for the next generation.

I think if we are permitted to pursue these reforms we are talking about, if we do not lose hope and faith in the American people, they will not lose faith in us.

I thank you for allowing me to participate, I say to the gentlewoman from California [Mrs. SEASTRAND].

THE IMPACT OF REPUBLICAN PROPOSALS ON MEDICARE AND MEDICAID

The SPEAKER pro tempore. Under the Speaker's announced policy of May 12, 1995, the gentlewoman from California [Ms. PELOSI] is recognized for 60 minutes as the designee of the minority leader.

Ms. PELOSI. Mr. Speaker, last week the gentleman from California [Mr. LANTOS], the gentlewoman from California [Ms. WOOLSEY], and I held a field hearing in San Francisco on the impact of the extreme Republican proposals to devastate both Medicare and Medicaid, and all this devastation has wrought to pay for a tax break for the rich, yes, a tax break for the rich.

The Republican proposal would cut $270 billion from Medicare and $182 billion from Medicaid programs. Over 50 percent of the tax break will go to the highest 6 percent income earners in the country, over 50 percent of the tax break goes to the highest 6 percent of the population.

The hearing was very revealing. We had an extraordinary list of panelists who are respected in their fields who presented their views on the impact of these drastic cuts.

First, we heard from individuals, experts, really, because they can say directly how these cuts would affect them. The first panel was comprised of representatives of working families, mothers and children and seniors. Our first witness was a pioneer in the field of women's health and women's rights, Del Martin. At age 74, Del was a delegate to the White House Conference on Aging and is a respected community leader.

Del said seniors are more than willing to carry their share of the deficit reduction burden.

> We are told that Medicare is responsible for only 6 percent of last year's Federal deficit. Why then, why then is Medicare being cut by 35 percent? That is not fair. Congressional leaders refused to even consider eliminating tax breaks and loopholes which primarily benefit the wealthy. You do not need a PhD in economics to know there is something drastically wrong in this balancing act.

Del went on to say in her testimony the increase in Medicare costs for her personally projected over the Republican plan would amount to over 27 percent of her income, and this percentage would increase as her income diminishes as time goes by. She said as she grows older, that if this Medicare plan is put into effect, her children may have to help her, and that is why these Medicare and Medicaid cuts, these drastic cuts proposed by the extreme Republican majority are of concern to not only our senior citizens but our middle-aged, middle-income families and children in America.

I think it was Betty Davis who said, Mr. Speaker, growing old is not for sissies. And being elderly in our country and being faced with these cuts in Medicare and Medicaid will have a devastating impact on America's families, because if our parents are not cared for, the delivery of service is not paid for by Medicare and Medicaid, then who is going to pay?

Under the Republican plan, I will tell you who is going to pay. The Republicans will have a call on the income of the working children of those parents from those elderly parents. The Republican plan will say that a woman, a spouse whose husband has gone, say, to a nursing home under Medicaid will not be able to retain even the $14,000 per year that she is now allowed to save. That money will have to go for her husband's care in the nursing home, and she will be pauperized and not able to stay in the community, and that the Republican plan will allow States to call on the home that that spouse is living in, in order to pay for her husband's care in the nursing home.

So this strikes right to the economic and health security of our senior citizens, but also the economic security of their children as those working married children who are trying to raise their own families will now have more responsibility for the health care bills of their parents.

Another member of the panel was a remarkable young woman, Melica Sadasar, who is director of Family Rights and Dignity, an organization for homeless and low-income families. She spoke to the consequences that changing Medicaid into block grants would have on poor children. She said the decision to block grant Medicaid relegates mothers and children to a caste of disposable human rights. These political decisions simply say that our children, that their lives are not valuable, that their futures are irrelevant. This is political savagery, she had said. This is child abuse masquerading as congressional legislation. ''How can we say to an entire generation of children that their country will not protect or invest in them?''

Mr. Speaker, I contend that these changes in Medicare and Medicaid will not lead to balancing the budget or reducing the deficit. Indeed, the best way for us to do that is to invest in human capital, to invest, to intervene earlier if someone is sick or in need of care, rather than waiting until the bill is so much higher.

Finally, on that panel, Mr. Speaker, Bruce Livingston, the executive director of Health Access, spoke, and he talked very movingly about his parents and what the impact would be on their economics and indeed on their dignity and indeed on his financial security. He said that his father was a Vietnam vet and a career U.S. civil servant, had wisely and carefully structured a health plan for himself and his mother prior to his father's death. That included reliance on Medicare and Medicaid.

Now, like many Americans, his mother must rely solely on herself and whatever benefits she still receives from her husband's pension to make ends meet.

Bruce said,

> My father worked very hard to provide security for his family. This was the most important thing in his life. When I asked him why he fought in that war, he said, ''I wanted to care for my family.'' My father would turn over in his grave if he thought the security he built for my mother was threatened because of proposals for tax cuts for the wealthy.

Bruce's father and mother made their financial decisions based on the promise that Medicare and Medicaid would be there for them. Bruce said, ''My parents kept their promises to the U.S. Government. Now, as their son, I ask you to keep your promise to them.''

As I said earlier, Bruce is part of that sandwich generation where he will now have his assets and his income called upon to help pay for his mother's health care costs.

I saw an interesting poster at one of the rallies that said, ''My children cannot afford my health care.''

What does it do to the dignity of a senior who has worked all of his or her life to provide for his or her retirement to then have to go to their working-age children, middle-income, working-age children who are caring for their own children, and say, ''We need to call on your assets to take care of my health care benefits because Medicare and Medicaid are no longer there?'' It is interesting to hear our colleagues, to talk about the choices seniors will have.

Oh, yes, they will have a choice. They can stay in Medicare with higher premiums and lower benefits. If they go into one of these other managed plans, I predict, Mr. Speaker, you can call that the Roach Motel plan, because once they go in that plan, they are not going to have any choices. It is in and it is not out, and let me choose another plan because I do not like it in there; so seniors have to be very, very concerned about this Republican proposal.

Well, it is clear it is easy to understand why the Republicans want to change Medicare. They did not believe in it in the first place. Ninety-five percent of the Republicans in the Congress voted against Medicare 30 years ago when it was passed in the Congress of the United States. They have not liked it. Now they want to move on from it, and it providing the health security to America's seniors.

We had other panels that I am going to get around to. But first I would like to yield to some of my colleagues from Northern California so that they can address some of the other voices that they are hearing from their districts. They can tell us about some of the other voices they are hearing from their districts on the Republican proposal. I first would like to yield to that fighter for seniors, the gentleman from California [Mr. FARR], who has been in very close touch with the seniors in his district and is here to report on their concerns about the impact of the Republican cuts in Medicare and Medicaid to give a tax break to the 6 percent wealthiest in our country.

Mr. FARR of California. I thank the gentlewoman.

I really appreciate the gentlewoman yielding this time. I hope that in our brief moment here tonight that we can bring to attention what is really going on in Congress.

Like the gentlewoman, this last week I met with senior citizens in my area and, in fact, they gave me this postcard. They asked me what would I do with it, what does it matter when they go out and gather signatures and then they turn in cards, cards by the hundreds. Every one of these cards is just coming in from the districts daily.

Those cards read:

California seniors are willing to do their fair share to help reduce the budget deficit, but the drastic measures now proposed for Medicaid and Medicare are unacceptable. Your vote, those of Members of Congress, to devastate Medicare in this way would be breaking a campaign promise to thousands of your constituents.

I got to thinking just with that first sentence in there, ''campaign promises.'' Is that not what this discussion really is all about? It is not about reforming Medicare. It is about a campaign promise that was made that this year the Republican-controlled Congress will give tax cuts to the very wealthy. That was a promise made, and when you think about it, I looked in the Webster's Dictionary of what is a promise. A promise is a legally binding declaration that gives the person to whom it is made a right to expect or to claim performance or forbearance of a specific act.

In order to deliver on that campaign promise, to cut Federal programs so that they can pay for tax cuts, they have to find a major program like Medicare, and attack it.

Now, we know it has some problems, and we are all willing to do something about it. But if you really want to keep your promises to seniors, you would not be attacking the very program that benefits them. In fact, the first thing you would do is you would get up and say ''Look, this isn't about tax cuts. It is so much not about tax cuts that we are not even going to consider tax cuts. Take them off the table. We'll never deal with them.'' That honesty would bring us a long way.

This card goes on to say, ''The current budget proposal described as a reduction in the rate of growth is nothing less than a cut, which will cost seniors and their families thousands of dollars more for their health care.''

We just heard a debate that this is not going to cost seniors more, everybody is happy about it. If everybody really believes that, where are they? They are not in here saying ''Give us this Republican proposal, give us this plan. We can't wait to have it. It is going to be so wonderful, the nirvana we are all going to live under when we do not have to spend more with less.''

The card goes on to say, ''Additionally, I am very concerned about congressional plans to cut spending for programs under the Older Americans Act, Meals on Wheels, congruent meal programs, programs to prevent elderly abuse,'' all of those programs we heard about at the hearings and out on the lawn that are under the acts. ''Please act responsibly.''

I think that is what we are trying to do here tonight, is be responsible about Medicare, about Medicaid, about the Older Americans Act. These are vital to seniors and to their families.

These cards just come from my district. So when I met with these seniors this last Monday, they said, ''How can we just as individuals out here who have signed our names and have written you cards, and some of us are too old to write long letters, so the best thing we can do is sign a card, how can our plea, our voice, be heard in the U.S. Congress?''

I said, ''There is a wonderful thing about Congress, and that is there are what is called special orders. And I will bring back to the U.S. Capitol, where we are standing tonight, all of these cards and all of this poster that you put out and the signatures you have had, and you will see and the rest of the nation can see your concerns, and will be able to join in with you, as thousands and millions of seniors are doing across the country to say 'don't break your promise to seniors just because you want to keep your promise to the rich.' ''

Ms. PELOSI. I thank the gentleman for his speech. I hope the gentleman will continue to contribute to our discussion this evening. I commend the gentleman for his hard work in the district and congratulate him on this collection of signatures on the cards of real people, real grassroots people speaking out about the injustices of the Medicare and Medicaid cuts.

As the gentleman says, of course, we all stipulate that we must address the issue of waste, fraud and abuse. Indeed, President Clinton last year in his comprehensive health care reform addressed these issues. This was rejected by the Republicans. The President addressed the issue of the shoring up of the trust fund, of eliminating waste, fraud and abuse, and by moving forward with a comprehensive health plan, universal access to health care for all Americans, really took the bull by the horns in saying this is the only way we are going to address the rising cost of health care in America, is by making health care more available to many more of our citizens.

What is interesting is that today the reason we have the hearings in our district that the gentlewoman from California [Ms. WOOLSEY] participated in, was because our people really could not come to Washington to be able to be heard by the committees of jurisdiction on this issue. Some came and spoke on the lawn where we had our hearings outside, and some came and spoke in our district. It is very sad that our colleagues on the other side of the aisle were not there to hear what these experts had to say about the Republican proposal, indeed, what the individuals had to say about the insecurity that these proposals brought to their lives.

But what is interesting is what has happened in the last 24 hours here in Washington, DC. Within the last 24 hours, senior citizens who came to a hearing room where Medicare and Medicaid were being written up into legislation, legislative language, were ejected from the meeting with the assistance of the police. These senior citizens were ejected from the meeting. Within a number of hours, representatives of the AMA were waltzed into the Speaker's office to talk about what they wanted out of the Republican Medicare bill. They came out and said ''We picked up, the AMA, we picked up $3 billion. $3 billion. So we support the plan.'' Nothing about what this does to undermine the delivery of health care services in America. ''We, the AMA, we picked up $3 billion.''

Well, guess who is paying the $3 billion? Those seniors who got ejected by the police from the hearing, because that same day, as the AMA is celebrating their $3 billion windfall, the Committee on Energy and Commerce voted a $25 per month increase in premiums for senior citizens in America to pay for the increase that they gave the AMA, and to also pay for the tax break, over 50 percent of which goes to the 6 percent highest earners in our country.

Before I yield to my colleague, I want to state that I will be placing in the RECORD the full statements of Bruce Livingston, executive director of Health Access, and other representatives of various groups.

Mr. Speaker, I am pleased to yield to our colleague, the gentlewoman from California [Ms. WOOLSEY], who was present at the hearing, who had some

of her constituents there, and who has been a relentless fighter in this fight. She brings dignity and pride to the State of California by her service on the Committee on the Budget, where she represents so very well the values of the people of her district.

Ms. WOOLSEY. Mr. Speaker, I thank the gentlewoman for yielding. First of all, I want to thank you, my fellow Bay Area colleague, for having the forums that we had while we were in the district last week and for putting this special order together tonight, because when I was listening to what they were saying on the other side of the aisle earlier, it totally floored me. We must, in the Bay Area, live in a totally different part of this world or something than they represent, because the entire Bay Area, from SAM FARR's district down to Santa Cruz and north and through San Francisco and into Sonoma County and across the Bay to Oakland, Alameda, and Oakland, we do not hear these things.

I do not know why I did not bring them. I have stacks and stacks of petitions from the people in my district, one of the most affluent districts, by the way, in the United States of America, of seniors saying they do not like these cuts, if not for themselves, for other people they know. They are willing to pay their fair share, but they want fraud and abuse taken care of; they want the tax cuts off the table.

Well, I always do tell people that I am fortunate to represent Marin and Sonoma Counties, because being the two counties directly north of the gentlewoman's district, across the Golden Gate Bridge, I know that all of my fellow members of the Bay Area delegation, including myself and those that I work with in the sixth District, I know that we live in an oasis of sanity. That makes it easier for us, because we work with people who time and time again, our constituents, the true leaders of this country when it comes to caring, when it comes to understanding, and when it comes to working for the rights of other people in this Nation, including their own rights. But they care about other people.

So last week when Nancy and TOM LANTOS and I had the hearing in San Francisco and we met with many of the people who wanted to tell us what they thought about these radical cuts in Medicare and Medicaid, which Speaker GINGRICH and the new majority are pushing through our Congress, I was comfortable being with all of you, because I knew that we represented districts much the same. But I felt appalled that we had to have these meetings in our districts, which we have been having all over the place anyway.

I have had meetings with hospital administrators, with doctors, and with senior citizens throughout my entire district. Nobody is coming to me saying they like what is happening.

But we had to have more meetings than the one in San Francisco, because we are making up for 1 day of hearings here in the House of Representatives in the committee. We tried to make up for that with a week of hearings out on the front lawn, where we could have people come and actually express themselves. But it was important that we take these hearings also to the Bay Area within our own districts.

So when we had our hearings last week, we were able to hear what people really though about the impact of Medicare. The wonderful people spoke out, people like Dr. Tom Peters, who is the head of the Marin County Department of Public Health in my district, and to Anthony Wagner, the executive director of Laguna-Hondo hospital in San Francisco, and Paul Dimoto, who is with the San Francisco AIDS Foundation. They came to us, and they gave us one message to bring back here to Washington. That one message is this: The Gingrich Medicare and Medicaid cuts will devastate the elderly, the poor, and the disabled.

Today, I think we all know that the Committee on Ways and Means passed their assault on Medicare and Medicaid. Today, the new majority demonstrated their willingness to ram their plan through Congress with only 1 day of public hearings. What an outrage.

As a former Member of the Petaluma City Council, I can tell you that we talked longer and harder about sidewalk repairs then Speaker GINGRICH and his allies have for an issue which affects the health of millions of Americans.

So we are here tonight, the three of us, speaking out to the people that have been shut out, shut out of the democratic process by the new majority. We are here tonight to tell you that people in the Bay Area, seniors, patients in nursing homes and middle-income families, are scared to death, scared by the new majority's assault on Medicare and Medicaid. They know that this plan will inflict real pain on real people. They know and we know that the Gingrich Medicare and Medicaid plan is not fair. The people of Sonoma and Marin Counties know that the Gingrich Medicare and Medicaid plan is not fair as well as our knowing it.

Maybe even the majority knows that this plan is not fair. Maybe they do not really care. But the American people care, and so do the people who testified before NANCY PELOSI, TOM LANTOS, and myself last week in San Francisco. So do the doctors, the hospital administrators, the senior citizens, who have come to forums and hearings that I have had in Marin and Sonoma Counties.

I urge my colleagues, everyone in this House of Representatives, to heed the words of the people that we have been talking to, to reject these attacks on seniors, children, and middle-class families, and to show that we really care, really care about the people in this country.

Ms. PELOSI. I thank the gentlewoman from California for her statement this evening, for her participation in the hearing, and for her leadership on this very important issue. It was interesting then and now to hear your point that as a leader in local government, the time that you have spent, the period of public comment that is required for changes in the infrastructure in your district, be it a sidewalk or whatever, and how quickly the Republican majority wants to move forth with its stealth plan before anybody can really see what it is. I know our colleague, Mr. FARR, has a similar experience.

Mr. FARR. I think it is very interesting. The gentlewoman are on a city council and very involved in local government. Congresswoman PELOSI was on the board of supervisors in San Francisco County. I served the local government and then in the State legislature. There is not a city, county, or State in the Nation that does not require publication of any change in law that you are going to make, and that publication has to be available to the public, I know in California, at least 30 days before you even have a public hearing on it.

In the State legislature, an analysis has to be made of both the costs and the benefits, and that is all public information. In fact, you can call up on a hot line and get it, and those bills are free to any constituent in the State of California who wants them.

The point is, every time you are going to tinker with the law, the process requires that the public be aware and know about it. The one exception to that rule is right here in the U.S. Capitol, where essentially you do not have to tell anybody until the day that a vote is taken what is in the law. I think that is very confusing to most of the American public, because they are familiar with going to a school board meeting or going to a city council meeting or even petitioning their State legislature and finding out the details of the law, not what some press release says, not a public relations firm comment, but what is the law. People can read.

In this case, the public of the United States has no idea what is in this great promise to resolve Medicare, other than it is going to affect their pocketbook.

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Mr. FARR. It is essentially going to take money, saying, ''Government, you spend less, and, people, you spend more.'' For those people that are on fixed incomes that have signed these petitions that were at your hearing, what did they tell you? ''Our incomes are limited. We are on fixed incomes. We cannot go out and make more money. We do not have the ability to increase our income. Our water bills have gone up, our garbage bills have gone up, our sewage bills have gone up, our telephone bills have gone up, and

our cable television bills have gone up. Now you are coming along and saying the most vile thing of all, our health care bills are going to go up even more. Where are we going to get the money to pay for it?''

This is the sham being played on America. It is essentially saying, ''You people, the poorest in the Nation, who have limited incomes, who cannot go out and get more, you have to pay more,'' so that they can turn around, take that money, and give tax cuts to the most wealthy people. This is not the Nation of America that takes care of people like that. It is not why we ran for Congress and why we took the oath of office to be here. Not to rob from the poor to give to the rich.

Ms. PELOSI. Mr. Speaker, as the gentleman mentioned earlier, if this is not all about giving a tax break to the wealthiest Americans, why do they not just take the tax cut off the table? Let us address getting rid of waste, fraud, and abuse in Medicare and Medicaid. Let us address the delivery of health care to our senior citizens, because that is mostly what we are talking about here, outside the arena of ''We will take this money and we will spend it on a tax cut.'' If that is not what the purpose of this is, let us eliminate it.

Within the Republican Party there are many people saying it is not right to do this; we ought not have that tax cut. But the majority of the Republicans are insisting on it, because that is what this is about. They want to give the tax cut. They are going to where they can get many people who are paying into the system, and that is our seniors, and asking them to pay more into the system for their health care.

It would be a more fair and honest debate if we could have this debate without a tax cut on the table.

Ms. WOOLSEY. Mr. Speaker, if the gentlewoman would continue to yield, first I want to say I do not believe they are hearing what they are saying they are hearing from their constituents, because their constituents cannot be that different than ours. I know a Republican Representative just north of me. Our newspapers are telling us that his constituents are saying to him what they are saying to me, and that is keep your hands off our Medicare and our Medicaid. Because Medicaid is going to get hit next if we even tweak with Medicare. We will pass it down to the poorest of the poor; our elderly, frail seniors, and also the other third of the people who are on Medicare, which are the disabled and handicapped, and then children who are on welfare, which make up 70 percent of welfare recipients who need Medicaid.

So he is hearing what I am hearing. I know that. They are hearing what we are hearing. They are just trying to tell them that they think something else. It will not work. I do not know about other Members, but I have a lot of faith in the American people, and when they know what is happening to them, they will not put up with this.

Now, when we talk about process and we talk about the difference between local government and State government and county government, we have the Brown Act in California. I cannot imagine taking the AMA into a back room and negotiating what we are going to do with their fees and leaving all of the people, the consumers, the seniors, out of that debate process. No way.

It is such an insult to the people of this country. That is exactly why American voters are getting disenchanted. They think they do not have a say. The Republicans, in doing what they did with the AMA, gave the American voters a lot to believe in when they told them you, the American voters, do not mean anything to us. We are taking a special interest group into a back room and we are going to make great decisions that affect you.

Ms. PELOSI. Mr. Speaker, it is interesting that the gentlewoman makes that comment because at the same time that this is happening, as lobbyists are having very special access in this process, the Republican majority is at the same time saying anyone who gets a grant from the Federal Government should not be able to lobby the Federal Government.

Certainly nobody who gets a grant from the Federal Government should use any of those Federal grant dollars to lobby the Federal Government, and they must use it for the purpose of the grant. But just because an organization has competed in a process and won a grant does not mean they have abdicated their rights as a citizen of our country to be able to petition government. That is the right of a democracy. The public's participation in the formation of public policy is what a democracy is all about as much as a free election of representatives.

So when we talk about process, we are talking about a stealth plan which continues to be substituted. As recently as 48 hours ago, the plan became a new plan. And as recently as the AMA walking in that office, there was another change made. So we have this stealth plan and then we have a process where there are no open hearings where consumers can come in and citizens can come in and say this is how this would affect me, or professional judgment opinion would say this is how this would affect the delivery of service. And on top of that, we are going to squelch the voices of people who have participated in our process and have won grants.

And yet, Mr. Speaker, when we ask them would they apply that to the Defense Department, which awards contracts into the hundreds of billions of dollars, they say, oh, no, not the Defense Department. Well, if we are going to do it to people on the domestic side, then we should do it on the defense side or not do it at all.

And I prefer that. I prefer that the people who get government contracts have the ability to speak out, whether it is defense contracts or other contracts. But in this situation, the defense contractors are off the table, just as they are in the budget priorities.

Mr. FARR. I think we are really hitting on what is at stake here. It is really confidence in America. We have lost that confidence. I do not think the Contract for America buys confidence, particularly when you have in that contract this big tax cut. The American public can understand if you want to balance the budget let us stick to balancing the budget, but do not get us confused with also doing big tax cuts.

To the best of my knowledge, frankly, the debate has not been very honest because there are two forms of balancing the budget. There is a fast track, which I think is the Republican form, a steep glidepath, and then there is the more moderate glidepath which the President introduced, and the American public should know what the consequences are by taking either the steep path or by taking the less steep path. Because along the way, if you hurt the most vulnerable people, and we have seen in the Contract With America that we have already hit and hurt rural America, we have hit and hurt the elderly citizens, we have hit and hurt the school children needing lunch programs, we have hit and hurt students who want to go to college by making them pay more. What difference is it going to make if you have a balanced budget if people are too sick to enjoy it, too poor to access college, everything becomes too expensive? You have not really developed this kind of wonderful Utopia that all of a sudden you are going to get with a balanced budget where interest rates come down.

So I think the debate on how you balance the budget ought to be a lot more honest and it should be a lot more honest about who will get hurt if you take the fast slope toward balancing it. And along the way, we are hurting the very people that we want to help.

As you said, we prohibit Girl Scouts from coming in here and lobbying in Congress if they receive any Federal grants, but the big aerospace industry, defense industry, who get billions of dollars, can come in here and lobby for B–2 bombers, even when nobody in the Defense Department wants them, and they are not taken off the list.

So this is really about building confidence in America, and I appreciate both of my colleagues in northern California and the Bay Area for bringing a little sunshine and sunlight into what has been a very closed, mysterious system that I think misses a point of honesty, and the honesty is if we want to balance the budget let us talk about it, but not under the guise of just making poor people pay more so rich people can pay less.

Ms. WOOLSEY. If the gentlewoman would yield, in my hearings and forums

I have been having in my district, I will have 100 or 200 people possibly in a room, and of course somebody in the room is going to disagree with me, and when that person stands up, the rest of the wonderful senior people as well as this person that stands up and gives his opinion sometimes boo or speak out, and I stop that person, those people immediately and say, no, no, this gentleman has every bit a right to give me his opinion as you do. This is the American process, which is about hearing each other and what we care about.

That has been the disappointment in this debate here in the House of Representatives. We have not allowed those who do not agree with what the new majority is recommending to have their say.

One of the other things they tell me in my meetings is besides taking the tax breaks off the table, why are we increasing the defense budget beyond what the Department of Defense wanted in the first place. They would like those increases off the table, also. They are very clear about that. So those are the kinds of inputs I am getting, and I believe that those around the country, besides ourselves, are getting the same kind of input from their constituents.

Ms. PELOSI. I think the polls are showing that the Republican proposal to cut Medicare in order to fund a tax break for the wealthiest Americans is not a popular proposal in all of America.

I want to take up on a point you mentioned about defense. Certainly we all, as we stipulated earlier, we must address the waste, fraud, and abuse in Medicare, as President Clinton tried to do and as we will all, I think, in a bipartisan way address, and let us also stipulate that we are all patriotic Americans and we want to have a very strong national defense.

But as we try to reduce the deficit and balance the budget, why, when the Republican majority is trying to look for inefficiencies in Government, do they take defense off the table? Maybe there are no inefficiencies in the defense budget. It could be. I doubt it, that there are no inefficiencies in any part of the budget. But why is it not on the table?

So when we say to senior citizens in order to balance the budget in *x* number of years and give a tax break to the wealthiest Americans, you will have to pay a higher premium per month and that could amount to several hundred dollars a year which, contrary to what my colleagues on the Republican side of the aisle may think, is a great deal of money to our senior citizens, while at the same time we are saying but we will hold harmless the entire defense budget and not look there for any inefficiencies or any ways that we can cut.

So it is about process, it is about the process of a closed process with a stealth plan. It is about substance, it is about what this proposal will do, and it is about priorities. If we do not respect the contributions that have been made by our senior citizens and also recognize that unless we invest in people, as our colleague from California, Mr. FARR, said, what is the use of balancing the budget? Our people are sick, our children are undereducated. If we define a strong country, it certainly is in terms of our national defense and our military might, but it most certainly is even more so in terms of the health, education, and well-being of our people.

I would like to yield back to my colleague from California, Mr. FARR, to further pursue that line of thought.

Mr. FARR. I think the big debate here in Congress is how do we ensure that we have a society moving into the 21st century that is a responsible society. It is not just the rights of individuals that you have heard a lot about, particularly when it got into issues about Waco and things like that; it is the responsibilities of society. We are not going to have what I call the domestic tranquility of this country balanced in a style in which we can all appreciate if indeed you have disenfranchised a lot of people. If parents do not think their kids can get an affordable education, we talk about accessible education, accessible education means you can get there from here, that you have a chance to avail yourself of the great schools. And we have some wonderful ones in the State of California, some of the best in the world. But what good are they if they are too expensive to get to and the kids are not getting into because of cost. What good is a health care program if you cannot access it?

So what happens is things, as we know, they get worse. I think that the one difficulty that is not in this entire Contract for America that they are trying to approach is what happens to the people that do not make it, that fall through the cracks.

Ms. PELOSI. That is laissez-faire. Too bad.

Mr. FARR. Do they end up on the streets as the homeless population we are all very familiar with? I think the security of this Nation, the domestic security is dependent on the confidence that people have in government, and a government that tells you that they are going to help you with one hand, balancing the budget, and with the same hand takes away your own ability to access prosperity is a country that is not telling you the truth.

□ 2115

Ms. WOOLSEY. Mr. Speaker, we are missing another point here. That is that this does not just affect seniors. The sandwich generation comes to me in my meetings, 40-, 50-, 60-, and 70-year-olds say to me, I have a parent in a nursing home. The 70-year-olds could be in a nursing home themselves. But they have got parents they are worried about in nursing homes. They know they will have to start taking on more and more of the responsibility for that parent.

Now, many, many of the sandwich generation also have children that need to go to college, and college education is going up. Loans are going to be far more expensive. These same people are going to want to help their children go to college. They are going to make a choice: Do I send my kid to school, help my child go to college; do I help my parent in a nursing home? And for heaven sakes, where will they ever have any discretionary money to put away so that their children do not have to help them when they are seniors? I mean, we are just squeezing the middle income sandwich generation down to having nothing. They are frustrated and, boy, I do not blame them.

Ms. PELOSI. We talked earlier about the middle income, middle-aged people in America, which includes very many people who are the backbone of society, making such a valuable contribution to the greatness of our country, as they try to do their own jobs, educate their children and feel some responsibility for their aging parents, as you call them, the sandwich generation.

They are so at risk not only under the Medicare cuts but under Medicaid cuts. I think many people are not aware, they think of Medicaid as a poor people program. But very many seniors benefit greatly from Medicaid, whether it is long-term health care or, for example, 5 million American women have their Medicare premiums paid by Medicaid, 5 million American women. Of course that is not the whole number. There are men who have it, too. But women would be particularly hit by this.

These Medicaid cuts compound the problems caused by the Medicare cuts. Poor or nearly poor elderly, those are monthly incomes below $625 a month, may no longer be assured that Medicaid will provide cost sharing protections for their Medicare. As I say, the Medicare can pay for their Medicaid, their Medicare premiums, copayments and deductibles. The copays and deductibles can rise and these people, where are they going to get the money to pay for that? From their children.

These low income elderly are doubly hurt because Medicare premiums and copayments will increase substantially at the same time that the Medicaid Program stops paying for them. Further, under the Republican plan, there would be no more guarantee of coverage for nursing home care after an individual or family has spent all of its savings. There would be no more guarantee that spouses of nursing home residents would be able to retain enough monthly income to remain in the community.

States would be allowed to place liens on the family home and family farms. In addition to all of that, States would be allowed to require adult children of nursing home residents to pay for their parents' nursing home care, which could be $40,000 per year. I mean, where are people going to get this money?

If you have a mother or father with Alzheimer's disease, for example, requiring nursing home care and you are trying to put your children through college, you have good reason to oppose the Republican plan. What the Republicans are doing in wrong, and working families deserve better.

I just might add, apart from the money issue, an absolutely shocking part of the proposal is that they would remove the standards from nursing homes. This is the era of Dickens. We are returning to the past. We would eliminate Federal standards for nursing homes. It is appalling.

Ms. WOOLSEY. Mr. Speaker, when I was a youngster, I was in the Girl Scouts. And every Christmas we would sing to nursing homes and go in and out of these nursing homes. This was in the early 1950's. I mean, I am old. I would leave those nursing homes sobbing because here were these old people sitting on newpapers. I had never seen such dismal situations. Well, it is improved now. There is a reason there are national Federal standards for nursing homes. You go in a nursing home and you can pretty much, at least where I live, feel that somebody is being taken care of with quality and dignity.

Well, I just blink and we could go right back to seniors on newspapers.

Ms. PELOSI. It is very hard to understand why they would think that that is a good idea. But it is also easy to understand why they do not want anybody having public hearings to have to come in and testify as to why that is not a good idea.

I did want to put on the RECORD some more testimony from our hearing in San Francisco, but I am pleased to yield to the gentleman from California if he had something further to add before that.

Mr. FARR. Mr. Speaker, I was just thinking about this issue of national standards. It is too bad that they have not really gone out and asked the American public what they think about it. Obviously we have national standards for aviation. We all use it a lot having to fly back and forth from California. We respect those national standards. They do not leave those up to States. Banks have national standards. The stock exchange has national standards. Drugs have national standards.

I think the American public has realized this in areas where there is a vulnerability at risk, you want some national standards. To say to the most elderly people of this country, your future, your time when you may be most vulnerable in life, most frail in life, we are going to leave this up to your State. If they like you and they have money and they want to spend it on you, they will take care of you.

But what about those States—and you never know where you are going to end up in life, you do not know where you are going to end up being an elderly person, where in your hometown you may not be able to afford it. Many people move in their elderly age to other States, other locales. Is there not supposed to be some kind of equal playing field here, a common denominator that says in this country that we are going to have standards for people that are in need, that are frail and need special care?

Under this proposal they take them all away. In fact there may not be any standards at all. Is it optional that you do not have to take care of people anymore? What kind of country are we developing here?

Ms. WOOLSEY. The gentleman said if the State has money, maybe they will have high standards. What about if the consumer or the patient does not have money? I bet you people who have will be in nursing homes that have high standards. Those who are the most vulnerable, who are on Medicaid, who have the least, are probably going to be the ones faced with the nursing homes without standards. And I think that is what we are talking about today.

We are talking about not having a system, that just the few that have plenty get to have, reap the rights. We are talking about having a country where everybody knows that they can have, can live in dignity when they are old and when they are at the end of their lives, that everybody has options for an education. That middle income families do not feel, are not going to feel pulled in the middle, apart, because they do not know whether they should help their parent in a nursing home or their child in a school and they are feeling badly because they are not putting any money away.

We cannot have a country that only marches to the beat of the top 6 percent of the wealthiest in this country, because that is not what this United States is built on.

Ms. PELOSI. Well, I agree. I think that the one thing that everyone in this body will agree to, and that is that we are proud of our country, that it is a great country and that it is a decent country. And I do not think that greatness and decency are associated with what you just described about how our senior citizens, who helped build our country, would be treated under this plan.

So I think it is very important for people to understand, certainly we have concerns about the poor in our country. But if you are not poor, you are still very much at risk under this plan. And we have said it over and over again. If you are working, middle-age, middle-income people, you will be more responsible under this plan for your parents' care, paying for it, just at the same time as you may be putting your children through school.

I did want to also say how the Republican proposal would undermine, undermine the excellence of the American health care system. People always say, if I ever were to be sick, I want to be sick in America. We had some very fine testimony from experts who gave us their professional judgment about what the impact of these cuts would be.

Congreswoman WOOLSEY mentioned one, Dr. Tom Peters from Marin County. I wanted to quote from the statement of Dr. Wintroub from the University of California, San Francisco, one of the finest teaching hospitals in the country. And Mr. Speaker, I will include his statement as well as that of Tim McMurdo, Tom Peters, and Richard Cordova for the RECORD as well.

Mr. Speaker, Dr. Wintroub testified that by eliminating Medicare payments for teaching and patient care, as well as graduate medical education, the Republicans are putting in jeopardy the future of health care delivery in this country. The indirect medical education adjustment, the direct medical education and the disproportionate share payments account for over 15 percent of all Medicare and Medicaid revenues to UCSF, University of California San Francisco, an excellent teaching hospital, and 42 percent of the total budget for UCSF Medical Center is dependent on Medicare and Medicaid.

In addition to that, Mr. McMurdo, chief executive officer, San Mateo County General Hospital testified that the proposed cuts to Medicare and Medicaid programs will have a catastrophic effect on hospitals and clinics that have heretofore relied on the stability of Federal and State payments to help cover the cost of care. This reliance has grown increasingly important since private insurance carriers continue to cut payments to hospitals and physicians as the number of uninsured people continues to grow. It is estimated that hospitals and other providers in our bay area will lose hundreds of millions of dollars over the next 7 years if these cuts are enacted.

Mr. Cordova, from the San Francisco General Hospital, said, you cannot slash both Medicare and Medicaid, Medi-Cal disproportionate share hospital payments for graduate medical education and indirect medical education support and essentially eliminate the entitlement status for Medi-Cal without causing a virtual earthquake in the provision of health care for many of our most needy residents.

Mr. Peters says, the blunt truth of the matter is, if you ridicule and deny the efforts at comprehensive redesign of the American health care system and instead insist only on weakening two of its most important components, the quality and availability of health care for all Americans is threatened.

Mr. Speaker, the point being that even the wealthiest Americans will not have access to the kind of quality of care that exists today when we undermine it for the rest of the country.

I yield to the gentlewoman from California, if she has anything to say on that subject, as she presided over that section of the panel.

Ms. WOOLSEY. What I would say would be pretty repetitive. But just in

general, we did hear that training colleges and training hospitals, health departments, small community hospitals and county hospitals and clinics were subject to closing their doors, if we go with what we are anticipating with the Republican Medicare/Medicaid cuts.

Ms. PELOSI. In the interest of time, Mr. Speaker, I may have to take another special order to go to our third panel. But with your permission, I would like to put their statements in the RECORD. That would be the statement of Mr. Paul Di Donato, Dr. Bergman, and I have one more, but I will reference that.

Dr. Bergman, who is from the Packard Children's Hospital at Stanford said, without a regular pediatrician and with limited financial resources, he was talking about the impact on children, without a regular pediatrician and with limited financial resources, these families will often be forced to wait until the child's illness has progressed to a more serious and complicated level. Beyond the increased costs of providing health care in the emergency room and treating illnesses of increased severity because of delay in initiating treatment, there is the more important cost, there is the more important cost in unnecessary suffering of children. Delays in treatment often lead to lifelong disabling conditions or chronic illnesses.

□ 2130

And that is not about balancing a budget. It is about a false sense of values.

The other statement I want to put in the RECORD is from Anthony Wagner from Laguna Honda Hospital, city and county of San Francisco. I will be addressing his remarks in another special order.

Mr. FARR of California. I just want to close in my part here, again, reminding people that these are cards from my district that I picked up just this last Monday. Here is one just out of the pile from Beth Binkert from Pacific Grove, and I think the key sentence in here is the second sentence that says:

> These actions represent broken promises and unfair treatment to your elderly constituency. In fact, the current cuts will substantially increase out-of-pocket expenses for the seniors you represent.

These cards are to all Members of Congress addressed in care of my office, but that key point, ''These actions represent broken promises,'' and I think tonight we pointed out the promise made here is the tax cut for the rich, not the promise to keep people in their elderly years secure in health care delivery.

The testimony referred to follows:

TESTIMONY ON MEDICARE REFORM BY DEL MARTIN, MEDICARE BENEFICIARY, OCTOBER 2, 1995

I've been hearing some cold hard figures about drastic cuts in Medicare. I'm here to tell you what that would mean to me personally.

In 1994 I received $9,373 in Social Security benefits and $8,267 in additional income for a total of $17,640. I paid $3,854 or 22% of that income on medical & dental expenses, leaving me $13,786 for other living expenses.

In 1994 my doctor bills amounted to $1,130. Medicare approved only $521.34 (less than ½) for payment. We hear a lot about doctors taking advantage of Medicare. In my experience that is simply not true. Medicare clients are lucky to find doctors who will accept Medicare limits. Many doctors say NO to Medicare patients.

The exorbitant expense comes from hospital bills. I underwent outpatient surgery which required the use of operating room and personnel and space for a change of clothes. I was in the hospital for a maximum of four hours. The cost was $1,790. I did not receive a copy of the itemized bill, but presume Medicare did. It was paid in full without question. From past experience I have found that hospitals charge for everything within sight, whether used or not, right down to a piece of Kleenex tissue. If I were a member of Congress I would take a look at hospital costs.

Hospitals are cutting skilled staff although numerous studies show that adequate staffing of registered nurses and other skilled professionals reduces mortality, infection, accident and readmission rates.

Under the Republican bill to cut Medicare for a savings of $270 billion over the next seven years, beneficiaries are being pushed to join health maintenance organizations (HMOs) rather than stay in traditional fee-for-service Medicare. They say managed care is the best vehicle for improving care while containing costs. Long ago I learned the hard way that you get what you pay for. Under managed care HMOs are paid whether or not services are used—an incentive to restrict admissions to hospitals, send patients home too soon, reduce staffing and limit access to specialists.

Containing costs by using HMOs means cutting services. Congress is not dealing with reality. Excessive hospital, HMO, insurer and drug company profits are the source of rising costs.

For me an HMO is not acceptable. To retain traditional Medicare coverage will cost me another $1,000 or more per year. That would raise my medical expenses to about $5,000 or 27% of my present income, which will diminish in the next seven years.

As a delegate to the White House Conference on Aging and a member of the Leadership Council of the National Committee to Preserve Social Security and Medicare, I have been closely following what is happening in Congress. Seniors are more than willing to carry their share of the deficit reduction burden. We are told Medicare is responsible for only 6% of last year's federal deficit. But Congress proposes a 35% cut, not 6%, to reduce the deficit. That is not fair. In 1994 the Pentagon was responsible for 36% of the deficit. Military bases all over the country are closing down, but defense spending is to increase over the next seven years. That is not fair. Congressional leaders refuse to even consider eliminating tax breaks and loopholes which primarily benefit the wealthy. These loopholes will cost the federal treasury $2.5 trillion over the next seven years—almost ten times the amount they want to cut out of Medicare over the same period.

You don't need a Ph.D. in economics to know there is something drastically wrong with this balancing act. Too large a burden is being placed on Medicare and thus on America's oldest, and in many cases poorest, citizens.

TESTIMONY ON MEDICAID REFORM BY MALIKA SAADA SAAR, DIRECTOR, FAMILY RIGHTS AND DIGNITY, OCTOBER 2, 1995

In his book, Faces at the Bottom of the Well, Derek Bell tells the story of aliens who come to this country demanding the possession of Black folks. In return for the US government handing over all African American citizens, the aliens promise to alleviate the nation's environmental and economic ills. After a brief and self-serving debate, the US government agrees to the exchange.

Bell's parable powerfully illustrates the disposability of the African American community, that our community is not valued or considered sacrosanct. When I hear Newt Gingrich talk about low income mothers and children, I am reminded of Derek Bell's story. For it is this same concept of human disposability being demonstrated.

The decision to block grant AFDC, and now Medicaid, to basically strip families of a desperately needed safety net, relegates mothers and children to a caste of disposable human beings. These political decisions simply say to our children that their lives are not valuable, that their futures are irrelevant.

Last week, I was in the Bayview speaking to families. One mother, with tears streaming down her face, approached me. She told me about her child: a six year old boy who stood at the window of his room and witnessed a friend, not much older than him, get killed. Since then, the child has suffered severe mental trauma. He is receiving extensive counseling and therapy.

If Medicaid is block granted, this six year old African American boy will not be guaranteed any of the services presently offered to him under Medi-Cal. His life, his future, will be deemed disposable.

This is political savagery, this is child abuse masquerading as Congressional legislation. The consequences of block granting AFDC, dismantling HUD, and eliminating the Federal entitlement status of Medicaid, will inevitably take the shape of children's and mothers' bodies strewn on the streets of America; they will be hungry, diseased, and disregarded.

How dare we do this. How dare we say to an entire generation of children that their country will not protect nor invest in them. This cruelty must be stopped. If it is continued, low income families will stand on the threshold of extinction. And that is absolutely unacceptable.

TESTIMONY ON MEDICARE AND MEDICAID BY BRUCE LIVINGSTON, EX. DIR., HEALTH ACCESS, OCTOBER 2, 1995

Good morning Members of Congress. My name is Bruce Livingston, and I am pleased to have the opportunity to speak to you today—not in my usual capacity as the Executive Director of Health Access, but as a concerned son.

Just two months ago my father passed away. He died of cancer three days after his 65th birthday. Fortunately for him and for my family, he died with very little pain, soon after he was diagnosed with cancer. And fortunately for my mother and for my family, he planned for their security—and their health care—after his retirement.

My father retired from civil service at the age of 62 after serving with the US Air Force in Korea and Viet Nam, and then as the civilian director of 600 staff persons at the Army Corps of Engineers in Alaska. He was an accountant and a very careful financial planner for both the US Government and his family. He made sure that when he retired, all of his bills were paid, his car was paid off, and his house expenses could be covered by his monthly pension. Because he retired as a veteran, he had the VA safety net, but the heart of his medical coverage planning was Medicare and Medicaid. He purchased an HMO plan for my mother. He shopped very carefully so that they had enough coverage in case either he, or my mother fell ill.

When he died, my mother's benefits from his pension were reduced. My mother still receives a potion of his pension and social security, but it is much less than what they received while he was alive. Yet my mother's monthly household expenses have not decreased—they are exactly the same. She has no source of income to fall back on.

If Medicare and Medicaid should be reduced, and my mother is forced to pay higher premiums for less coverage at her HMO, her very tenuous safety net could spring a big hole. Right now, my mother is a healthy woman. The proposed cuts by the Republican leadership would reduce the reimbursement rates to doctors and health care facilities. Who knows how her HMO will respond to these reductions. Hopefully, the standard procedures she how depends on will still be covered. But if she is asked to pay out of pocket for any procedures, her whole world could come tumbling down. It is also possible that the HMO could increasingly deny operations, tests, and access to specialists.

My parents house, their biggest reward for a lifetime of work, could also be lost if long-term care coverage is cut out of Medicaid, or if Congress cuts Medicaid costs by making the homes of the elderly part of their payment.

My father worked very hard to provide security to his family. This was the most important thing in his life. While at his military funeral, before his final twenty-one gun salute, I thought about a conversation I had with him a dozen years after he returned from a two year tour in Viet Nam. I asked him why he fought in that war. He said it was not his role to question the government. He ended the conversation by saying simply, ''I wanted to care for my family.''

My father would turn over in his grave if he thought that the security he built for my mother was threatened because of proposals to tax cuts for the wealthy. He believed completely in the promises made to him by the US Government—both as a member of the military and as a retired civil servant.

He and my mother made their financial decisions based on the promise that Medicare and Medicaid would be there for them, to cover their health care needs, when they needed it, for as long as they needed, once retired. My parents kept their promises to the US Government. Now, as their son, I ask you to keep your promise to them. Don't cut Medicare and Medicaid. Please don't end these entitlements.

TESTIMONY ON REDUCTIONS IN MEDICARE AND MEDICAID FUNDING

(By Richard Cordova, Executive Administrator, San Francisco General Hospital, October 2, 1995)

Madam Chair and Members of this Committee: I am Richard Cordova, Executive Administrator and Chief Executive Officer of San Francisco General Hospital.

Thank you for holding this hearing and for the opportunity to appear before you today. I am astounded at the paucity of public hearings on the health care impacts of proposed federal reductions. I recognize that the gravity of these proposals demand unusual community outreach and public deliberation. True opportunities for this discourse have been denied in Washington. As such, I appreciate your efforts to bring this discussion back to San Francisco so that we may have the opportunity to share with you our fears and projections for these sweeping reductions in Medicare and Medicaid financing.

The only reason we have had the luxury of debating rather than enacting universal health coverage in recent years is because of a small and extremely fragile institutional health safety net. This safety net is centered around no more than three to four hundred public and nonprofit hospitals nationwide, a much smaller number of children's hospitals, and a nationwide (but poorly funded) network of community health centers and rural health facilities.

We have already witnessed the deterioration of many of these essential safety net providers in the recent years. With the failure of Congress to enact a national health plan setting the goal of universal coverage, our nation's safety net is facing a crisis today of unprecedented proportions.

The number of uninsured are growing. Many state and local governments are aggressively curbing their own health spending. In other words, this crisis would exist even without the potentially devastating impact of the budget reductions currently proposed for the Medicare and Medicaid programs, which could make this situation substantially worse.

Preliminary analysis of the proposed reductions clearly threaten the quality of and access to care, for already vulnerable members of our community, children, the elderly, the disabled, the working poor, low-income, immigrants and the indigent.

The Republican proposal requires massive reductions over the 7 year period from 1995 to 2002. To achieve this goal, 53% of the proposed $894 billion in federal reductions comes from health and human services programs.

The Republican Medicaid and Medicare cuts are based on three strategies: Capping growth in expenditures, limiting the scope and benefits, restricting the number of persons eligible for programs.

Public hospitals receive significant funding from Medicaid and Medicare to provide services to the poor and indigent. Roughly 77% of San Francisco General Hospital's revenue are from these sources. As a result, significant funding reductions will severely impact the Hospital's ability to meet critical acute care and emergency care needs for these populations.

In addition to functioning as a safety net hospital, the Hospital provides invaluable services to the entire community. For example, San Francisco General Hospital is the only designated Level 1 Trauma Center in the region and the sole provider of trauma care to San Francisco residents and visitors. The Hospital admits over 2,700 critically injured patients per year. San Francisco General Hospital is also the Bay Area regional Poison Control Center. This Center responds to poison control calls for all nine Bay Area counties.

We are also the largest provider of HIV care, and have been recognized by the U.S. News and World Report as the Number One provider of HIV care in the country, and the only provider of emergency psychiatric services. The federal budget proposal jeopardizes all these programs which benefit the entire San Francisco community.

As a business entity, SFGH is a significant contributor to the San Francisco economy, putting approximately $220 million back into the City's economy each year.

The National Association of Public Hospitals estimates that San Francisco General will lose $182 million in Medicaid revenues from fiscal years 1996 through 2002. Over the seven year period, this is the equivalent of receiving no Medicaid revenue at all, for one and a half of the seven years. Reductions of this magnitude would require the Hospital to significantly reduce its outpatient, acute care, emergency care and specialty care services.

Since the early 1980s, California has contained growth in Medi-Cal expenditures by restricting eligibility, limiting the scope of services and instituting select provider contracting for hospital services. As a result, California is 49th in the amount expended per Medi-Cal beneficiary. California spends $602 per Medi-Cal child, approximately 40% less than the national average of $955; California spends $4,929 per Medi-Cal elder, approximately 45% less than the national average of $8,704.

The GOP reduction proposals penalize a State for adopting cost savings measures that other states have not adopted.

California will have very few choices if Medicaid reductions are approved, the state will be forced to further reduce eligibility, increase taxes, reduce or eliminate program benefits, or reduce or eliminate other State programs.

Restricting eligibility of Medicaid programs will increase the number of uninsured Americans. According to the Kaiser Commission, 7% to 18% of California's Medi-Cal eligibles may lose coverage by the year 2002.

There are an estimated 156,000 uninsured in San Francisco. This number could increase by 10,000 to 30,000 if the proposed reductions are passed.

The increased burden for providing health care to individuals who are no longer eligible for Medicaid and become uninsured will shift to the counties, at an increased expense.

County health care systems are uniquely reliant on governmental support to provide care to Medicaid and Medicare beneficiaries, the uninsured, working poor families and indigent persons, the City and County of San Francisco is no exception.

Over the past five years, the Department has significantly reduced City and County general fund support for health care services by maximizing reimbursement from the State and Federal governments. As a result, since 1991–92, the Department has reduced the City and County general fund allocation by $63 million.

Forty-seven percent of the San Francisco Department of Public Health's revenues are from Medicaid and Medicare. The majority of these funds are used to provide primary care in community-based health centers, outpatient and acute care to the poor at San Francisco General Hospital, and long-term care to the disabled and elderly at Laguna Honda Hospital.

Only 16% of the Department of Public Health's funding comes from the City and County. These funds are used to pay for acute care, primary care, mental health, substance abuse and health care services for the indigent, uninsured and incarcerated persons at the County's jails.

In sum, public hospitals and health systems provide a wide range of primary care and specialty services. Some public hospitals, such as San Francisco General Hospital, also provide trauma care, a burn center, high-risk obstetrics and neonatal intensive care, spinal cord/brain injury rehabilitation, emergency psychiatric services, and crisis response units for both industrial and natural disasters. In addition, California's public hospitals train one-third of the State's physician residents. These critical services and activities must be preserved under any federal cost containment strategy.

There are many unanswered questions still associated with these proposals. As the SFGH Executive Administrator, I am weary of ''budget blue prints'' which require massive reductions without a specific plan of action. I know that you are familiar with the expression, ''The devil's in the details.'' The few details which have been released do not bode well for the protection of a viable safety net in our country.

You can not slash both Medicare and Medi-Cal Disproportionate Share Hospital payments, reduce payments for Graduate Medical Education and Indirect Medical Education support, and essentially eliminate the entitlement status for Medi-Cal without

causing a virtual earthquake in the provision of health care for many of our most needy residents.

Let me remind all of us here today, that these proposals will *increase* the need for safety net health care services, while *reducing* funding to meet this increased need.

According to State law, the County is obligated to continue in its role as the provider of last resort in spite of reduced federal support. The City and County will unequivocally be required to increase its support for health care services in response to these reductions.

Thank you again for holding this hearing. I look forward to our continued advocacy in the spirit of good will and humane public policy.

TESTIMONY ON THE IMPACT OF POTENTIAL REDUCTIONS IN THE MEDICARE AND MEDICAID PROGRAMS

(By Timothy McMurdo, Chief Executive Officer, San Mateo County General Hospital, October 2, 1995)

Good morning, my name is Tim McMurdo. I am the Chief Executive Officer of the Division of Hospitals and Clinics of San Mateo County located approximately 20 miles south of San Francisco, California. Our hospital in conjunction with other health services of the county provide a safety net for over 60,000 individuals who are indigent, uninsured and under insured. Many of the individuals we serve receive Medicare and Medicaid benefits.

The Medicare and Medicaid programs pay for a significant amount of the care that is provided in hospitals and by physicians. Medicare generally accounts for a larger portion of the payor mix in private hospitals with Medicaid (Medi-Cal in California) paying for a smaller part of the payor mix. In public hospitals this Medicare/Medi-Cal payor mix is usually inverted with Medi-Cal often making up the largest group of patients cared for. In both the private and the public sector, however, the programs combined can amount to over one-half of the net revenues received by hospitals to pay for care.

The proposed cuts to the Medicare and Medicaid programs will have a catastrophic effect on hospitals and clinics that have heretofore relied on the stability of federal and state payments to help cover the cost of care. This reliance has grown increasingly important since private insurance carriers continue to cut payments to hospitals and physicians and as the number of uninsured people continues to grow.

It is estimated that hospitals and other providers on the San Francisco Bay Area Peninsula will lose hundreds of millions of dollars over the next seven years if these cuts are enacted. These losses will undoubtedly place hospitals that are currently in financial jeopardy due to rapid changes that have already taken place in the health care market, at a much higher level of risk of closure or significant curtailment of programs and personnel. Moreover, heavily utilized public hospitals will be required to take on an even greater burden of uncompensated care as resources at private hospitals to provide charity care dwindle and as those once eligible to receive benefits from Medicare and Medicaid now find themselves in the ranks of the uninsured. It can be assumed that ultimately counties will bear the brunt of the financial responsibility for caring for this increased number of patients dispossessed by Medicare and Medicaid. If county revenues are not available to pay for this additional burden of care, access to many important medical services will be reduced or possibly eliminated. Since Medicaid is a program primarily designed to support poor women with children and older Americans in need of skilled nursing care and long term care, these cuts could be particularly harsh to those who are most vulnerable and who need the care most.

Most hospitals have already reduced their administrative and overhead cost significantly to stay in step with cuts in reimbursement coming from the private health insurance industry. Additional cuts from Medicare and Medicaid will now directly affect those providing care to patients at the bedside. San Mateo County General Hospital for example, estimates that over 80 positions or 15% of the work force including physicians, nurses, ancillary and administrative staff would have to be eliminated. This would result in 500 less patients per year being admitted to the acute setting and 5,000 to 7,000 patients not being able to see a primary care physician or specialist for outpatient services. At larger hospitals on the Peninsula the effect would be greater. Cuts in Medicare and Medicaid will also negatively affect other traditional services offered by counties. In addition to inpatient hospital care, services for the mentally ill and adults with disabilities, in-home support services for the elderly and disabled, and public health nursing will all be affected.

Hospitals on the Peninsula are also major employers that spend in the aggregate approximately $200,000,000 per year for over 5,000 employees. Cuts in Medicare and Medi-Cal would affect local economies as well if major losses of jobs result.

The centerpiece of the Medicare cuts appears to be in incentive programs that will give individuals a chance of keeping traditional Medicare benefits by paying more for those services or shifting to a managed care or health maintenance organization (HMO) arrangement where there is no out-of-pocket cost. The ability of HMO's to control cost and provide high quality care in particular to a population like Medicare beneficiaries who often require higher cost sub-specialty care is unclear. It is clear, however, if the HMO model is adopted, choice and access to hospital and specialty physician providers will be controlled through primary care physicians with the incentive to manage each case at the least expensive level of care as possible. This may create conflict between patients and physicians and other providers as well who must increasingly make decisions regarding care with the financial impact in mind.

In addition block granting Medicaid dollars raises many questions regarding the equitable distribution of those dollars based on actual utilization within the states and the potential for states to spend these dollars on items other than their intended purpose.

In summary, the proposed cuts will have a major impact on service availability and access for patients. However, hospitals and medical providers are bound by legal, ethical and moral standards by which they must provide care. The proposed reduction will not correspondingly release providers from those requirements. How quality can continue to be maintained at the highest standard without adequate resources is an open question. I urge you to oppose the cuts in the Medicare/Medicaid programs on behalf of all individuals who will suffer as a result of them and for the many hundreds of thousands of health professionals who have committed their lives to making the health care system of the United States of America second to none.

TESTIMONY ON MEDICARE AND MEDICAID REFORM BY THOMAS PETERS, PH.D., DIRECTOR, MARIN COUNTY DEPARTMENT OF SOCIAL SERVICES—OCTOBER 2, 1995

Good morning. My name is Dr. Thomas Peters. I am the Director of Health and Human Services for Marin County, and I also serve as the Chairman of the Association of Bay Area Health Officials, and as a member of the Executive Committee of the County Health Executives Association of California.

Our time this morning is limited, but let me share with you some reactions and observations about the current proposals to ''reform'' Medicare and Medicaid.

I

As a number of you know, I have been privileged to serve as a public health official in the Bay Area for more than 22 years, 17 years in the Health Department here in San Francisco, and the last 5 in Marin County.

Over those years, I have travelled regularly to Sacramento and Washington, and in fact have just returned from Washington D.C., where I had the opportunity, and the shock, of learning more detail about the ''radical reform plan'' to strip nearly a half-trillion dollars from Medicare and Medicaid.

Having read everything I could find about these proposals, and having had numerous discussions in Washington, I was left frankly astounded, flabbergasted, and chagrined:

Astounded—because the only meaningful hearings on such a complex and critical matter for the country were being held outside the chambers of Congress.

Flabbergasted—because of the striking absence of specificity regarding the ''reform'' proposals. In California, for even a fraction of the changes being proposed, we would have to hold, under mandate of law, specific, detailed hearings on the cuts and their likely impact. Every cut . . . every position . . . every program reduction, would have to be posted and explained.

Chagrined—because with the notable exception of the efforts of those Congressional members who held the outside hearings, and with the writings of a few commentators, I simply do not sense the urgency of the threat which these proposals pose to the health of every American.

Let's look more closely at these ''reform'' proposals, at least at the broad outline that has thus far been revealed.

Given the scope, magnitude, and intent of what we now know about the frighteningly-fast proposals to change Medicare, I would say that if the health care field had the equivalent of a District Attorney, the ''radical reform plan'' would be subject to three violations, each filed as a felony—for fraud, extortion, and assault:

Fraud—To date, we have seen no verifiable evidence that the magnitude of Medicare's problems require a $270 billion expenditure reduction. It is commonly known that some financial correction in Medicare is needed, and that, indeed, some significant savings could be achieved. But $270 billion?! Where is the actuarial data to back up this demand?

Extortion—If the attempt is successful in simply declaring the problem to be so severe as to warrant these draconian reductions, then tens of billions of dollars will have to be suddenly extracted from this country's medical providers. This would undeniably undermine the basic financial structure of America's hospitals, clinics, nursing homes, and medical offices.

Assault—Count 1 will be for assault against seniors, for they will be the ones most immediately threatened by these proposals. The sicker they are, the more outcast they will become, and the more harm will befall them.

Count 2 will be assault against working Americans. Not only will they invariably be

forced to pay much more for their health care, but they will also find the health care network on which they and their families depend will be weakened and more inaccessible.

III

Let me turn to the seniors themselves:

I am the health director for the ''grayest'' county in California—that is, the county with the oldest average age.

As such, I have the advantage, the pleasure, and the privilege of talking with many seniors. They have much to say, so let me for a moment speak on their behalf.

Increasingly, they will admit to being scared, worried, and angry:

Scared—because as they get sicker and more infirm, in many cases needing nursing home and in-home care, it will be less available and less monitored. In addition, they understand (even if some policy-makers do not), that the combined half-trillion dollar reduction of Medicare and Medicaid is a direct threat to overall health care quality and accessibility—in hospitals, in nursing homes, in doctors' offices.

They know that Medicaid is the ''safety net'' for Medicare, and that many of the poorest and sickest seniors have only this double system to care for them. If you rip Medicare and then go on to shred Medicaid, many will be injured or killed in the fall.

Worried—about the pressures and dilemmas they may cause to their own children—forcing these children into the ''sandwich generation,'' having to choose between the well-being of their parents and their children.

Angry—because the math being presented in these ''radical reform'' proposals just doesn't add up. While they may be gray, they're not stupid, and they correctly sense a high degree of chicanery.

IV

You will hear the claim that these ''reform'' efforts are new and creative, cleverly crafted to generate huge savings without dire consequences.

If only that were so.

The blunt truth is that this ''radical reform plan'' is not creative, but crushing, and it will soon be seen as a matter not of reform, but of regret.

What the just-released analysis by the impartial Congressional Budget Office reveals is a plan notable only for being flat-footed and ham-handed: of the total projected ''savings,'' nearly $200 billion will be created simply by denying payment for services in hospitals, clinics, nursing homes, and medical offices.

In other words, the masterminds of this scheme intend to earn their money the old-fashioned way: steal it.

And finally, you will hear from the supporters of the ''radical reform plan'' that these changes, as painful as they may be, are necessary in order to save both Medicare and Medicaid.

Nothing could be further from the truth.

Actually, their claim is reminiscent of the haunting and infamous remark during the Vietnam War: ''It became necessary to bomb the village in order to save it.''

The blunt truth of the matter is this: if you ridicule and deny the efforts at comprehensive redesign of the American health care system, and instead insist only on weakening two of its most important components, the quality and availability of health care for all Americans is threatened.

V

Let me conclude with this remark.

The public should be aware that certain members of Congress, in giving voice to the justifiable medical, social, and financial fears engendered by the radical proposals, are being charged with being ''morally bankrupt.''

That's strong language, and a grievous charge against their integrity. Instead, they deserve credit for courage. For indeed:

What is ''morally bankrupt'' is proposing profound changes in the American health care system in a manner that is not honest in its explanation of either the intent or the impact.

What is ''morally bankrupt'' is rejecting and ridiculing the previous calls for comprehensive health care reform, and now proposing instead to weaken the system of medical care for the elderly, for the young—indeed for all Americans.

And what is ''morally bankrupt'' is to attempt to deny the American people their basic right to debate and discuss issues of profound social change, and of life and death.

The members of Congress seeking to slow the runaway of ''reform'' in Washington deserve acknowledgement for being morally courageous in their struggles to honor a national commitment to the ill and aged of America. On behalf of the health and well-being of all Americans, we should immediately give these representatives our full support.

TESTIMONY ON MEDICARE AND MEDICAID REFORM BY BRUCE U. WINTROUB, MD, EXECUTIVE VICE DEAN, UNIVERSITY OF CALIFORNIA, SAN FRANCISCO—OCTOBER 2, 1995

Academic medical centers serve a state and national need:

They ensure Americans the highest quality of health care in the world; and

They are a national resource for this reason.

UC's academic medical centers share a three-fold mission with the nation's teaching hospitals:

Training the next generation of physicians;

Performing innovative and life-saving clinical research; and

Providing patient care for the sickest and often neediest patients.

Academic medical centers are instrumental to the vitality of California's economy:

As major employers within their regions; and

As a research engine for California's leading $7.7 billion biotechnology industry. The industry's three major companies trace their origins to our medical centers.

UC's academic medical centers have responded to California's fiercely competitive health care market by cutting costs and managing care:

$200 million in cuts at UC medical centers over the past three years. The centers plan to cut another $75 million in the current budget year; and

US's teaching hospitals are regional centers of treatment and diagnostic innovation and have affiliated with community hospitals, non-profit clinics and physician groups to form efficient and integrated delivery systems. UC has also increased training of versatile primary care physicians.

However, California's academic medical centers face unique issues and circumstances:

California is the nation's most aggressive and competitive health care market. The penetration of managed care is more than twice the national average for the private sector and more than four times the national average for Medicare;

HMOs refuse to share in the responsibility of paying for our teaching mission and are capturing dollars intended to pay teaching hospitals for the greater costs they incur. The California Association of Hospitals and Health Systems estimates the windfall for California HMOs will be $280 million this year alone; and

California's teaching hospitals are losing millions of dollars because of the way Medicare calculates payments to HMOs. The Medicare formula for paying HMOs includes special payments—the Indirect Medical Education Adjustment, the Direct Medical Education and Disproportionate Share payments—that Congress intended for teaching hospitals. HMOs are not required to pass through these payments to the institutions that incur the costs, putting medical centers at a competitive disadvantage.

UC is very concerned about the impact of Medicare reform on our ability to carry out our unique teaching and patient care missions:

Several proposals under consideration would slash specific Medicare payments which are earmarked for paying costs associated with teaching and patient care. These payments—the indirect medical education adjustment (IME), the direct medical education (DME) and disproportionate share payments (DSH)—support a significant portion of UC's medical center operating budgets; and

Medicare and Medicaid payments account for 42 percent of our medical centers' net operating revenue. In turn, the IME, DME and DSH payments account for 36.5 percent of the total Medicare and Medicaid payments to our medical centers.

In addition, proposals targeting funding cuts for graduate medical education would have a devastating impact on UC's medical centers:

One plan would cut IME payments by as much as 60 percent; eliminate DSH altogether, and reduce DME funding by as much as 30 to 40 percent;

Under this scenario, UC medical centers would lose as much as $55 million from the IME reduction alone; cuts to all three programs would represent a loss of more than $100 million; and

These are real cuts; they would be in addition to other proposed changes and reductions that all hospitals, including UC's medical centers, would have to absorb.

Under current proposals, UC's teaching hospitals would be hurt disproportionately and each of our five medical centers would face dire choices:

We believe that the unique missions of our medical centers should be protected. We believe that Congress should adopt the following principles as it works to reform the Medicare system:

Preserve the core missions of academic medical centers;

Protect teaching hospitals from Medicare reductions that are greater than the overall percentage reduction in the Medicare program;

Fix the current Medicare managed care formula that diverts graduate medical education funding away from the teaching hospitals that incur the costs of training physicians; and

Make graduate medical education a shared responsibility of the private and public sectors.

TESTIMONY ON THE IMPACT OF MEDICAID REFORM ON CHILDREN BY DAVID BERGMAN, MD, VICE PRESIDENT FOR QUALITY OF CARE, PACKARD CHILDREN'S HOSPITAL, STANFORD UNIVERSITY, OCTOBER 2, 1995

Congresswoman Pelosi and other distinguished guests, my name is Dr. David Bergman and I am here today to represent Packard Children's Hospital. I am a practicing pediatrician and Vice President for Quality of Care at LPCH. I also serve as Chairman of the Academy of Pediatrics Committee on Quality Improvement and I have been

involved with numerous research projects assessing the quality of care delivered to children. Thank you for the opportunity to testify today on the impact the proposed reductions in Medicaid will have on children and their families.

I would like to begin by reminding all of us, that when we speak of reductions in Medicaid funding, we are speaking of reductions in access to health care for children.

Not only are there direct impacts on children, such as reducing the number of children eligible to receive Medicaid there are also indirect impacts. Many of the proposed reductions will limit the ability of physicians and children's hospitals to provide the breadth and depth of services needed to provide the high quality of care that children deserve.

As we look at what the financial impacts are on Packard Children's Hospital and other children's hospitals, we are really speaking about the impacts on children, especially low income children, and their ability to get the health care necessary to live full and productive lives.

We believe that increased Medicaid savings and enhanced state flexibility can be accomplished while preserving Medicaid as the nation's health care safety net for children.

In any Medicaid restructuring, we urge your support of three key issues.

1. Ensure equity for California Medicaid recipients;

2. Protect the health care safety net for children from low income families; and

3. Protect children with special care needs.

All three of these areas are important in maintaining good health for children. Children are the healthiest segment of our community, but also other than the elderly the segment least likely to have commercial health insurance. Medicaid is the health insurance for over one quarter of all children.

Congress in its wisdom several years ago, untied Medicaid from welfare and instead tied it to income levels. Most of us do not realize that a majority of the children on Medicaid are white and live in two parent families with at least one working parent. These children need our help. If it wasn't for Medicaid, approximately 40% of all children would be uninsured. Even with Medicaid, approximately 16% of our children are still uninsured.

Fewer dollars translates to more children without health care insurance and less comprehensive coverage for those who are eligible. And no insurance limits the ability of children to get the needed and timely medical care. This may mean that children who are currently seen in primary care clinics—at Packard 89% of our primary care visits are for children who have Medicaid—and obtain well child exams and immunizations, or treatment for acute illnesses will either not receive preventive health care or will be forced to use the emergency room as their ''medical home.''

Without a regular pediatrician and with limited financial resources these families will often be forced to wait until their child's illness has progressed to a more serious and complicated level all the time hoping the illness will spontaneously resolve.

Beyond the increased costs of providing health care in an emergency room and treating illnesses of increased severity because of delay in initiating treatment, there is the more important cost in unnecessary suffering of children. Delays in treatment often lead to lifelong disabling conditions or chronic illnesses.

California has long been a leader in providing quality health care to its citizens in a cost effective manner. Currently, however, California is 48th in the nation in its per person expenditure of Medicaid funds. For children, the average cost per enrollee is $601 versus $955 nationally. As a Medicaid growth state, the proposed program cap will not only fail to cover California's growth in eligibles (primarily children) and hospital price inflation, but will perpetuate existing funding inequities and punish California for developing a cost-effective program. We need to ensure equity for California's children.

One way to protect the health care safety net for children from low income families is to maintain disproportionate share as a separate program.

Disproportionate share helps to maintain the health care safety net for children from low income families because Medicaid does not cover the full cost of care. Disproportionate share is a program that was initiated by the federal government and is matched by states to provide additional dollars to hospitals that care for a disproportionate number of patients who receive Medicaid or are uninsured. On average, the base Medicaid payment covers only 80% of every dollar a children's hospital spends to care for a child. Even with the addition of disproportionate share payments, Medicaid on average pays less than the full cost.

Children's Hospitals are recommending that disproportionate share dollars be paid directly to disproportionate share hospital providers and that minimum guidelines for qualification be established. This could save approximately $6 billion annually.

Without disproportionate share dollars, the barriers to access health care for low income and uninsured children will increase.

Based on preliminary analysis and projected savings outlined in the approved House and Senate budget resolutions, we estimate that the potential long term impact on Lucile Packard Children's Hospital would mean fewer available federal and state dollars ranging from $38 million to $105 million over the next seven years.

Next, we must protect children with special health care needs and incorporate minimum national standards for eligibility and access to medically necessary and appropriate care for children.

Many children's hospitals including Packard Children's Hospital have patients from multiple states. This is an even greater problem for children's hospitals located in close proximity to state boundaries. Not only is it essential that all children be treated equitably regardless of where they live, but it is equally important that they have the same access to quality medical care as those fortunate enough to have what private insurance can obtain. By this I mean, that children should be guaranteed access to pediatric specialists and subspecialists.

I offer you an example from the commercial insurance side, of a patient whose family fought for his right to have medically appropriate care by a pediatric subspecialist. Imagine this same situation, if you will, for the typical family who receives Medicaid and ask yourself whether or not the families of these children will be able to fight for the most appropriate medical care to which their children should be entitled or will they be forced to receive inadequate and at times life threatening care.

Recently, we had a child at Packard Children's Hospital who was diagnosed with Wilms tumor. This is a type of kidney cancer unique to children. The child was in a managed care plan and was referred to a surgeon who cares for adults and who had no experience in treating Wilms tumor.

The appropriate treatment requires surgery provided by pediatric surgeons and pediatric oncologists. The father objected to having a surgeon trained in adult urology who had never previously performed this surgery and requested that his child be treated at Packard Children's Hospital where a leading pediatric surgeon with extensive experience with Wilms tumor was based.

Fortunately, for this patient, the father had the sophistication and resources to have his child be treated by the appropriate pediatric specialists in spite of the managed care plan and physicians denial of coverage. The father later sued the insurer and an arbitrator found in favor of the parent. As a result of his efforts, all insurance carriers in California now have to provide appropriate pediatric specialty services. Should we allow anything less for children receiving Medicaid?

TESTIMONY ON REDUCTIONS IN MEDICARE AND MEDICAID FUNDING BY ANTHONY WAGNER, EXECUTIVE ADMINISTRATOR, LAGUNA HONDA HOSPITAL, OCTOBER 2, 1995

Madam Chair and Members of this Committee:

I am Anthony Wagner, Executive Administrator and Chief Executive Officer of Laguna Honda Hospital, which is located here in San Francisco.

Thank you for holding this hearing, and for the opportunity to appear before you today to discuss the grave implications of projected Federal budget reductions in Medicare and Medicaid financing.

As you may be aware, Laguna Honda Hospital (LHH) serves more patients than any other municipally operated facility in our country. This represents approximately 40% of staffed long term beds in San Francisco. Our 1995 year to date average daily census is 1,170 patients. There are approximately 80 persons on the waiting list for admission to LHH.

Our patients exhibit a wide variety of medical conditions. Over 700 of our patients currently suffer from dementia, at least 60 of these patients exhibit the behavior of ''dementia with wandering''. This condition requires additional precautions, including the provision of medical care in a locked area, to ensure patient safety. We also provide specialized hospice, HIV and head injury care to our patients. Over 22% of our patients are under the age of 60, with the average age continuing to drop. An increasing number of our patients are exhibiting complex medical and psychological problems. I attribute this increase to societal trends which include increased drug abuse, heightened consequences of risky behaviors and an increase in years of life. Unfortunately, these individuals are too medically compromised to be placed in other institutions.

I stand before you today chagrined by the moral and financial forecasts associated with the Republican proposals for Medicare and Medicaid. As the Executive Administrator of Laguna Honda Hospital, I find myself in the perilous position of interpreting legislation which may portend grave consequences for the health and safety of our patients and staff.

The GOP budget reflects disproportionate cuts in health and human service related programs, a full 53% of the $894 billion in proposed reductions is slated to come from these programs alone. It is impossible to slash $182 billion from Medicaid, $270 billion from Medicare and $588 million from Substance Abuse and Mental Health programs over the next seven years without compromising the integrity of the traditional safety net, and threatening the ability of providers to offer timely, culturally competent, and cost efficient medical services to a vulnerable population.

Individuals and service providers most acutely affected by these cuts will also suffer from *simultaneous* elimination or reduction of critical welfare, education, housing and labor related programs.

Let me elaborate on a few of the financial consequences associated with these proposals:

The San Francisco Department of Public Health projects at least a $2.9 million revenue reduction this year (1995–96) from Medicaid. The reductions would be in long-term care and in acute care. This revenue loss increases to $69 million in fiscal year 2001–2002 alone.

17% of the State's Medi-Cal expenditures are spent on long-term care. There is a significant need for these service. For example, although Laguna Honda Hospital, has one-third of all skilled nursing beds in the City, it consistently has a waiting list for admission into the Hospital.

Over 93% of Laguna Honda Hospital's budget is based on Medi-Cal revenues. Significant changes to the Medicaid reimbursement rate will result in drastic consequences for our hospital, as well as other long term care facilities in the State.

In San Francisco, this shift will force an increased reliance on the City's general Fund for support. Currently, Laguna Honda Hospital draws no general fund dollars, with the advent of these changes and the elimination of a ''State Match Requirement'', the county general fund may be forced to assume up to 50% or approximately $50 million of our currently projected budget.

Laguna Honda Hospital operates a small acute care hospital along with its long term care facility, as such, it is officially designated as a Distinct Part Skilled Nursing Facility. This designation allows for a higher reimbursement rate, than a free standing facility, in recognition of the acuity of these patients. This rate is now vulnerable to an as-yet undefined reduction.

I would be remiss in my responsibilities if I spoke only on the impact of Medicaid reductions. As you are aware the Medicare reductions are equally ominous, especially as they relate to the provision of safe, humane and appropriate long term care. As the nation's population ages, the need for long-term care increases. The Medicare population has doubled since the program began, from 19.5 million in 1967 to 37 million in 1995.

The current House language does not specify exactly how $270 billion in federal Medicare reductions will occur. The allocation of the ''Fail-Safe'' spending limit is not defined, thus making it impossible to accurately analyze. None the less, it is obvious that physician and hospital rates will face negative adjustments.

In addition to the funding reductions, the GOP proposes to remove federal standards of care for nursing facilities. Removal of these standards severely compromises the community's ability to ensure high quality, appropriate and timely quality care to residents in these facilities.

Both the House and Senate bill include the repeal of the ''Boren Amendment'' and related federal provisions which mandate provider rates that are comparable to those paid in the private sector, and that are based on costs.

Finally, I am worried about a proposal which would pay bonuses to facilities in low cost areas with relatively healthy patients, and would penalize facilities in higher cost areas with relatively sicker patients.

In sum, the Republican bill leaves the elderly and their families unprotected. This bill takes away current legal protections from the elderly and their families:

There would be no more guarantee of coverage for nursing home care after an individual or family has spent all of its own savings.

Those elderly whom States elected to cover would no longer have a guarantee of choice of which nursing home or home care provider to select.

There would be no more guarantee that spouses of nursing home residents would be able retain enough money to remain in the community.

Nursing home residents (whether covered by Medicaid or not) would no longer be protected from the use of restraints, drugs or other poor quality care.

States would be allowed to impose liens on personal residences (including family farms).

States would be allowed to require the adult children of nursing home residents to contribute toward the cost of their parents care, regardless of the financial circumstances or family obligations.

Elderly with incomes below poverty ($625 per month) would lose their guarantee to assistance with their monthly Medicare premiums, deductibles, and coinsurance.

Given the preliminary information which has been revealed to date on these proposals, I have grave concerns about our ability to continue to provide quality medical care to a growing population with increasingly complex needs.

From increased co-payment requirements, to reduced facility assurances; from slashed hospital and physician reimbursement rates to the ruse of medical savings accounts, it is clear that both patients, providers, facilities, the general population and surely the county government will be forced to shoulder additional and unbearable burdens associated with these cuts.

I sincerely appreciate your attention to this situation, by calling for a special hearing on these critical issues. Thank you for the opportunity to share my views with you today.

I look forward to our continued dialogue, as these proposals take shape.

TESTIMONY ON PENDING CONGRESSIONAL MEDICAID PROPOSALS BY PAUL DI DONATO, SAN FRANCISCO AIDS FOUNDATION, OCTOBER 2, 1995

My name is Paul Di Donato and I am the Director of Federal Affairs for the San Francisco AIDS Foundation. The AIDS Foundation serves over 3000 clients annually with direct client, case management and housing services, develops HIV education and prevention initiatives, provides research and treatment education and engages in local, state and federal public policy advocacy efforts around HIV/AIDS issues, including work on national health care reform last year and the battle to save Medicaid this year. I am pleased to be here to testify about the critical importance of Medicaid to people living with HIV/AIDS in San Francisco, in California and across the nation.

The importance of continued adequate funding of and federal standards for Medicaid—as a matter of life and death for people with HIV/AIDS—becomes crystal clear when one realizes the tremendous extent to which the bulk of people with HIV/AIDS rely on Medicaid. The HIV/AIDS trends in Medicaid are also essential to understand. In fact, when one analyzes these facts, the likely impact on people with HIV/AIDS of the current Republican proposals before Congress becomes frighteningly clear.

Medicaid provides health coverage to over 40% of people with HIV/AIDS nationally, including over 90% of pediatric AID cases. In California, this figure is close to 50%. In the Bay Area, it is close to 60%. Medicaid is the largest insurer of people with HIV/AIDS and has become increasingly so through every year of the epidemic. The growth trend in Medicaid coverage of HIV/AIDS health care is astounding. Between 1991 and 1995 alone, the Health Care Financing Administration estimates that Medicaid HIV/AIDS care costs more than doubled. In California, the figures quadrupled from 1986 to 1993.

Medicaid will provide close to $4 billion worth HIV/AIDS care nationally in 1995, a figure that includes the federal and state contributions. In comparison, the Ryan White CARE Act has been funded at $656 million for FY 1996, thus making Medicaid the largest, single HIV/AIDS program funded by either the federal government or the states. In California, Medi-Cal provided $165 million in HIV/AIDS care in 1992–93, the last year for which the state has such figures. Medi-Cal's importance to San Francisco and to California for HIV/AIDS care is not surprising given the impact of HIV/AIDS in these areas. San Francisco has had over 20,000 AIDS cases to date and 1 in every 25 residents (approximately 28,000) is assumed to be HIV-positive; California has had over 85,000 cases of AIDS to date and approximately 150,000 Californians is assumed to be living with HIV.

Medicaid is especially important for people with HIV/AIDS because of the nature of HIV/AIDS itself. Due to the general age and average lifespan of those living with HIV, few people with AIDS ever qualify for Medicare—approximately 4%. Moreover, with the average cost of HIV/AIDS care at $120,000–$140,000 per person, HIV/AIDS quickly impoverishes even those who are well off at the start of the disease, thus making self-financing of adequate care virtually impossible for everyone. Furthermore, the private health insurance industry, through a variety of means—legal and illegal—manages to reduce its share of coverage of annual HIV/AIDS health care costs every year.

I do not need to review in detail the federal proposals on Medicaid here: the $182 billion in cuts by the year 2002; the incentives for states to cut even more from their contributions to the program and the permission to do so; the block granting with its attendant loss of essential federal guidelines, standards and mandates; the incentives for states to implement the barest of bare-bones managed care plans and so on. California will loose over $19 billion, or 20% of its federal Medicaid monies by the year 2002 under the current Republican Congressional plans. Like other states, California will be free to set new standards for eligibility, services rendered with Medicaid dollars and the like.

Let me say simply and clearly that every major element of these plans will devastate people with HIV and AIDS dependent now or in the future on Medi-Cal:

The funding cuts will result in many PWA's loosing some or all of their desperately-needed Medicaid health services with the obvious result being increased illness and premature death;

Mandatory managed care programs without adequate funding and guidelines will also result in decreased access to care and a lower level of care that is inappropriate for HIV/AIDS and other serious, chronic or life-threatening diseases;

The block granting of Medicaid will only compound these problems through the loss of federal guidelines that now protect vulnerable populations and mandate a broad benefits package. The inevitable end effect of block granting will be the loss of essential services for those who need them.

Let me mention one California-specific example of innovative and essential Medicaid-financed care likely to fall victim to these Congressional proposals. In California, we have used waivers to create innovative, humane and cost-effective programs, such as the AIDS Medi-Cal Waiver Program. This program provides nurse case-management and home and community-based care to Medi-Cal recipients with symptomatic HIV or AIDS. In 1994, the AIDS waiver program cost $5.3 million, yet saved over $90 million in nursing home and hospital costs, as calculated by the federal government, that

would have otherwise been incurred for these recipients. Such optional programs will likely be the first to go as California attempts to manage Medi-Cal with a dramatic decrease in federal dollars.

It must be made clear as well that there is no safety net underneath the Medicaid system to compensate for these draconian measures. For example, in San Francisco, our Public Health Department, which provides essential HIV/AIDS services and many other essential services, currently receives 40% of its income from Medi-Cal. San Francisco's Public Health Department will not only not be able to make up for this loss in HIV/AIDS care resulting from these Medicaid cuts, but will be hard-pressed to maintain its level of current services. Moreover, Congress is cutting other funds essential to public health departments and urban health care infrastructures, such as funds for mental health and substance abuse.

Ryan White CARE dollars and the nonprofit sector that exists in the AIDS community are no solutions. Ryan White monies in the Bay Area and throughout California have always been inadequate to meet the demands of the HIV epidemic; they are already stretched to a breaking point. Moreover, in many Ryan White programs and other city and state funded programs, Medicaid funding provides the foundation upon which other funds are used to build the HIV/AIDS care system. Thus, there is no safety net to catch those who will fall between the ever-widening, soon to be gaping Medicaid/Medi-Cal crack.

Reform in Medicaid may be desirable, even necessary. However, what we are looking at in these proposals moving through Congress now with such speed is not careful reform or effective cost-efficiency' it is a wholesale rampage against the medical safety net in this nation.

Thank you.

Ms. PELOSI. I thank the gentleman, and I yield to the gentlewoman from California for her closing remarks.

Ms. WOOLSEY. My final remark would have to do with health care reform in general. I believe until we are willing to first take the tax cuts off the table, second, do something about defense expenditures beyond what was asked by the Department of Defense, and, third, we must look at the entirety of health care reform, not just balance the budget on the backs of seniors and the most vulnerable and not just take one piece of health care. We must look at the entire health care program.

Ms. PELOSI. I thank the gentlewoman for her participation in our special order tonight.

I would just comment on her role as a member of the Committee on the Budget, thank her for her leadership role there in representing the values of our community. Many of us believe the budget of our country should be a statement of our Nation's values and those values should reflect the priority we place on investing in our children and in the health care of all our people and certainly protections for our senior citizens. We have grave concerns about how those at the low end of the economic scale fare in our country, but we have a large responsibility to middle-income and working people in our country to make sure that they are not paying the bill for everyone, and they would bear a terrible brunt from these Medicare and Medicaid cuts, unless they think that unless you are a senior, unless you are a poor person, this does not matter to you. They have to know that they are directly impacted by it, and their ability to raise and educate their own children will be very, very much affected by the Republican proposals, which I believe are not a statement of America's values, and I hope that the American people will speak out loudly and clearly to our Republican Members of Congress to make their voices heard to our colleagues so that they will reject this ill-advised and ill-conceived, in-secret proposal to cut Medicare and Medicaid to give a tax break to the wealthiest Americans.

A DEBATE ON MEDICARE AND MEDICAID

The SPEAKER pro tempore (Mr. FOX of Pennsylvania). Under the Speaker's announced policy of May 12, 1995, the gentleman from Pennsylvania [Mr. WELDON] is recognized for 60 minutes as the designee of the majority leader.

Mr. WELDON of Pennsylvania. Mr. Speaker, I wish I was going to take an hour here on a different topic, but I have to respond, along with my colleague, to some of the things that have just been said.

One of the pluses of our great society is you can say anything on the floor of the House. You do not have to back it up with fact. You can say anything you want about anything. Whether or not you believe it is something people back home have to make up their own minds.

I would say the American people have spoken about what this party has done. I would remind my Democrat colleagues before they leave the floor that since Bill Clinton took office, 136 publicly elected officials have switched parties in America, 136. Zero have switched from the Republican Party to the Democrat Party, and 136 have switched from the Democrat Party to the Republican Party, including 5 Members of Congress and the only American Indian in Congress.

So I would say to my colleagues the American people are listening, and your elected officials around the country are coming in droves to support the ideals and the principles of this party.

What we are going to attempt to do is provide some honest information to rebut what you have just said here. Let me read a quote. This quote is from Senator DANIEL PATRICK MOYNIHAN, one of the most stalwart Democrats in the Senate. This quote was from September 17, 1995:

At the present moment, Medicare costs double every 7 years. The Republicans want to slow that down to doubling every 10 years. The Administration is somewhere in between. No one is talking about abolishing Medicare and, indeed, no one is talking about cutting Medicare, especially the rate of growth.

I would say to my colleagues on the Democrat side this is Senator MOYNIHAN speaking. This is not some Republican. This is not NEWT GINGRICH. This is your leader on health care issues and on Medicare issues, Senator MOYNIHAN. If you want to quote someone, respond to the quote of Senator MOYNIHAN. Let us be factual, Mr. Speaker, in this debate. Let us stop the use of partisan politics in attempting to scare senior citizens.

Your party does not have a corner on caring for people any more than ours does. I think it is wrong to use mean-spirited attacks to try to scare seniors into thinking someone is trying to take benefits away from them. That is absolutely outrageous.

I yield to the gentleman from California [Mr. RIGGS].

Mr. RIGGS. I appreciate this opportunity to address my fellow northern Californians in the spirit of bipartisanship. I thought I would come over to the floor and perhaps present a little different perspective than what our colleagues and C–SPAN viewers may have just heard in this last hour.

We have just heard and witnessed a display of incredible partisanship, the kind of scare tactics that have nothing to do about what is really right for this country and everything to do with a naked attempt by the Democratic minority to regain power and regain control of the Congress.

My colleagues failed to point out, as they were talking about these draconian cuts, as they were displaying postcards which I assume are paid for by some special interest group, they failed to point out the House and Senate budget conference report calls for an increase, and I will be happy to show you the numbers, by the way, if anyone would care to walk across the aisle and see them, the House and Senate conference budget report calls for an increase, I think we understand plain English, an increase in Medicare spending in California per beneficiary from $5,821 today to $8,839 in the year 2002.

Furthermore, the House budget conference report calls for an aggregate of $50,283 per Medicare beneficiary in California over the next 7 years. That does not sound like the kind of draconian cuts that I just heard you describing.

In fact, witnessing this whole display really makes me remember the words of Will Rogers, or maybe it was Woody Allen, who said, ''No matter how cynical I get, I just can't seem to keep up.''

I also want to point out, before the gentlewoman from Sonoma County leaves, I want to point out to her, of course, any other colleagues, I want to point out that the gentlewoman just sent to her constituents at taxpayer expense a so-called franked newsletter, a franked mailer. This is one of the most outrageous and cynical things that I think I have seen in my service in Congress, because it says in the flier, ''I am outraged that Speaker of the House NEWT GINGRICH and the extremists in Congress are cutting programs.'' Then it goes on to say,