Medicare. We wanted to get the 10 years of solvency that had been supported by the President and other Members of the Congress and then deal with the long-term issues. I think if the Senator wanted to, we could spend some time looking at the increase of home health care and the decrease in hospitalization.

But the bottom line is patients go, by and large, in the health care system where the doctor tells them. If the doctor tells them, you need to get to that hospital tonight, by and large, patients go there. If the doctor says, you need to have those services, by and large, the patients get them. When we are talking about individuals who have incomes of roughly $7,700 being told they can get an offset in the State. We know the number of children, for example, that fall under the Medicaid proposals that are not covered by Medicaid. And the seniors are facing the same thing.

So I just think that, let alone, as the chairman has pointed out, the very poor can get some of this offset or will get it offset in terms of the Medicaid that is requiring the States to collect it. We have heard a great deal about putting additional burdens on the States, but it seems we are willing to do so as long as we get the additional funds for the tax cuts.

I thank the chairman of the Finance Committee for his response, and I appreciate his courtesy in responding to these questions. I will be glad to yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. BYRD. Mr. President, I ask unanimous consent that I may speak out of order for not to exceed 10 minutes without the time being charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from West Virginia is recognized.

Mr. BYRD. Mr. President, I thank the Chair.

CLIMATE ISSUES AT THE DENVER SUMMIT

Mr. BYRD. Mr. President, press reports today from the annual economic summit of the world's major industrial powers in Denver indicate that there was pressure on the United States from some of our allies to make new commitments to deep cutbacks on greenhouse gas emissions, specifically, carbon dioxide emissions. It is unfortunate that some of our allies, including the French in particular, chose this forum to change the terms of international dialogue on this issue. I commend President Clinton for resisting these surprising, new pressure tactics to shortcut the progress towards a reasonable solution at Kyoto and to try to force the United States to endorse an immediate commitment to unworkable new goals, thereby, shredding the negotiating process. We and the French are both part of negotiations intended as a follow-up to the United Nations Framework Convention on Climate Change, the so-called Rio Pact, signed in 1992, and approved by the Senate. The Rio Pact called upon the industrialized nations to aim to reduce their greenhouse gas emissions to their 1990 levels by the year 2000, a goal which will not be achieved by the U.S. or by most of the industrialized nations.

As a result of the failure of most of the industrialized world to meet this voluntary commitment to reduce Carbon dioxide emissions, the parties met in Berlin in 1995 to discuss the future direction of the treaty. In Berlin, the United States agreed that new commitments should be binding upon the signatories, but the developing world was excluded from any new commitments. Unfortunately, excluding the developing world, which will be the most important emitter of carbon dioxide emissions by the year 2015, exceeding the emissions of the OECD nations, was a mistake. The solution, if it is to be effective, must include all major emitting nations or it will fail to really get the problem under control. More than that, the perceived unfairness of forcing limits on the economies of only some nations, but not others, will cause political pressure to frustrate the approval and implementation of any treaty that is signed in Kyoto this December. The temptations of industries to flee from the U.S. for example, behind the safe non-binding walls of Mexico, for instance, or other developing nations, will both frustrate the goals of a treaty and unfairly penalize the developed economies.

Therefore, Mr. President, the distinguished Senator from Nebraska, Mr. HAGEL, and I authored a Sense of the Senate Resolution indicating that it is imperative for the developing world to be parties to any binding commitments made in Kyoto, that those so-called commitments should demonstrate unequivocally an action program to approach this problem in a realistic way, and that everyone should start with aggressive efforts to act on those commitments immediately and not settle for vague promises to return to future negotiations to get serious. While some countries have different levels of development, each must make unique and binding contributions of a kind consistent with their industrialization. The developing world must agree in Kyoto to some manner of binding commitments which would begin at the same time as the developed world with as aggressive and effective a schedule as possible given the gravity of the problem and the need for a fair sharing of the burden.

Mr. President, in Denver during the last two days, some nations put pressure on the United States to agree to a whole new set of commitments beyond those agreed to in Rio, beyond the target of stabilizing at 1990 levels by the year 2010. Those nations sought to get the U.S. to agree to a 15 percent reduction by 2010, a level of reduction which would have very serious impacts on major sectors of the U.S. economy. There were no discussions of bringing the developing world into the play. I highly commend President Clinton for resisting these surprising new pressures to deviate from the Kyoto track, and set targets for very sharp new levels of reductions. Those nations should know that the United States Senate stands strongly behind the President in resisting these pressures. Reductions must be fair, well-managed, well-planned, and spread across the globe—spread across the globe. In addition, Mr. President, a wide-ranging new set of initiatives is needed to harness technology, to engage in new crash research and development technologies to mitigate the carbon dioxide emissions from fossil fuel combustion, as well as new energy efficiency programs, and cooperative programs between the developed and developing world. We have only begun to match the targets of carbon dioxide reductions and limitations with our technological genius and to engage in pioneering a new energy frontier type program aimed at using man's genius to tackle this global problem from every conceivable angle.

I reiterate, Mr. President, that President Clinton is to be commended for resisting the pressure for these sudden draconian commitments.

Mr. President, I yield the floor.

Mr. LAUTENBERG. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. LAUTENBERG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

BALANCED BUDGET ACT OF 1997

The Senate continued with the consideration of the bill.

Mr. LAUTENBERG. Mr. President, I yield to my colleague from New Mexico so much time as he needs to make his remarks.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. BINGAMAN. Mr. President, I thank the Senator from New Jersey for his courtesy, as always.

Let me speak for a few moments on a motion, or amendment, that is going to be offered by the Senator from Illinois, Senator DURBIN, the Senator from Rhode Island, Senator REED, and myself. This is a motion to strike one provision that is in this reconciliation bill which would change the age at which senior citizens become eligible for Medicare. It raises that age from 65 to 67. Our amendment would propose to strike that provision from the reconciliation bill. In my view this is an unacceptable provision, it is very misguided, and one that we should not continue to keep in this legislation if we send this legislation on through the legislative process.

Mr. President, there are no budgetary savings that would accrue as a result of this provision until the year 2003, after the target date for reaching the balanced budget. I am informed that this section would fall under the Byrd rule, and for that reason a vote of 60 Senators or more will be required to keep this provision in the bill, so I hope that a substantial majority of the Senate will agree with us that this provision should be stricken from the legislation.

Raising the eligibility age for Medicare, first of all, is not necessary in order to balance the budget. The extra budget savings that this provision might generate are not necessary to meet any of the targets set by the budget negotiators in the earlier negotiation. While this change is described as being something that was done in order to bring Medicare into line with Social Security changes that were earlier made, there are obviously very real differences between Medicare and Social Security. Social Security allows an individual to receive early retirement benefits at age 62. Unlike Social Security, Medicare does not provide any other option for the retiree who wants to retire at age 65. Either the person has insurance or they do not. To make this change in Medicare, I believe, would visit a real hardship on many seniors who have planned for their entire careers to be able to retire at age 65 and to have Medicare available to them at that time. For us to make this kind of change, even though there is a long period for the phase-in of the change, I think will be breaking faith with many of those Americans and many of the people in my State.

Raising the eligibility age creates, also, the specter of a new group of uninsured Americans. We have spent much time in the previous Congress and in this Congress debating how we can cover more Americans with health care insurance. We have too many Americans today—in my State we have way too many Americans—who do not have health care coverage. We have talked about how to cover more children, how to cover more working families, how to cover more seniors before they are eligible for Medicare. This provision that we are going to propose to strike from the reconciliation bill adds to that pool of uninsured Americans who would be without health insurance at a very critical time in their careers. Essentially, it says to them that between the age of 65, when they would normally expect to retire, and the age of 67, the responsibility for health care will be theirs.

There are different groups of Americans and people have different circumstances. There is a large group that has no health care coverage in their employment. This would provide that there is an additional 2-year period in which they continue to have no health care coverage as they approach their senior years. There is another group that has health care coverage but that health care coverage terminates at the time they quit their jobs. That group, of course, would have the financial responsibility. They would have the choice to either go out and buy private health care coverage, which would be very expensive, to cover that interim period of 2 years, or they would have the choice, of course, of trying to get through that period without health care coverage, either depending upon Medicaid or hoping against hope that they do not get sick and do not need medical attention.

Of course there are others, I should point out, who have health care coverage and whose employers have agreed to maintain that health care coverage until they reach the eligible age for Medicare. Those individuals, of course, would continue to have health care coverage under their employer but the provision we are trying to strike here would visit a hardship on the employers in that case. The provision would have an immediate impact on employers right now, who provide health benefits to individuals until they reach the age for Medicare. Companies are required today, under Financial Accounting Standard 106, to estimate their liabilities for all future retiree health benefits. Companies determine the present value of their future liabilities for those health benefits and have to report that. These figures are reported as part of the financial statements the companies make. All of those liabilities would have to be rolled into those financial statements immediately upon the adoption of this provision, if this provision were to remain part of the reconciliation bill.

So the change that we are proposing here not only would visit a hardship on the employees, the senior citizens who are ready to retire or who have retired, it also visits a financial hardship on employers and constitutes, in many ways, an unfunded mandate on the private sector. I am sure that issue will be discussed to a great extent by the other sponsors of this legislation. A higher Medicare eligibility age would actually create a disincentive for employers to hire or retain older workers, and it would also create an additional incentive, perhaps, for them to cut back on health care benefits at an earlier time.

Mr. President, we are in the period where employers are cutting back on additional benefits that go with employment. That trend has continued, now, for some time. I do not think there is any doubt that it is a lower percentage. I have one figure here that the American Association for Retired Persons put out that in 1973, 71 percent of large employers covered early retirees with health care coverage. By last year, that proportion was no longer 71 percent, it was down to 63 percent. Of course, that only applies to large employers. Most of the small employers in my State do not provide that coverage and most of the employees in my State, accordingly, do not have that benefit.

Mr. President, I believe very strongly that we need to make necessary changes in the structure of Medicare in order to keep it solvent as we go forward. I support efforts to do that. I do not, though, believe it would be appropriate for us to try to improve the solvency of Medicare by reducing the number of individuals who are eligible to receive Medicare, reducing the pool of individuals who are eligible to receive those health benefits. This provision which we are trying to strike from the reconciliation bill has that exact effect. I hope very much the Senate will agree with us on this proposed amendment to strike this provision. I think this would substantially improve the legislation if we did strike this provision.

I urge my colleagues to support the amendment when the vote is taken on the amendment. As I understand that will be tomorrow morning.

Mr. President, I ask unanimous consent that five letters and a report on this subject be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

NATIONAL ASSOCIATION
OF MANUFACTURERS,
Washington, DC, June 16, 1997.

Hon. WILLIAM V. ROTH, Jr.,
U.S. Senate, Senate Hart Office Building, Washington, DC.

DEAR SENATOR ROTH: The National Association of Manufacturers has been a strong supporter of the May bipartisan balanced budget agreement and the subsequent House Ways and Means Committee markup of proposals to preserve Medicare's solvency to 2007. The proposal being considered by the Senate Finance Committee is nearly identical with at least one major exception: conforming the eligibility age for Medicare with that for Social Security, which is scheduled to rise from 65 to 67 beginning in 2003. No budgetary savings would accrue until that time, well after the target date for achieving a balanced budget.

Beyond the pending short-term fixes, Medicare's survival depends on making long-term structural changes. Increasing the eligibility age could well fall into that category and should be studied along with other proposals by the Baby Boom Generation Medicare Commission. Increasing the eligibility age now would not contribute to a balanced budget, while it would do harm to early retirees and employers who provide retiree health coverage.

Medicare currently has no option for early access to a reduced benefit and, thus, a shift in the eligibility age would create a major shifting of medical costs from Medicare to retirees. Only about one-third of Medicare enrollees have employer-sponsored retiree medical coverage, largely through jobs in manufacturing, which typically pay higher wages. Persons without such coverage, typically in lower-wage industries, would be particularly affected and least able to cope with this delay in Medicare coverage.

On the employer side, companies now paying full medical benefits prior to Medicare eligibility would have to continue paying unreduced benefits for the duration of the age increase. These companies would see an immediate increase in their Financial Accounting Standards (FAS) 106 liability. Thus, while any increase in the Medicare-eligibility age may not begin to take effect for several years, the impact on companies' book value would be immediate.

Current proposals to increase the Medicare-eligibility age contribute nothing to budget savings until 2003. Therefore, we urge that this proposal be studied by the Baby Boom Generation Medicare Commission with a focus on its effect on early retirees, employers and the Medicare program. Should such a change be recommended, the implementation date should allow companies and individuals sufficient time to plan accordingly for this program change.

Sincerely,

JERRY J. JASINOWSKI,
President.

INCREASE IN MEDICARE ELIGIBILITY AGE SHOULD BE DELETED FROM THE BUDGET RECONCILIATION BILL

Issue: A provision to increase the Medicare eligibility age from 65 to 67 was included in the budget reconciliation bill approved by the Senate Finance Committee. The provision is identical to one which the Senate rejected during its consideration of the 1995 balanced budget act. Removing the provision from the current budget bill would have no scoring consequences because the phase-in to the increased eligibility age would not begin until 2003. However, there would be an immediate adverse impact for employers which provide health benefits until an individual becomes eligible for Medicare. Shifting these costs from Medicare to private coverage is likely to result in a reduction in health benefits for active workers, retirees or both.

Discussion: The Senate bill provision would increase the Medicare eligibility age over a 24 year period to conform it to the revised Social Security age. The consequences of such a long term change appropriately belong on the agenda of the Bipartisan Commission on the Future of Medicare, a panel which would be established by both the House and Senate budget reconciliation bills to make recommendations to Congress on the changes that need to be made to prepare Medicare for the demographic impact of the Baby Boom generation.

The provision has no scoring consequences for the current budget bill because the phase-in to the new eligibility age would not begin until 2003, the year after the five-year period of budget reconciliation bill. However, its effects on private health coverage would be immediate. Employers must comply with financial accounting standard (FAS) 106 which requires companies to determine the present value of their future liabilities for the health benefits provided to their active workers and retirees. Increases in the Medicare eligibility age would result in increased liabilities for employer-sponsored coverage, including those firms which agree to continue coverage for early retirees until they become eligible for Medicare benefits. Because FAS 106 standards require that companies must account for their increased financial exposure immediately—even though the increase in the eligibility age would take place over many years—the impact to employers' bottom line would occur long before the full phase-in period.

Shifts in health care costs from the federal government to the private sector can have profound and unanticipated effect and are very likely to result in lower coverage for active workers, retirees or both. That is why any change in the Medicare eligibility age must be carefully considered and compared with other long term financial and structural changes needed in Medicare to prepare the program for its future beneficiaries.

Congress and the President reached an historic bipartisan agreement to balance the budget by 2002 and expressly decided that long term Medicare changes would be addressed only after an expert panel provides much needed guidance on the best set of choices to secure Medicare's future. Clearly, increasing Medicare's eligibility age should be given the further consideration that such a fundamental change deserves.

NYNEX,
New York, NY, June 18, 1997.

Hon. DANIEL PATRICK MOYNIHAN,
U.S. Senate, Russell Senate Office Building, Washington, DC.

DEAR SENATOR MOYNIHAN: NYNEX urges you to delete the Medicare eligibility retirement age increase from the Senate Finance Committee's bill. As you know, a provision in the Chairman's mark would increase the Medicare eligibility age from 65 to 67. Besides public policy concerns about insurance coverage for senior citizens, this provision would also have a significant and immediate adverse financial impact on NYNEX.

NYNEX provides health care coverage to its employees, retirees and their dependents. Our retirees receive full health care benefits at retirement and supplemental benefits that are integrated with Medicare once they become eligible for Medicare. Under the Finance Committee proposal, NYNEX would ultimately be responsible for paying for the additional two years of full benefits for its retirees.

There is also a more immediate concern. Companies are required under Financial Accounting Standard (FAS) 106 to estimate their liabilities for all future retiree health benefits and ''book'' (recognize on their financial statements) the present value of these liabilities, net of any assets dedicated to retiree health. This figure is deducted from earnings. As a result, responsible companies providing generous retiree health benefits will be penalized and viewed as less profitable compared to their competitors who do not provide retiree health benefits.

The impact of this legislation will be to discourage companies like NYNEX from offering comprehensive retiree health benefits to their employees.

Changes to the Medicare eligibility age should be considered in the context of overall Medicare reform. It is not necessary for the Finance Committee to adopt this proposal to meet its budget reconciliation commitments, since the proposal does not raise any revenue over the short-term.

Again, NYNEX urges you to delete the Medicare eligibility age provision from the Finance Committee bill. This issue should be considered in the context of comprehensive reform to ensure all aspects of the issue, including the concerns of employers providing retiree health benefits, are addressed.

Sincerely,

MORGAN KENNEDY,
Vice President,
Government Relations.

BELL ATLANTIC,
Charleston, WV, June 18, 1997.

Hon. JOHN D. ROCKEFELLER IV,
Hart Senate Office Building,
Washington, DC.

SENATOR JAY ROCKEFELLER: Bell Atlantic urges you to delete the Medicare eligibility retirement age increase from the Senate Finance Committee's bill. As you know, a provision in the Chairman's ''mark'' would increase the Medicare eligibility age from 65 to 67. Besides public policy concerns about insurance coverage for senior citizens, this provision would also have a significant and immediate adverse financial impact on Bell Atlantic.

Bell Atlantic provides health care coverage to its employees, retirees and their dependents. Our retirees receive full health care benefits at retirement and supplemental benefits that are integrated with Medicare once they become eligible for Medicare. Under the Finance Committee proposal, Bell Atlantic would ultimately be responsible for paying for the additional two years of full benefits for its retirees.

There is also a more immediate concern. Companies are required under Financial Accounting Standard (FAS) 106 to estimate their liabilities for all future retiree health benefits and ''book'' (recognize on their financial statements) the present value of these liabilities, net of any assets dedicated to retiree health. This figure is deducted from earnings. As a result, responsible companies providing generous retiree health benefits will be penalized and viewed as less profitable compared in their competitors who do not provide retiree health benefits.

The impact of this legislation will be to discourage companies like Bell Atlantic from offering comprehensive retiree health benefits to their employees.

Changes to Medicare eligibility age should be considered in the context of overall Medicare reform. It is not necessary for the Finance Committee to adopt this proposal to meet its budget reconciliation commitments, since the proposal does not raise any revenue over the short-term.

Again, Bell Atlantic urges you to delete the Medicare eligibility age provision from the Finance Committee bill. This issue should be considered in the context of comprehensive reform to ensure all aspects of the issue, including the concerns of employers providing retiree health benefits, are addressed.

Sincerely,

DENNIS BONE,
PRESIDENT AND CEO.

CORPORATE HEALTH
CARE COALITION,
Washington, DC, June 16, 1997.

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

DEAR SENATOR ROTH: We would like to bring to your attention the concerns of our companies about a provision we believe is included in the Senate Finance Committee Proposal for Budget Reconciliation. This provision—to raise the Medicare Eligibility Age—could have a serious effect on our corporate liabilities and book value.

As you know, many companies today provide their retirees with health benefits. In most plans, retirees receive full benefits at any early retirement age and supplemental benefits that are integrated with Medicare beginning at the Medicare eligibility age. Under the Senate provision, companies now paying full benefits prior to Medicare eligibility would eventually have to continue paying the unreduced benefits for two more years.

Companies are currently obligated under Financial Accounting Standard (FAS)106 to estimate their liabilities for all future retiree health benefits that may be paid to active and retired workers, and ''book'' the present value of these liabilities, net of any assets dedicated to retiree health. These net liabilities, which are estimated today to exceed $300 billion, must reflect all current law requirements and existing plan provisions, even though companies may be planning to make changes in their plan.

Even though the Senate's increase in the Medicare Eligibility would not begin until 2003, and then would proceed gradually over the next 24 years, the impact on corporate book liabilities would be immediate. Under FAS106, companies would have to re-estimate their future liabilities and account for any addition to their liabilities as a result of this change. The impact on FAS106 liabilities would vary greatly depending on the type of plan and age of work force, but would

range from a 5 to a 25 percent increase in FAS106 liabilities.

This would create a serious financial and accounting problem for companies currently operating retiree health plans, and could cause many to move to limit or eliminate their commitment to retirees. While there is some logic to coordinating Medicare and Social Security retiree ages, we ask that we take up this task after Budget Reconciliation is completed and we have time to consider provisions to avoid the FAS106 liability effects.

Since we do not believe this provision contributes to meeting the Budget Reconciliation instructions to the Committee, we urge you to drop this provision altogether.

Sincerely,

ELLEN GOLDSTEIN,
Chairman.

INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA—UAW,
Washington, DC, June 23, 1997.

DEAR SENATOR: Today the Senate is scheduled to take up the budget reconciliation legislation dealing with spending reductions. The UAW strongly opposes this bill because it incorporates a number of anti-worker, anti-senior provisions. We urge you to support amendments to delete the objectionable provisions; If they are not eliminated, we urge you to vote against the bill on final passage.

This budget reconciliation legislation contains a massive attack on the Medicare program that would be extremely harmful for the elderly and for working men and women. In particular, the UAW strongly opposes the provisions that would; Increase the Medicare eligibility age to 67; this provision would greatly increase the number of Americans without health insurance coverage; it would also impose huge new costs on those employers who currently provide pre-Medicare retirees with health insurance coverage, and impose additional pressure on these employers to drop this coverage; means test the Medicare program by imposing drastic increases in the Part B deductible for beneficiaries with higher incomes; this provision would be extremely difficult to administer, while raising relatively little revenue; in addition, it unfairly penalizes seniors who are ill, and would generate increased pressure to totally abandon the social insurance nature of the Medicare program; impose a $5 per visit copay for home health care visits; this provision would impose enormous costs on seniors who depend on home health care; and establish a dangerous pilot program for 100,000 Medical Savings Accounts, which would allow insurance companies to engage in skimming practices that would threaten to fragment the Medicare program.

Taken together, these provisions would undermine the social insurance nature of the Medicare program, and would represent the first step towards converting it into a welfare program that would lack broad based political support. In addition, these provisions would impose significant and unacceptable new costs on many senior citizens. At the same time, the budget legislation fails to provide adequate assistance to low income seniors in paying their Part B premiums. It is also important to note that the provisions increasing the Medicare eligibility age and means testing the Part B premium were approved without adequate public hearings and debate, and are outside the scope of the budget agreement. For all of these reasons, the UAW urges you to support amendments to strike all of these objectionable Medicare provisions from this reconciliation legislation.

The UAW also opposes the provision in this reconciliation legislation that would overturn the federal court decision in the Pennington case. This decision prohibited the states from using accounting devices to make certain groups of workers, especially part time employees, ineligible for unemployment benefits. By overturning this decision, the reconciliation legislation would reduce coverage under state unemployment compensation programs by about six percent. We urge you to support efforts to strike this provision from the budget legislation so that laid off workers are not denied this essential assistance.

The UAW also opposes the provisions in the reconciliation legislation that would: allow Texas to privatize the administration of its Medicaid and food stamp programs; this represents a dangerous precedent that would allow private companies to make decisions regarding the eligibility of individuals for government benefits; establish an open-ended block grant program to encourage the states to provide expanded health insurance coverage to children; the funds provided for this effort are inadequate; in addition, we believe that the most cost effective way to provide health insurance coverage to uninsured children would be by expanding the Medicaid program; deny SSI coverage in the future to elderly and disabled legal immigrants; this would unfairly penalize extremely vulnerable populations who genuinely need public assistance; and allow HHS to administer the Welfare to Work program, while failing to emphasize the importance of job training; we believe that this program can be better administered by the Department of Labor; in addition, the funds available under this program should be made available for job training, which is critically important to moving individuals off to welfare and into the work force.

Lastly, the UAW strongly urges you to oppose any amendment that would exempt individuals in workfare programs from coverage under the minimum wage and other provisions of the Fair Labor Standards Act. As a matter of basic social justice, we believe that all workers should be entitled to these fundamental protections. We are also concerned that this type of exception would undermine these protections for other workers.

Accordingly, the UAW urges you to support amendments that would eliminate the objectionable provisions discussed above, and to oppose any amendments that would further undermine protections for seniors and working men and women. Unless the objectionable provisions are stricken from the legislation, the UAW urges you to vote against this budget reconciliation legislation on final passage.

Thank you for considering our views on this vital legislation.

Sincerely,

ALAN REUTHER,
Legislative Director.

[From the Association of Private Pension and Welfare Plans, June 20, 1997]

INCREASE IN MEDICARE ELIGIBILITY AGE SHOULD BE DELETED FROM THE BUDGET RECONCILIATION BILL

A provision to increase the Medicare eligibility age from 65 to 67 has been included in the budget reconciliation bill approved by the Senate Finance Committee. The provision is identical to one which the Senate rejected during its consideration of the 1995 Balanced Budget Act. While removing the provision from the current budget bill would have no scoring consequences because the phase-in to the increased eligibility age would not begin until 2003, if the provision remains, there would be an immediate adverse impact on employers who provide health benefits until an individual is eligible for coverage under Medicare. Shifting these costs from Medicare to private coverage is likely to result in a reduction in health benefits for active workers, retirees or both.

Any changes in the Medicare eligibility age must be carefully considered and compared with other long term financial and structural changes needed in Medicare to prepare the program for its future beneficiaries and we oppose including an eligibility age increase in the budget package for the following reasons:

A Long-Term Agenda Issue. The Senate bill provision would increase the Medicare eligibility age over a 24 year period. The consequences of such a long term change more appropriately belong on the agenda of the Bipartisan Commission on the Future of Medicare, a panel which would be established by both the House and Senate budget reconciliation bills to make recommendations to Congress on the changes that need to be made to prepare Medicare for the demographic impact of the Baby Boom generation.

Immediate, Negative Effects on Employees. Because the phase-in to the new eligibility age would not begin until 2003, the provision has no scoring consequences for the current five-year budget reconciliation bill. However, private health coverage would be affected immediately. Employers must comply with financial accounting standards (FAS) 106 which requires companies to determine the present value of their future liabilities for the health benefits provided to their active workers and retirees. Increases in the Medicare eligibility age would result in increased liabilities for employer-sponsored coverage, including those firms which agree to continue coverage for early retirees until they become eligible for Medicare benefits. Because FAS 106 standards require that companies must account for their increased financial exposure immediately—even though the increase in the eligibility age would take place over many years—the impact to employers' bottom line would occur long before the full phase-in period.

The Costly Effects of Cost Shifting. Shifts in health care costs from the federal government to the private sector can have profound and unanticipated effects and are very likely to result in lower coverage for active workers, retirees or both. In addition, the provision would leave many individuals with a costly gap in health coverage until they turn 67 which would further discourage companies from providing health benefits to retirees.

Congress and the President reached an historic bipartisan agreement to balance the budget by 2002 and expressly decided that long term Medicare changes would be addressed only after an expert panel provides much needed guidance on the best set of choices to secure Medicare's future. Clearly, increasing Medicare's eligibility age should be given the further consideration that such a fundamental change deserves.

Mr. BINGAMAN. I yield the floor and I suggest the absence of a quorum. I request the time be charged equally to both sides.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KERREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

The PRESIDING OFFICER. Who yields time?

Mr. LAUTENBERG. I yield the Senator from Nebraska as much time as he needs.

Mr. KERREY. I thank the Senator from New Jersey.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. KERREY. Mr. President, first, I would like to praise the chairman of the Finance Committee, Senator ROTH, and the ranking Democrat on the Finance Committee, Senator MOYNIHAN, as well as the chairman and ranking member on the Budget Committee, Senator DOMENICI and Senator LAUTENBERG.

The bill we are debating right now makes a substantial contribution to deficit reduction. The goal of all this deliberation is to balance the budget by the year 2002, the purpose of which is to enable us to continue with an economy that is growing and continue creating jobs and continue the prosperity that we are currently enjoying in the United States.

I am saying all this because we will be debating all kinds of reasons why this bill is bad, and I think it is very important for us to begin by saying there is a purpose here.

We know Medicare is a very substantial program in terms of cost, and any attempt to balance the budget has to look at this program. Chairman ROTH has done, I think, an exceptional job of producing a proposal that not only contributes to deficit reduction, but does a number of other things which I believe are very important.

First of all, one of the things this bill does, in addition to contributing to deficit reduction, is there are a number of provisions that Chairman ROTH and Senator MOYNIHAN put in this bill that directly affect our capacity in rural America to get good health care. That has been a bit of a problem. There are a number of issues we have identified over the years, and Chairman ROTH has made some changes in law in this bill that will benefit those of us who represent rural States. I would like to list some of those provisions.

First, rural hospitals and physicians will be able to form their own networks, independent of larger managed care companies, and contract directly with Medicare on a capitated basis. These provider-responsive organizations would not only provide competition, but they will enable us to increase coverage and increase health care delivery in the rural areas.

Second, the proposal is one that will increase managed care payments in rural areas. The increase in payments will be detailed during the course of this debate, but it is critical, if we are going to get managed care in rural areas, that the payments be increased, and Chairman ROTH has made certain in this bill that happens.

Third, it creates a single designation for small rural limited service hospitals that would be paid on a reasonable-cost basis. This new authority will include the current—called EACH/RPCH—demonstration hospitals. Once again, we have been asked by rural hospitals and rural providers for this provision. Chairman ROTH and Senator MOYNIHAN have included it in their bill, and for those of us who represent rural States, we are going to be able to say, correctly so, that this law is going to make it more likely that we are going to get good care in the rural community.

Next, it allows sole community hospitals to opt for a fourth payment option based upon the costs from fiscal year 1994 or fiscal year 1995. It is a detail that I will not go into at length here today, but again on the ground at the community level this will make a tremendous difference in most States where rural health care shortages are a problem.

Next, it reinstates the Medicare dependent hospital program through 2002. This means that hospitals with less than 100 beds and where 60 percent or more of the discharge is paid for by Medicare will be paid on the same basis as sole community hospitals. It is a very important provision. There are lots of hospitals in Nebraska sort of hanging on the edge with fewer than 100 beds. This will give them a fighting chance to survive.

Last, it allows rural referral centers greater flexibility to receive payments based on rates for the nearest germane area.

Mr. President, I just say again that this provision is one last thing in the bill that will enable us to say that in addition to eliminating this deficit that has plagued us for so many years, this proposal will increase the likelihood that managed care and good health care will reach the rural area. I thank Chairman ROTH and I thank Senator MOYNIHAN and Senator DOMENICI and Senator LAUTENBERG. It is a terribly important provision for those of us who represent rural States.

Second, and I will not go at length in describing this, this bill grants authority to the Secretary of Health and Human Services to bring more competition into this system. Competition in my judgment will not solve all of the problems, but it is a tremendously useful tool to bring costs out of the system. It is more likely to get it done in an efficacious fashion. Again, Senator ROTH and Senator MOYNIHAN have included this in the mark. And I believe it represents substantial reform and important reform in the Medicare system.

Third, this committee, the Finance Committee, again under Senator ROTHs's and Senator MOYNIHAN's leadership, has paid attention to the unique problems that low-income Medicare beneficiaries face. And it can be a tremendously difficult problem.

It is relatively easy for us to get caught up in all the numbers and presume that all we are doing is trying to find numbers savings. But for an individual out there at the community level, Medicare really can be a lifesaver.

I have a woman in Omaha, NE, that I pulled from our file, we are working with at the moment, that faces some problems, a very common situation. A widow on Medicare, she has $610 a month in Social Security. She has $182 in rent subsidized through section 8. Her utilities and phone are $55 a month. Her Medicare part B is $43 a month. She has a Medigap cost on top of that. By the time she is done, she has $4,000 left over for everything, for food, clothing, and other expenses. It does not take much in the way of prescription drugs and additional costs for health care for her to find herself with almost no money left over.

So this mark, for those of us concerned about low-income people, continues the dual eligibility system for Medicare and Medicaid. It continues both the SLMB and the QMB Programs that enables lower-income people to get payment. And I believe the managers' amendment will make it more likely that the SLMB Program will enable low-income people to find themselves able to accommodate the increases in premiums that will occur as a consequence of the shift of some home-based coverage from part A to part B.

Though I would argue there is still some room for improvement, this bill represents a good-faith effort to acknowledge that there are low-income beneficiaries out there who are faced with different problems than higher-income beneficiaries.

There is still one out of seven Americans over the age of 65 who live in poverty. Medicare and Social Security reduces the rate of poverty from 50 percent to about 12 percent in the country. But still, for those 12 percent, life can be quite difficult. And I assure you, Chairman ROTH and Senator MOYNIHAN have paid attention to that problem and, I think, have enabled us to say that we have at least tried to make certain that low-income beneficiaries are given full consideration.

The next thing that I would like to spend most of my time talking about is, this mark, this piece of legislation does acknowledge, as well, that we have long-term problems, that we cannot stick our heads in the sand and ignore that the Medicare Program not only promises to make payments for the next 5 and for the next 10 years but it promises to make payments for the long-term as well, promises to make payments especially for that baby-boom generation that will begin to retire in 2010, 2011, depending upon when you mark the generation. It is either 1945 to 1965 or 1946 to 1965. In that 20-year period, about 2010 to 2030, under current forecasts, even as we have adjusted the program—I note there will be some that try to knock out the increase in the eligibility age. There will be some that try to knock out the income-related test on part B, the copayment on home health, the $5 fee on

home health, and make compelling arguments. But you can only make those arguments persuasive if you ignore where this program is going.

Mr. President, the current cost of Medicare represents about 10 percent of this budget. And from 2010 to 2030, Medicare costs will go from about 10 percent to 35 percent of the budget. That is the kind of growth that we see out in the future. It is a demographic problem. And when you move the eligibility age from 65 to 67, in order to bring it into line with where Social Security is going, we are making and recommending an adjustment that takes into account where this program is going, what the future looks like out there.

I acknowledge that there are problems when you move the eligibility age for people who are between the ages of 60 and 66 or 67. There is a problem. This legislation has in it not only a commission, but in law we recommend that the commission consider doing what Kerrey–Danforth recommended, which is to allow seniors between the ages of 62 and eligibility age to be able to buy into the Medicare Program. I think it is the sort of thing that we are going to have to consider whether we adjust the eligibility age or not.

But I will give this evening—I suspect I am going to have plenty of opportunity to argue this when the amendment is offered to strike it on the eligibility age—I give this evening one set of facts. Between the years 2010 and 2030, the number of people in the work force will grow by 5 million, a 5-million-person increase between 2010 and 2030. But the number of people who are retiring who will be eligible for payments will increase by 22 million. That is a problem, Mr. President, that we face with our program. And we can either ignore it and say we do not want to make change or we can acknowledge, in order to preserve and protect Medicare for the long term, these kinds of changes will be necessary.

The change does not impact anyone over the age of 58 today and does not fully impact anyone over the age of 36. I say that because I have already seen interviews given to current Medicare beneficiaries, people who are 65, people who are 70, receiving Medicare that are beneficiaries today, and the question is put to them, ''What do you think about moving the eligibility age?'' as if it is going to affect them. And very often again they will find themselves concerned about losing their Medicare, about whether or not they are going to be paying more for their Medicare. And there is a presumption made that this change is going to have an impact on them.

Mr. President, this movement of the eligibility age is one of the easiest. Right along with that, a change that I believe should be made is to bring a new accounting to the cost of living index. We debated it earlier on in the year. We were not able to get it. Some objected to the so-called ''politicization'' of the CPI. The CPI was imposed in 1973 for political reasons.

I want a good formula, a good calculation. Unfortunately, we were not able to get that because we ended up being opposed both on the left and on the right. But these are the kinds of changes that are necessary to accommodate demographics.

There was a piece in the New York Times Sunday magazine yesterday. I think it was Ben Wattenberg that made a couple of suggestions. And if Members want to bring that kind of suggestion to the floor, why it will be an interesting debate. He suggested that we change our tax and our spending laws to encourage Americans to have more babies or we open our borders and accept more people in the United States as immigrants, trying to increase the number of workers per retiree.

Or one can walk to the floor if they choose to and propose a tax increase. Many people who have honestly evaluated this program have suggested that all we need to do is increase the payroll tax just a little bit and that will solve the problem.

Mr. President, I intend in this debate to repeatedly point out to colleagues that the tax-cut provisions in this bill addresses the income tax. It does not address what is for many Americans the largest tax of all, and that is the payroll tax.

And I have been in Nebraska many times in townhall meetings and talked about this movement of the eligibility age and the income-related test on part B, which is also in the chairman's mark. And very often it provokes a big debate. And some do not like it.

I say, let me just ask the audience, How many of you would support increasing the payroll tax? And it is rare where you will find more than one or two people holding up their hand, Mr. President. And the reason is, that for a family of four in Nebraska, earning $34,000 a year, husband, wife, two children, they will pay $2,719 in Federal income tax; they will pay $5,358 in payroll taxes, $4,300 of which is FICA and $1,000 of which is the Medicare tax. Mr. President, that is almost twice as much in payroll taxes.

One of the reasons that we find people say to us that this system has to be fixed with these kinds of changes is that they acknowledge that this payroll tax is taking a substantial bite out of the income of the working families of America.

So the bill has a change in the eligibility age. I defend it strongly. I intend to come down when the amendment is offered to strike and explain at greater length why those who are arguing to strike it will not help strengthen this program. I intend to argue as well, by the way, that I, having studied this a long time, believe long term it is going to be difficult for us to maintain Medicare and Medicaid, the VA, and the income-tax deductions as intact programs.

I think it is going to be difficult for us to not, at some time, relatively soon, begin to examine once more whether or not we should change the law and change the way people become eligible.

It is very revealing when you talk about moving the eligibility age, Mr. President. The law says if you have reached the age of 65 in America you are eligible for Medicare. If you can prove you are poor, under the law, the law says you are eligible for Medicaid. If you get blown up in a war, as I did, the law says you are entitled to the VA system. If you work for the right employer, the law says you can get a subsidy through the income tax system. If you work for the Government very often, the law says you also have a right to health care.

Mr. President, I believe, though it may seem counterintuitive for those of us who have been worried about the growing cost of the mandatory programs and entitlements and that interest, that we need to consider rewriting the social contract for Federal health care and establishing a simplified eligibility. If you are an American or legal resident, you pay according to your capacity to pay. Everybody has to pay the true cost of health care.

We ought to allow competition to control the cost. And we ought to allow consumers to get far more information about what the health care system is both doing for them and sometimes doing to them.

I think it is very difficult for me to stand here and say that we can preserve Medicare as an intact program unless some demographic change occurs between now and 2010.

I believe it is inescapable you look at these kinds of choices, otherwise you are basically going to prolong the due date and at some point we are going to be facing choices that are far more difficult than the choices that are being presented by the committee in this budget.

Mr. President, another change that we have in this proposal is a change that says that we are going to make the Medicare part B more progressive than it currently is by asking Americans who have higher incomes to pay more, to be subsidized less, in short, by Americans with lower income for that part B premium.

Initially, Senator GRAMM of Texas and I, who worked on this proposal, had an offering that we would use the deductible as a basis for change, in short, that we were going to try to affect utilization. It got a bit confusing. And as a result of that confusion, both he and I have agreed to change it so that it will be an adjustment in the part B premium for Americans under $50,000 a year. They will not be affected at all. Roughly 94 percent of beneficiaries are somewhere in that range. It does not fully affect any individual under $100,000. We phase the subsidy out over $100,000 for an individual and $125,000 for a couple.

I appreciate the sacred nature of Medicare, but nowhere do I find it persuasive that we ought to ask people with lower incomes to subsidize people of higher incomes. Very often the people of lower incomes do not even have health insurance. They are struggling to pay the cost of health care themselves out of pocket, and part of their taxes—again, the larger share of their taxes coming from payroll taxes being delivered to pay the health care of individuals with a capacity to be able to take care of themselves.

I do not believe this challenges the Medicare system. I do not believe it is a slippery slope to destroying Medicare. I believe it is consistent with what Medicare attempts to do, which is to say that the market will not provide insurance for all of our citizens, that we have to, on a progressive basis, write a law that enables us to do that. This change will make the system more progressive, not less. I emphasize that.

For all those who will come to the floor and argue that this package is not sufficiently progressive, they will find themselves, in my judgment, turning their arguments inside out in proposing this test of income on part B. How can you defend a change, a simple change at a relatively high income, Mr. President, $100,000 for an individual and $125,000 for a couple? Mr. President, this is a substantial first-step change, once again, to acknowledge that we have a long-term problem with Medicare, and we are going to have to begin to make more difficult choices if we want to arrive out there in the future and say we have solved future problems as well.

Very importantly, under this change, we did not do it for budgetary reasons. Neither the move of the eligibility age nor the change in part B premiums has been done in order to generate budget savings. Indeed, the revenue that we get from the part B premium will go into the health insurance trust fund, strengthening the health insurance trust fund. We have not had it scored. We are not using it to pay for other things. We are using it to strengthen the Medicare Program and, as I say, to make the program more progressive.

Mr. President, finally, as we go through this debate, I intend to repeatedly come to the floor and call to my colleagues' attention another terrifying fact. People come and they will argue, well, in 1965 when we passed Medicare, we intended the following—and whatever it is that the colleague wants to offer in opposition to either moving the eligible age or in opposition to putting an income test on part B, will suggest there was something in 1965 that caused us to say we would do something and never come back and change it. There have been lots of changes that have occurred since 1965.

I will in the midst of the debate have plenty of opportunity to go through many of those changes that I think dictate that we change the program again. The one that is the most impressive of all is that in 1965, 30 percent of the Federal budget went to mandatory programs. That is entitlement programs plus net interest, and 70 percent of our budget went to discretionary spending. Mr. President, in the year 2002, when this budget agreement ends, we will have exactly the opposite—70 percent will be mandatory spending and 30 percent will go to discretionary. It does not stop there. It will continue to grow until 100 percent of the budget is mandatory, until we have converted the Federal Government into an ATM machine, collecting taxes and merely transferring back out.

Mr. President, for all those who care about investing in our future, who want to invest more in education, who are concerned about productivity, we have all kinds of other things we believe this Nation needs to be addressing, unless we come to grips with the growing cost of mandatory programs, it will be impossible for us to do all the things that most of us would like to do in order not only to make our country fair but also to make our country more prosperous and productive.

I believe the legislation that Chairman ROTH and Senator MOYNIHAN have presented to the chairman of the Budget Committee, Senator DOMENICI, and Senator LAUTENBERG, the ranking member, is a fair proposal. It will enable us to say we will balance the budget by the year 2002. It is more progressive than the current law, taking greater account both of low-income Americans as well as upper-income Americans' capacity to pay. It is a terrific package that will enable us in rural America to increase the quality of care that we see our citizens getting. It moves more toward a competitive model, not only giving Health and Human Services more power, but giving consumers more power by giving them the data and the information that they need to make choices. There is substantial reform not just for budgetary reasons but for the purpose of improving the quality of this program that has been so enormously beneficial for our country.

I appreciate the opportunity to work with the chairman and the ranking member, Senator MOYNIHAN, and I look forward to the opportunity of returning to the floor to debate some of the specific amendments that are offered.

I yield the floor.

Mr. LAUTENBERG. Mr. President, I yield 20 minutes to the Senator from Illinois.

Mr. DURBIN. I thank my colleague from New Jersey for yielding.

PRIVILEGE OF THE FLOOR

Mr. DURBIN. Mr. President, I ask unanimous consent that Ann Marie Murphy of my staff be accorded privileges of the floor during debate on S. 947.

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

Mr. DURBIN. Mr. President, let me say at the outset I want to acknowledge the leadership role that has been played by my colleague, the Senator from Nebraska, who preceded me on the floor. He is calling on us as Members of the Senate and the House to face the reality that entitlement programs need reform. Senator KERREY has oftentimes been a lonely voice in that effort. It is not altogether a popular position to take and yet it is necessary. I admire him for his leadership and his candor, and I think that we in the Senate should heed his advice that we must resolve ourselves into the business of addressing the needs of these entitlement programs—Social Security and Medicare in particular—on a long-term basis.

What I am about to speak to today in no way should reflect on Senator KERREY's effort or the effort of others for meaningful reform with Medicare. But the issue which I address is one included in this reconciliation bill which I feel is fundamentally wrong and fundamentally unfair. It is a provision which is included in this bill which would over a period of time raise the eligible age for Medicare.

By way of background, many years ago we raised the eligibility age for Social Security. The reason the people still think in terms of Social Security eligibility at age 65 is that this change to age 67 will be implemented during a transition period from the years 2003 to 2027. It is a gradual change adding, over 24 years, 24 months before a person can be eligible for Social Security. During the course of its deliberations, the Senate Finance Committee entertained a motion by my colleague from Texas, Senator GRAMM, to add an amendment which would increase the eligible age for Medicare from 65 to 67. It is said in the report of the Finance Committee—and I am sure this reflects the nature of the debate—that an attempt was being made to find some symmetry between the increase in eligibility age for Social Security and the increase in eligible for Medicare. If there is any parallel or any symmetry between these two programs it is only that they both serve elderly Americans, and there it ends. I think we should view this suggestion of raising the eligible age for Medicare from 65 to 67 in the context of the people who are affected.

This package that raises that age to 67 for Medicare literally reneges on our promise to provide Medicare to seniors at the age of 65. There is no budgetary impact in this provision. There is no money to be saved, because whatever is going to be saved, if it is ever implemented, will not occur until the next century, far beyond the 5 years when we measure the impact of this bill.

This change does not parallel the Social Security change which I described. Individuals have the ability now to begin their Social Security benefits at age 62. Of course, those benefits are diminished, but should a person reach that point in life and say, ''I'm ready to retire. I do not want to wait until 65. I have talked it over with my spouse.

I'm going to retire at age 62.'' It is perfectly legal. They can do it. The Social Security benefits start flowing to their family based on what they have paid in.

There is no corresponding option for Medicare. Medicare begins at 65. Unless you are disabled and thereby qualify for Medicare, you cannot touch this program until you are age 65.

Currently, 1.6 trillion individuals in America between the ages of 55 and 65 are uninsured. How do people find themselves in this predicament? Well, I bet you everyone listening, those viewing, can probably think of someone in their family or a friend who reached that situation. I have a situation in my own family, a person who had worked for years and years for a major company and decided he would retire at age 60 and the company said, ''Well, here is your watch. Here is your package of benefits. Good luck in your retirement.'' Within 12 months they notified him there had been a change in the program, and no longer would they offer health insurance to him as a retiree. His recourse? None, zero, no place to turn. Age 60, retired, out of work, no health insurance. Then the trouble began for him personally, heart problems, leading to serious heart surgery. He literally put his life savings into his medical care and counted the days until he reached the age of 65. He had been critical of a lot of ''big government'' and big government programs, but now a big government program was coming to his rescue and his family's rescue. He finally made it and reached age 65 and reached eligibility.

Is this an isolated case of one person who did not have good luck when he retired? I am afraid not. A 1997 Commonwealth Fund study indicates in 1994 only 30 percent of retirees had health insurance from a previous employer, compared with 44 percent in 1988. The trend, unfortunately, is in the direction of uninsured people at the age of 60 and beyond. Even coverage by larger employers has declined. In 1993, 71 percent of large employers provided coverage. But then again by 1996, this figure had dropped to 63 percent. Many retirees, incidentally, do not retire voluntarily and may not have much chance of future employment. Private insurance for this group of seniors is very expensive.

In my home State of Illinois, I checked in the city of Chicago, and the average cost of health insurance for a healthy male age 60 to 64 is $6,520—healthy male. What if they had a preexisting condition, a serious medical condition? The cost goes up over $10,000 a year. You are retired, you are going fishing, you are taking it easy, all of a sudden, no health insurance. Where do you turn? You just had a diagnosis that says you have a medical problem—$10,000 a year and you wait, counting the days until you are eligible for Medicare.

This bill does not help seniors. This bill does not help retirees. This bill does not help working families, and this provision is totally unfair. If we lived in a country where everyone had health insurance, universal health coverage and you did not have to worry about whether you lost it through changing a job or retirement, that is one thing, but we do not live in that nation. We live in a country where any one of us with the loss of a job could be vulnerable to no health insurance coverage, and the suggestion of the majority that we raise the eligibility age for Medicare leaves more people vulnerable—vulnerable, of course, to the cost of health insurance if they can buy it.

That is why I oppose this provision and why I will make a point of order when I have concluded these remarks. I yield for debate only to my colleague, Senator REED.

Mr. REED. I thank the Senator from Illinois for yielding. I join him in my opposition to this provision in the bill. I also have great respect and regard for Senator KERREY, the primary sponsor of this provision. He has courageously identified many issues with respect to Medicare and has provided great insight, but in this particular situation I believe that to raise the eligible age for Medicare is going in exactly the wrong direction. It forgets why we created Medicare in the first place in the mid-1960s.

The overwhelming reality was that seniors at that age could not get health care. That is why the Government stepped in. Private insurance companies were unwilling to sell insurance to those people at any reasonable price. Many things have changed since the mid-1960s—the demographics of our population, the efficacy of a health care program, the longevity of our citizens—but one thing has not changed, and that is the unwillingness of private insurance to step in and provide affordable and accessible health insurance to seniors.

Today, 13 percent of the 21 million people aged 55 to 64 lack health insurance, and by adopting this provision we will simply add to that number because, now, from age 65 to 66, they will not have access to the Medicare system. Therefore, we have to, I think, maintain a situation where the Medicare system begins at age 65.

Indeed, I hope that we will endeavor to try to develop programs that would broaden the base of health care insurance for all Americans. It is quite disturbing to listen to the statistics cited by my colleague from Illinois, and to point out that many, many companies are now no longer insuring, as a matter of routine, their employees and, consequently, the percentage of insured Americans, particularly in the later years of their work life, is declining. We would add to that precipitous decline by adopting this particular amendment.

Indeed, also, we have to understand that the majority of Medicare beneficiaries between the ages of 65 and 67, who would be affected by this amendment, have incomes below $30,000. They certainly would not be in a position to pay a $10,000 a year private insurance premium, as is evident in some States, like Illinois. Often they are single, poor, unemployed. They would have no recourse. And this is not the way to fix the Medicare system—by denying health care insurance to people, by essentially pushing them out of the system of health care with the idea that we will somehow stabilize and increase the longevity of our health care system.

There is another aspect of this that should be studied much more deeply before we embark on such a change; that is, many employers have provided health care benefits to their employees until they reach the Medicare age of eligibility. As a result, if we were to push back the eligibility table, we would require corporations throughout this country to immediately recognize, because of accounting rules, an increase in their liability, a significant increase in their liability. This could force them to rethink their overall health care strategy to accelerate the decline of health care not only for seniors but for working Americans, as companies simply say, ''we can't afford to shoulder this burden any longer.'' As a result, we also, I think, have to recognize the significant impact this would have on the application of health care insurance throughout our society. As one employer wrote to me, ''The impact of this legislation will be to discourage companies from offering comprehensive retiree health benefits to their employees.''

I think we have to be very careful and thoughtful about how we reform Medicare. We all want to stabilize the system, to ensure solvency. We can do that without adopting this amendment. To move away from a guarantee of health care for seniors, beginning at 65, is a retreat that I don't think we should make and I don't think we have to make. Therefore, I join my colleague from Illinois in objecting to this provision of the bill before us today. I thank the Senator and yield back my time.

Mr. DURBIN. I thank my colleague, the Senator from Rhode Island, for his remarks. I want to really follow up on one of his last points. I say to Senator REED, I have in my hand a letter signed by some 80 businesses and business organizations objecting to the increase in the Medicare eligibility age from 65 to 67. These are not just a few odds and ends when it comes to the business profile of America. We not only have a letter signed by the U.S. Chamber of Commerce, but also the National Association of Manufacturers, companies like ARCO and Bell Atlantic, Chrysler Corp., Ford, General Motors, and the list goes on and on. Making the point my colleague from Rhode Island made, they have already made a commitment to their employees and it is this: We will protect you with health insurance as a member of our family, our corporate family, after retirement until

you are eligible for Medicare. Now, if we raise the Medicare eligibility 2 years, these companies having made that commitment have a new liability that they had not anticipated. It is not only a cost but a disincentive to these and other companies to make that kind of promise. That is the real world. For people to see the simple symmetry between Social Security and Medicare—oh, it is going to 67 by the year 2027 on Social Security, and let's go to 67 for eligibility on Medicare—is to overlook the real world that people live in. The employees who are faced with troubling medical conditions late in their lives who may not have health insurance coverage, who cannot afford to buy it at that point in their lives, where are they? Who speaks for them in this Chamber? Who will stand up and say that these people deserve protection and coverage? Well, we have it today—at least beginning at age 65.

I hope that, in the name of balancing the budget and having some budget impact in the next century, we will not throw away a basic commitment to those in our country who have worked so long and so hard. I will be making a point of order at this point in the debate, unless others would like to speak.

Mr. REED. If the Senator will yield one more time. The fact is that this will create a significant system impact. For example, private companies may change their insurance packages, et cetera. There is another impact, also. In this country, sick people—and I hope in this country they will still get care someplace. As a result, without the Medicare Program, they will be thrust upon the hospitals for uncompensated care and thrust upon—if they are low-income citizens—Medicaid programs or special programs at the State level. So as we hope to save at the Federal level, we very well may generate other costs, and perhaps larger costs, at local-State levels and in other insurance programs. So, essentially, our commitment to Medicare, I feel, should be maintained. I, again, concur with the Senator and thank him for yielding me this time to further comment.

Mr. DURBIN. I thank my colleague. Senator BARBARA BOXER of California and Senator TOM HARKIN of Iowa could not be here for this debate, but they wanted to have their names joined in support of our effort.

In conclusion, I will say that my colleague from Rhode Island brings home the conclusion to this debate; that is, if we shirk our responsibilities to these working families, if we walk away from a Medicare promise of over three decades, we will end up with people in unfortunate circumstances, many of them sick, presenting themselves for care without any health insurance, without Medicare. Of course, most hospitals and most health care providers in this country will do their best to treat them anyway. Then the cost of that care will be borne by everyone, borne by those who pay into insurance and those Government programs that insure, as well. Unfortunately, people wait until they are in acute and critical conditions before they come to a hospital under those circumstances. Then the care is more costly, and many times they sacrifice their health and their lives. In the name of balancing the budget, let us not include a provision raising the eligibility for Medicare that creates such a disadvantage and such pain and suffering for so many working families across America. This is not an idea whose time has come. This is an idea that should be shelved until our commission working on the future of Medicare can come up with sensible suggestions that really reflect the reality of the world that many seniors face today.

Mr. President, at this point, I understand that before I make my point of order I must ask that all pending amendments be laid aside. I make that request.

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

POINT OF ORDER

Mr. DURBIN. Mr. President, I raise a point of order that section 5611 of the bill, S. 947, contains provision that produces no change in outlays or revenues during the required period of time and therefore violates section 313 (b)(1)(A) of the Congressional Budget Act of 1974.

Mr. ROTH. Mr. President, pursuant to section 904 (c) of the Congressional Budget Act of 1974, I move to waive the point of order, and ask that debate on the waiver be postponed until tomorrow following any votes ordered for tomorrow morning.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. DURBIN. Mr. President, I ask for the yeas and nays on the Senator's motion to waive.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. ROTH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. LAUTENBERG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

Mr. KENNEDY. Mr. President, the reconciliation bill before us today seeks to raise the age of eligibility for Medicare from 65 to 67. If we allow this increase to remain in the bill, we will be breaking a compact made with millions of future beneficiaries. For 32 years, we have said to working Americans ''pay into this program and we will provide you with health security at age 65.'' During the drafting of this bill, however, this promise was callously and capriciously cast aside.

Proponents will claim that they are merely conforming the eligibility age for Medicare to that of its sister program, Social Security. Yet, the manner in which we are approaching this change and the final outcome differ dramatically and dangerously.

First, it is important to note that the change in the age of eligibility for Social Security, which begins to rise in 2003, was enacted in 1983. Therefore, individuals affected by the Social Security change will have had a minimum of 20 years to adjust their retirement planning. By changing Medicare at this late date, we are giving future beneficiaries only 6 years notice to absorb in their retirement planning a change that could eat up a significant portion of their retirement income, should they actually be able to purchase insurance. It could also bankrupt them, if they are forced to go without insurance and suffer a devastating illness.

Second, under Social Security, individuals will still be able to receive reduced benefits at age 62, the age of early retirement, if they choose to retire before they are eligible for full benefits. Under this proposal, however, senior citizens will be unable to receive any Medicare benefits until they reach the new age of eligibility.

A delay in eligibility for Medicare could throw millions of senior citizens into the ranks of the uninsured. Unless we are willing to enact simultaneous insurance reforms to guarantee access to affordable and comprehensive coverage for this group, these senior citizens will be forced to forgo health security in their retirement.

In 1992, employer-related retiree health plans paid for only 6 percent of health expenditures for persons over age 65. There is no reason to expect this number to increase. In fact, many employers are now reducing or canceling retiree health coverage for both early retirees and Medicare-eligible retirees. According to one study, in 1988, 62 percent of firms offered retiree coverage to those under age 65, and 55 percent offered benefits to those eligible for Medicare. In just 4 years, by 1992, the numbers of firms offering retiree health coverage had dropped nearly 10 percent in both categories—to 52 and 46 percent, respectively.

Members of the Corporate Health Care Coalition have ominously issued a warning that this provision could hasten the loss of employer-sponsored coverage. In a letter of June 16, 1997, they state that raising the eligibility age ''. . . could cause many [companies] to move to limit or eliminate their commitment to retirees.''

It is difficult to know why the Finance Committee proposed this step, since it does not contribute a single penny toward their reconciliation instructions. A change of this magnitude deserves careful study and planning. The age of eligibility is precisely the type of issue that ought to be considered by the National Bipartisan Commission on the Future of Medicare, which this bill will create. To change the age of eligibility suddenly, on the

spur of the moment, on this reconciliation bill, is an unwise, unfortunate, and unnecessary attack on all senior citizens.

The provision also violates the Byrd rule because it does not affect spending within the budget window. We eliminated this proposal 2 years ago, and Senator DURBIN's point of order should strike it from the bill again.

Mr. LAUTENBERG. Mr. President, I rise to support removing the provision on the increase in Medicare eligibility. I would like to see that removed. This provision, as we all know, calls for increasing the eligibility age for Medicare from 65 to 67.

Throughout our negotiations on the bipartisan budget agreement, there was no serious discussion—none—of increasing the eligibility age for Medicare. And, if there was, even the most casual discussion didn't wind up in the bill. So it wasn't believed in the contentious review that it would be appropriate. Nor has this issue been the subject of hearings or serious debate in the 105th Congress. There is nothing in the budget resolution that calls for dealing with the issue, as I said.

Nevertheless, the bill before us would increase the eligibility age for Medicare and would do so without protecting the seniors aged 65 and 66 to make sure that they will have access to affordable health insurance as they age. Typically corporations now have men aged 65 to offer retirement in many cases, and that is the vulnerable age. If there is an illness that befalls someone or they run into economic differences during that period of time, that is a very harmful experience. I think it would be a serious mistake to do that without making certain that the those aged 65 and 66 are protected.

Before going further, I want to acknowledge that the Senators who are responsible for this proposal are trying in good faith to confront the long-term problems facing the Medicare Program. They deserve real credit for that. I, too, would like to have a comprehensive review on Medicare.

I think we have made a good first step back when we finally had the policy behind the development. That was to add years of solvency to the Medicare Program while we engaged in a comprehensive review. So this is not the time, frankly, nor the place on our agenda to do that. So I disagree with their approach.

My concern is that if we simply exclude 65- and 66-year-olds from Medicare, what do these folks do? At that age private health insurance can be prohibitively expensive, if it is available at all. Without Medicare, these people may have nowhere else to turn.

Mr. President, I point out that more and more businesses are dropping health insurance coverage for their retirees. The trend has been accelerating in recent years, and it may well continue into the future.

I know lots of people who face retirement who want to engage in a business or continue to work productively. But in almost no case can they be assured that they are going to get private health insurance to take them over if they wanted to go beyond Medicare protection. So private insurance doesn't look like it is a real course for those in that 65–66 category.

It is a frightening prospect. I have never heard so many conversations from people about their concerns about health insurance. It is a continuing subject. Notice that in job opportunities very often the health insurance discussion is no longer one that is available. Lots of small companies can't afford to provide it, and they don't.

So people are worried about the prospect of bankruptcies as a result of a catastrophic illness, about being put out on a limb and not getting the coverage that they need. We know that hospital services in this area are expensive. We also know that there has been a major change in the psychology of our society; that is, people in their sixties no longer expect to be put out to pasture. They can do lots of good things. Take it from an expert here, they can do lots of good things. And they want to know that their health is protected.

So it is a scenario that could face millions of Americans if we are not careful.

If the Congress decides, Mr. President, that the Medicare eligibility age should be changed, there are ways to protect senior citizens in the process. Some have suggested allowing uncovered seniors to pay a reasonable premium in return for Medicare coverage. Others have suggested subsidizing private insurance or other options.

I am not advocating any single program at this point. My focus is that we should not pull the rug out from millions of Americans without ensuring that they have at least a basic safety net.

I also believe that a fast-track reconciliation bill is the wrong vehicle to be considering a fundamental change like this. For those who are not familiar with our terminology, ''fast track'' means get it done, try to zip it through the place—not undercover but to try to get it done. The reconciliation bill is one that kind of commands an enforcement mechanism for achieving the objectives that we set out for ourselves—in this case the balanced budget by the year 2002, to try to extend the solvency of Medicare, take care of legal immigrants who are here, to provide insurance coverage for children that are not ensured.

Those are the missions that we encompass in this bill. They were negotiated over a long period of time—several months. They were very difficult negotiations—difficult not because we were at each other's throat but because we tried to deal with reason and thought and arrived at a consensus that would take care of most of the needs that we provide for our citizens, including a massive infusion into our education programs to provide young people with opportunities for the future, and again to protect senior citizens who are perhaps impoverished and can't afford increased premiums. Suddenly this is a new factor introduced from the Finance Committee which is an amendment to the basic bill.

In addition to the limit on amendments to the reconciliation, it would be very difficult even for Senators to consider fully various options.

The proponents of rating the eligibility age in this bill argue that we must act now to give Americans adequate notice about a change that is coming in the future. However, I would note that this bill includes a commission to look at the long-term issues involving the Medicare Program. The commission is required to report within 1 year of this bill's enactment. If the commission determines that a delay in the eligibility age is required, Americans will have plenty of notice about that possibility to be able to respond with their community and with their organizations. They will be able to send in considered opinions. I think we must do that.

So I hope that my colleagues will support the effort to remove this provision from the reconciliation bill. It would be wrong to leave older Americans without health care coverage. We certainly shouldn't do so on something that is going to move as rapidly as this is without an opportunity for having adequate public input and a full debate.

So, Mr. President, again I salute the effort of those who are offering the change because they think that it is essential for the solvency and for the long-term survival of Medicare. But, on the other hand, if it is that important and that crucial, then we ought to make sure that we allow enough time and allow enough review to make certain that the step we are going to choose is the correct one.

Mr. President, I see nothing is going on at this moment. I therefore, note the absence of a quorum, and I ask that it be charged to both sides.

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

The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. ROTH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

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

MORNING BUSINESS

Mr. ROTH. Mr. President, I ask unanimous consent there now be a period for the transaction of morning business with Senators permitted to speak for up to 5 minutes each.

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