

When I took over the subcommittee responsibility in January, we started, of course, examining what would happen in Panama, because all of our international South American, Central American, and Caribbean operations were housed and located and took off from Howard Air Force Base.

So we went down there the first couple of months and examined what was going to happen. We were told by this administration that they were negotiating other locations. They did not believe the negotiations were going to succeed. We got advance warning of that, and we tried to do everything we could to encourage the administration, DOD, Department of State, to move forward or cut a deal.

As it turned out, they failed in their negotiations. They failed in developing a treaty. We were kicked out May 1. We have known for some weeks now that negotiations by this administration did fail.

We were told in hearings that we conducted, not only on our visit but on hearings we conducted, and we conducted a House subcommittee hearing on May 4, that things were in place and in order; that we would move at a cost to the taxpayers of \$73 million, plus another \$45 million that was presented to the committee, to Aruba, Curacao, and to Ecuador.

These were the charts that were presented. The coverage with potential new forward operating locations, one in Ecuador and the other in the Curacao area, this is what we were told would be the coverage. It would give us very good coverage. This was May 4. When they came in, it was supposed to be in place. These were estimates we were given.

These charts are by our SOUTHCOM. They told us that we would have, in the beginning of May 1999 estimate, a 50 percent coverage, and within our agency augments, May 1, 1999, 70 percent coverage May 1. With Curacao, Ecuador, forward operating locations we would go up to 80 percent. Then later on we would go even better if they could get Costa Rica.

Unfortunately, the coverage I have been told as of today is absolutely zero, absolutely zip. Let me read this report very briefly. Mr. Speaker, in closing, let me read what we have learned again this afternoon.

Representatives of SOUTHCOM, our southern command, conceded to me that our worst fears have been realized. After the United States closed down Howard Air Force Base on May 1, since May 1 there have been zero, absolutely zero counterdrug flights out of any one of the other three forward operating locations that were proposed in which the United States was to have memoranda of understanding.

Despite both State Department and DOD indicating in our May 4 hearing that the transition in counterdrug overflights would be smooth and flights would just be modestly scaled back, the specific forward operating location

facts are these: In Ecuador there have been, again, zero since May 1; since we got kicked out of Panama, zero counterdrug flights for the entire month of May, including the day of our hearing, May 4. We asked how many took off that day. They could not answer. I could answer today because we have had our investigators check.

In Aruba, while we have two small custom Citation planes on the ground, I am told this afternoon, as well as one P-3 and one P-3 dome which arrived on May 12, there have been zero counterdrug flights by any of these planes out of Aruba from May 12 through May 17.

In Curacao, while there is one F-17 dedicated to counterdrug flights, there have been zero counterdrug flights out of this location.

In short, poor planning by the Department of State, Defense, and the inability to compensate for the loss of Howard Air Force Base, basically being kicked out of Panama, has already cost us dearly coverage, as follows.

First, we have endangered the intelligence-gathering power of our South American allies in this war, and in particular, we basically are closing down our Peru shutdown policy, because we provide them with information that allows them that strategy and that action.

This administration will bear the blame, since they have shown a 45 percent reduction in coca cultivation over the past 2 years based on intelligence-gathering. In other words, Peru is one of our success stories. Through this information that is shared, a shutdown policy and surveillance, they have eliminated 45 percent of the cocaine production. This program basically is out of order because of our inaction and maladministration.

We have also eliminated intelligence monitoring and detection of drug trafficking flights out of South America since May 1. This is an incredible scandal. This is really one of the worst days and one of the worst missteps of this administration, and probably one of the worst events to ever take place in our effort to put back together the war on drugs that we started in the eighties that was dismantled in 1993 by this administration, by the Democrat House, Senate, and White House, which they did an incredible amount of damage from 1993 to 1995, which we have tried to restore in the last 2 years.

All this action sends a go signal to drug traffickers. Every one of our forward operating locations are down and out. This, again, I believe is an incredible scandal. It is with great regret that I announce this to the House tonight, and to the American people.

What makes this even worse is the information I was provided with, again within the last few hours, that our Southern Command could make no prediction about when these assets will come on line with counterdrug flights in the future.

We have to remember that last year over 15,000 flights took off from Pan-

ama and conducted all of this counter-narcotics activity. There is nothing more cost-effective than stopping drugs at their source, eradicating them at their source, or stopping them and interdicting them as they come from the source. It is much more difficult when they get into our streets, into our communities, and into our schools.

So again, this unfortunately is a disastrous occurrence. I intend to hold the Department of State, the Department of Defense to account. We will conduct hearings and somehow we will restart this effort with the funds that we have restored to put this program back together that have been appropriated. We must have the cooperation of this administration in bringing back these flights and restoring a real war on drugs.

COMPETITION

The SPEAKER pro tempore (Mr. SHIMKUS). Under a previous order of the House, the gentleman from Washington (Mr. McDERMOTT) is recognized for 5 minutes.

Mr. McDERMOTT. Mr. Speaker, today I want to talk about competition. In this Chamber the word "competition" is often used in the context of the phrase "making government run more like a business." Together these two words are used repeatedly and loosely because they sound good. But the fact is that no one who uses these phrases really ever knows what it actually means.

"Competition" and the term "making government work more like a private industry" is not only the mantra for some politicians, it also comes from the mouths of representatives of private industry that usually want something.

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For example, earlier this year, the National Commission on the Future of Medicare, on which I sat, failed to recommend a proposal to strengthen the long-term solvency of the Medicare program.

However, some members of the Commission advocated a radical proposal called, quote, premium support, which is really just a euphemism for a voucher program; that is, its proponents say it would bring competition to the Medicare program so that it could run like a business. Many observers from the health care industry agree. They, too, say they want to bring competition to Medicare so that it will run more like a business.

The irony of all this, of course, is that Congress has already passed laws that establish demonstration projects for both traditional Medicare and Medicare plus choice; that is, those plans that have managed care in them that would inject some competition into the Medicare bidding process.

The Health Care Financing Administration, we call it HCFA around here, the agency that runs Medicare dutifully, is attempting to implement

these demonstration projects because it will help Congress understand what competition in Medicare really means. So when it comes time to be serious about Medicare reform, we will know what works and what does not work.

Unfortunately, none of these demonstration projects have been fully implemented due to both legal and political challenges. What is appalling to me is that the same people who say they want to bring the magic word "competition" to Medicare are the same people who are desperately trying to kill any attempt to determine what Medicare competition really means.

Last Friday, Laurie McGinley of the Wall Street Journal wrote an article, an excellent article, detailing how the industry working with Federal law matters is seeking to prevent Medicare competition in Phoenix, Arizona. She also notes that similar demonstration projects were stopped by the health care industry in Denver and Baltimore, most likely with help from Members in Congress, before HCFA got close to getting started.

In addition to the attempts by the industry to prevent Medicare competition reported by the Wall Street Journal, just yesterday the Kansas City Business Journal reported that industry representatives in Kansas City also are seeking to derail Medicare competition because they fear it will disrupt the ability of Medicare beneficiaries to receive care.

So why is the health care industry afraid of Medicare competition? The answer: because it will cost them money. For years now, HMOs in most areas have been living off overpayments from the Federal Government. It has been estimated by HCFA that they overpay private health plans by 6 percent a year, an overpayment of roughly \$2 billion to \$3 billion in subsidies to the HMO industry.

Earlier this year, in fact, the industry successfully lobbied the administration to delay the implementation of risk adjustment. Now, if an HMO takes a patient and they do not cost them very much, they get a benefit because they got a lot of money, but they did not have to pay anything. If they get a sick patient, then they have to put out a lot of money or they just get a little bit and they spend a lot more.

So the industry said we want to have risk adjustment. If we take sick patients, we should get more money. If we take healthier patients, we should get less money. But when the Congress passed the law and said we want to do this and HCFA began to try and implement it, the industry successfully lobbied the administration to delay the implementation of risk adjustment, the variation of reimbursements to reflect the amount of care given that was mandated by the Congress in 1997. They did not want the very thing they asked for.

This delay will cost the taxpayers \$5 billion over the next 5 years, and some in Congress want to delay risk adjust-

ment altogether, a giveaway to the health care industry of over \$11 billion.

So the moral of this story without morals is that "competition," unless it's done in a way the industry wants it to be done; where it protects their overpayments and protects their ability to "cherry pick" healthy beneficiaries and leave the sick to be treated by the government, would mean plans get less, not more, money.

So, that is the irony. On the one hand, industry and politicians say they want to bring "competition" to Medicare so that it can "run more like private industry."

On the other hand, the same industry and those same politicians are fighting tooth and nail to derail any attempt to ensure that plans get paid for the care they actually provide.

Either you want competition and you want Medicare to run more like a business or you don't.

But, what is simply dishonest, disingenuous, an disconcerting, is the hypocrisy of the for-profit HMO industry and their protectors in Congress to continue to speak from both sides of their mouths.

Let's give HCFA a chance to do their job. Let's see what Medicare "competition" really means. Until then, I would caution members to think twice before they rant about bringing so-called "competition" to Medicare.

Mr. Speaker, I think everybody ought to think about competition.

Mr. Speaker, I include for the RECORD the two articles which I recommended my colleagues to read, as follows:

[From the Kansas City Business Journal,
May 17, 1999]

**BUSINESS GROUP SUSPENDS LOCAL MEDICARE
COVERAGE PROJECT**
(By Bonar Menninger)

A local group charged with overseeing a controversial Medicare pilot program voted unanimously this week to seek an indefinite suspension in the project's timetable until safeguards are established to limit widespread disruptions in Medicare HMO services for approximately 50,000 area residents.

The vote represents a significant setback for the Health Care Financing Administration, which is relying on the Area Advisory Committee for assistance in implementing the project, called the Competitive Pricing Demonstration Project, by Jan. 1, 2000.

Although work on the project's components will continue, it remains unclear whether the fast-track deadline will be met. Wednesday's vote was prompted by mounting concerns among committee members about the program's potential impact on beneficiaries.

On a separate front, the head of the American Association of Health Plans was in Kansas City this week to warn that the local Medicare HMO market—already weakened by federal budget cuts—could deteriorate rapidly if the pilot project goes forward.

Kansas City and Phoenix are test sites for an experimental process that will, for the first time, use a competitive bidding mechanism to set the HMO reimbursement rate.

HCFA, overseer of the Medicare program, contends the approach will increase health care options for beneficiaries while reducing federal expenditures.

But committee members apparently are increasingly skeptical that the former goal can be achieved through the proposed benefits package developed for the demonstration project within the constraints of HCFA's specifications.

"With the proposed benefit package, beneficiaries are going to see less benefits and higher costs than virtually every plan in the market right now," said Kathleen Sebelius, Kansas Insurance Commissioner and member of the AAC. "That's 100 percent negative disruption, and I'm not very comfortable with that. I think we're making a step back, not forward."

Following a recommendation by committee member Dick Brown, president and chief executive officer of Health Midwest, the AAC voted to recommend that HCFA suspend the implementation timetable until it can be determined at what level disruptions caused by the project will become untenable for enrollees.

That process will be undertaken by the AAC, HCFA and Competitive Pricing Committee, the HCFA advisory body that developed the Kansas City and Phoenix projects.

Separately, Karen Ignagni, president and chief executive officer of the Washington-based American Association of Health Plans, said this week that the experiment likely will exacerbate financial pressures many area Medicare HMOs already face as the result of payment cuts triggered by the Balanced Budget Act of 1997.

Ultimately, Ignagni said, this reimbursement squeeze could lead to disruptions in retiree benefit plans, higher costs and fewer benefits for enrollees, and a retreat from the Medicare marketplace by managed care firms. Ignagni was in Kansas City as part of a multicity tour aimed at drawing attention to the growing problems in the Medicare HMO marketplace nationwide.

"There is a fundamental design flaw in (the Kansas City demonstration project), and I think it ought to be fixed before we roll it out in any community," Ignagni said. "People need to think very carefully about what the inadvertent consequences of this policy will be."

Ignagni said the demonstration projects in both Kansas City and Phoenix, along with the ratcheting-down of Medicare HMO reimbursement rates nationwide, inadvertently will undermine the one portion of the Medicare program that has produced the greatest savings and benefit enhancements in recent years.

At the same time, she said, no significant efforts are being made to rein in the traditional fee-for-service side of Medicare, which accounts for approximately 87 percent of enrollees nationwide and the vast proportion of Medicare's \$220 billion annual budget.

"We don't mind competition, but we want a level playing field," Ignagni said. "If you want cost reductions and you want to test competitive bidding, then fee-for-service should be part of it."

The Balanced Budget Act does mandate some reductions in Medicare fee-for-service reimbursements, but the cuts on the managed care side are considerably deeper, Ignagni said.

The resulting disparity between the amount paid for HMO service and the amount paid for fee-for-service will widen to \$1,200 per person in Kansas City by 2004, according to statistics compiled by the American Association of Health Plans.

"At that rate, it becomes extremely difficult to retain the best doctors, to retain the best hospitals and to remain competitive," Ignagni said. "And the beneficiaries will be the losers."

Nationwide, more than 100 managed care firms have downsized, adjusted or withdrawn their Medicare HMOs from the market in response to the first wave of reimbursement reductions triggered by the Balanced Budget Act, Ignagni said. Approximately 450,000 beneficiaries have been affected.

[From the Wall Street Journal]

MEDICARE TESTS OF COMPETITIVE BIDDING
RILE HMOs FEARING A DROP IN PAYMENTS

(By Laurie McGinley)

The health-care industry loves to say Medicare should act more like a business. But now that the program is trying to adopt private-sector strategies, many in the industry are squawking.

Consider Medicare's efforts to try out alternative payment schemes for health-maintenance organizations. Currently, HMOs are paid according to a complicated formula set by Congress. But the 1997 Balanced Budget Act directed Medicare to experiment with competitive bidding to see if it would be a cheaper, more efficient way of reimbursing HMOs for caring for the elderly.

As a first step, federal advisers to Medicare selected Phoenix and Kansas City as sites for pilot projects for competitive bidding. Under the plan, Medicare HMOs must submit bids indicating how much they would accept from the government for each patient. Even though the effort has barely started, one result is in: The HMOs are unhappy.

In Phoenix, where 40% of seniors are enrolled in HMOs, health plans and local officials have been demanding the project be delayed at least a year or killed outright. In Kansas City, where HMOs have a smaller chunk of the seniors' market, health plans have been unenthusiastic but less vocal. At a meeting in Detroit yesterday, federal advisers to Medicare rejected the Phoenix requests, but agreed to allow a delay of as long as three months, until next April, for implementing the pilot projects in the two cities.

In opposing the projects, the Phoenix health plans argue that the market already is highly competitive because senior citizens have a number of HMOs to choose from, all offering generous benefits. The competitive bidding process, they claim, would drive down their federal payments, forcing them to charge seniors premiums or reduce benefits. "We think our customers are being penalized and told, 'We will use you as an experiment in an effort to figure out how to continue to cut Medicare,'" says Gay Ann Williams, executive director of the Arizona Association of Health Plans.

A similar flap involves medical equipment. Currently, Medicare sets prices for a wide range of durable medical equipment, including wheelchairs and hospital beds. To simplify the byzantine system and save money, the program launched a competitive-bidding demonstration project in Polk County, Fla. Supplies are to be selected on price and quality.

But the Florida Association of Medical Equipment Services, an Orlando group that represents equipment suppliers, says the bidding process inevitably will reduce prices and hurt small suppliers. The group sued to block the effort but was recently rebuffed by a federal judge.

The Health Care Financing Administration, which runs Medicare, has long been urged by the health-care establishment, as well as Congress and health analysts, to become a savvy buyer. But the industry opposition to competitive bidding shows how hard it is to make fundamental changes in the federal health program for 39 million elderly and disabled. The Medicare system is due to run out of money by 2015, and both Congress and the Clinton administration are weighing alternatives to overhaul the program.

The bottom line, says Ira Loss, senior vice president at Washington Analysis, an equities-research firm, is that Medicare providers are "interested in the free market only if it means the government is getting away from bothering them. But when it

comes to the government actually forcing them to compete for business, they are unhappy about it."

HMO officials vehemently dispute that. Karen Ignagni, president of the American Association of Health Plans, which represents HMOs, says the government's bidding procedure is flawed—"a jury-rigged proposal masquerading as free-market competition." She says the bidding process isn't fair, because it doesn't include Medicare's traditional fee-for-service program, so the HMOs would bear the brunt of any payment reductions.

No matter what the fate of the pilot projects, HMO officials are determined to prevent competitive bidding from being used on a national scale. The industry says any reduction in payments to health plans will roil the HMO market, which already is grappling with reductions in federal reimbursements. Some believe the competitive bidding could cause more HMOs to drop out of Medicare. Instead, HMOs want Medicare to stop spending more on patients in the traditional fee-for-service program than on those in HMOs. Such a move, though, would force people in the traditional program to pay more for their care, Medicare officials say.

The contretemps is occurring even as there is widespread agreement that Medicare's reimbursement system is cumbersome. Some government studies, moreover, have suggested Medicare has overpaid HMOs and medical-equipment suppliers. "Who benefits from competitive bidding?" asks Robert Reischauer, a senior fellow with the Brookings Institution and a member of the advisory board on competitive bidding. "The taxpayer. But the taxpayer doesn't always have a voice in this."

In Phoenix where 158,000 senior citizens are enrolled in HMOs, the health plans have enlisted an array of allies, including the Chamber of Commerce, doctors and beneficiaries. They all believe the current system works fine: HMOs offer generous benefit packages that include prescription-drug coverage—and no supplemental premium.

In a recent letter to HCFA Administrator Nancy-Ann DeParle, the entire Arizona congressional delegation warned that competitive bidding "would only disrupt a market in which competition is already vigorous, costs are low and participation is high." The lawmakers have signaled they may block the project by legislation.

Such resistance irks those who believe Medicare badly needs to experiment with new cost-containment tools, including increased competition among health plans. Given the debate over Medicare, "this is the kind of demonstration that is directly relevant and should be conducted to give Congress information about what way the program should go," says Robert Berenson, a top HCFA official.

In 1996 and 1997, the HCFA was forced to abandon HMO bidding projects in Baltimore and Denver because of industry opposition.

Here's how competitive bidding would work: No matter what they bid, all HMOs would be permitted to take part in Medicare, as they generally are now. The government would then calculate a median of all the submitted bids and pay every HMO that amount. The health plans are worried that such a system would further reduce their reimbursements, forcing them to either charge a premium or reduce benefits, making them less competitive. HCFA officials say that benefits won't decline but acknowledge some patients may have to pay premiums for services they now get for free.

SCHOOL VIOLENCE AND GUN CONTROL

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, the gentlewoman from New York (Mrs. McCarthy) is recognized for 60 minutes as the designee of the minority leader.

Mrs. McCARTHY of New York. Mr. Speaker, I yield to the gentlewoman from Texas (Ms. JACKSON-LEE).

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the gentlewoman from New York for her leadership, and I am particularly delighted to join her this evening for a brief comment on a topic that we all have been confronting and as well to acknowledge the desire to continue to work with her and the women of this Congress along with our colleagues on something that has really touched the hearts and minds of most Americans. We say and we call it Littleton. Littleton, Colorado.

We first offer again, as we have done over the past couple of weeks, our deepest sympathy to that community. We are so appreciative of their resolve and their commitment to healing that community. But as well, we realize that, as Members of the United States Congress, as the highest legislative body of this Nation, we also know that they are asking us for answers and solutions.

So I join this evening to particularly support legislation dealing with gun safety. The gentlewoman from New York (Mrs. McCARTHY) has been very much a viable part of, over the years that she has been in Congress, and she likes to say she has been here only a short while, focusing on the need for gun safety.

So many of us have a role in this arena. I have taken the position that this is not a time to point fingers in opposite directions. Whose fault is it that two young men whose homes we believe were steady, who attended church, some were Members of the Boy Scouts, we understand were known members of their high school community, although we understand that they were in a group that may have been a little out of the ordinary, maybe a group in order to belong, but still we understand as well they were good students.

Yet, now we have 15 young people dead, some 40 that were injured, a valued and beloved teacher that was so admired lost his live, and the question is why.

I believe that there can be no more important agenda than moving forward on some of the legislative initiatives that have already been promoted. So I am supporting the proposed initiative by the President who has adopted much of the legislative initiatives of the gentlewoman from New York (Mrs. McCARTHY) as it relates to what I would like to call this evening gun safety, the common sense approach to answering the concerns of our children.

Why are they the concerns of our children? Because I have heard them