the experience that was already avail-
ableness. However, many other large users, but the
thought was, let’s go slow, let’s do a demo
project.

So since 1997, HCFA, the Federal
agency with responsibility for man-
aging Medicare, has been organizing
this demonstration project. They se-
lected Kansas City and Phoenix as the
two sites for the demonstration
project. They are about to start, and
all of a sudden, on the 252nd page of
what is supposed to be a corrective
manager’s amendment, we not only bar
the demonstration projects that are
about to commence but bar any other
demonstration projects that may be
suggested. Yet we started with a find-
ing that we support competitive bid-
ing.

Boy, I tell you, if this is the way they
support the principle, you do not want
them to be your parents and say they
are going to give you good care.

Mr. DORGAN. Will the Senator yield
for a short question?

Mr. GRAHAM. Mr. President, I ask
unanimous consent for an additional 5
minutes.

The PRESIDING OFFICER. The Sen-
ator has 28 seconds remaining.

Mr. GRAHAM. I ask unanimous con-
sent for an additional 5 minutes.

The PRESIDING OFFICER. If there
is no objection.

Without objection, it is so ordered.

Mr. DORGAN. I want to inquire. I
was unaware that that provision was in
the package that was presented. Was
the Senator from Florida aware, did he
know of anyone else who was aware of
that except perhaps the folks who
wrote it?

Mr. GRAHAM. We have not found
anybody who was aware of it except
some of our staff. We actually got to
to page 252 of the bill sometime late last
night or this morning and discovered
this. I might say, it is very difficult to
even get copies of this amendment.

We have known for several years that
the HMO industry did not want com-
petitive bidding. They like the social-
ized formula system that exists today.
They are attempting in any way they
can, including this stealth attack late
last night on page 252, to kill competi-
tive bidding.

Unfortunately, just as with the issue of
the HMO bill we have been debating,
on the issue of patients versus the bot-
tom line of the HMOs, the HMOs won
in the Patients’ Bill of Rights, and
they have won again by killing com-
petitive bidding. I say they have won.
I think it is a Pyrrhic victory.

I think the Senator from North Da-
Kota might recall an event that, as
Yogi Berra said, it is deja vu all over
again. I think it was just about 3 years
ago, in a similar stealth maneuver,
that we discovered there was embedded
in a large bill a provision that would
ever have the tobacco industry a $50
billion tax break. Once that issue sur-
faced, it could not stand the light of
day. It slowly withered, died, and has
not been resurrected.

I suggest the light of day will be shed
on what the HMO industry has done by
inserting this amendment on page 252
of a technical amendment, the fact
they are using this as a means of avoid-
ing the rigors of the marketplace, they
are using this to avoid a rationaliza-
tion of the compensation that HMOs
receive from their patients so that we
don’t continue this pattern of 32,700
people being dropped. I can tell my col-
leagues, most of these people are peo-
ple who come from rural areas. They
come from small towns where they
don’t have high fee-for-service medi-
cine. The HMOs want to skim off those
areas that have high fee-for-service,
where they can get a formula that re-
sults in a reimbursement level. They
Don’t want to provide serv-
ices, and they don’t even want to have
a competitive bidding process that can
arrive at what the marketplace says they
should be paying for those HMO
beneficiaries in smaller communities of
America.

What we are seeing, again, is the bot-
tom line winning out over the rights,
the interests, and the health of pa-
patients. We are watching as Medicare
patients are dumped on the street. Is
that the HMO industry’s idea of re-
form? It is my idea of a travesty, and it
is one that we need to bring to the at-
tention of America. And we, as the
Senate, need to expunge this dark page,
page 252, and its companion, page
253, from our records. I hope we will,
at the first opportunity, do so.

I thank the Chair.

EXHIBIT 1

[From the Washington Post, July 16, 1999]

HMOs WILL DROP 327,000 MEDICARE
BENEFICIARIES NEXT YEAR
About 327,000 of the 6.2 million Medicare
beneficiaries nationwide who belong to
HMOs will be abandoned by their health
plans next year, the government said yester-
day.

Of those, 79,000 will be unable to enroll in
another health maintenance organization as
41 health plans withdraw from the federal
health insurance program for the elderly
and disabled and another 58 stop serving Medi-
care beneficiaries in particular areas, ac-
cording to the agency that runs Medicare.

Medicare beneficiaries who lose their HMO
coverage have two or three alternatives:
They can choose another HMO, if one is
available; they can revert to standard fee-
for-service Medicare coverage; and they can
buy “Medigap” policies to supplement the
standard benefits.

But there is a guarantee that they can
find a Medigap policy with prescription drug
coverage, which is one of the main reasons
some Medicare beneficiaries choose HMOs;

Medicare beneficiaries—2.9 percent of those
with HMO coverage—will lose their current
coverage, and 27,000 will be unable to replace it
with another HMO.

An HMO industry group recently predicted
that more than 250,000 beneficiaries would be
affected by the changes, but the Department
of Health and Human Services released the
final tally based on notices HMOs were
required to submit by July 1.

This year, a larger number of benefi-
ciaries—407,000—were abandoned by their
HMOs, but a smaller number—51,000—were
left without an HMO option.

The managed-care industry says HMOs are
pulling out of Medicare because the govern-
ment isn’t paying them enough, but the govern-
ment says the HMOs’ actions reflect broader
industry trends.

THE NON-SOCIAL SECURITY
SURPLUS

Mr. DOMENICI. Mr. President, I will
take a little time to speak about the
surplus that we have over and above
Social Security, which we call the non-
Social Security surplus. That is the
amount by which the taxpayers of this
country have paid more into the U.S.
Treasury than we need to run Govern-
ment.

I choose now to speak to a proposal
that I made with the introduction of a tax
bill yesterday. Mr. President, I asked
T. S. Eliot wrote, “April is the Cru-
elest Month.” Millions of Americans
agree, especially around April 15. The
Congress is going to pass a tax bill to
make April a little easier. I say it is
time to share the surplus. Since with-
out tax relief it takes the average
worker until May 11 to earn enough
money to pay his or her taxes, our tax
bill also lets people start working for
their families’ benefit earlier in the
year.

American families are currently sadd-
dled with an unprecedented tax burden.
Total Federal tax collections are at a
post-World War II high of 25.7 percent
of the gross domestic product. Indi-
vidual income tax collections alone are
10 percent of the gross domestic prod-
cut and are projected to stay there. We
have never experienced a government
based on that level of income taxation,
speaking of the income tax component
of our total American government tax
table.

The 1990s are truly a decade when
government taxed the total population
of America at a very excessive rate.
The President will have a choice to
spend on government programs or re-
sist the urge to splurge and instead re-
turn the overpayment to its rightful
The philosophical underpinnings of this package requires some deficiencies. Let’s accept most of it.

First section, Broad-based tax relief for all taxpaying families. Purpose: To cut taxes for 120 million American taxpayers by lowering and widening the 15-percent Federal income tax bracket. Second, marriage penalty mitigation and burden reduction. The purpose is to return 7 million taxpaying families to the 15-percent bracket and to cut taxes for another 35 million taxpaying families who will benefit from a tax cut of up to $1,900 per family. It eliminates or mitigates the marriage penalty for many middle-class taxpaying families. That happens by merely adjusting the brackets downward and upward in the 15-percent area. I repeat, you do not change the marriage penalty for middle-class families, but by making the 15-percent bracket broader, adding $10,000 to the adjusted gross income people can earn and still be in that bracket, and lowering the bottom bracket 1.5 percent, much of the marriage penalty is mitigated for people in those brackets.

Third, dividend and interest tax relief. Adjusting the tax base to recognize dividends and interest should not be taxed. Now, obviously, there is not room in a tax package to totally eliminate dividends and interest. But the purpose of our bill is to provide an incremental step toward taxing income that is consumed rather than income that is earned and saved. It simplifies the code by eliminating 67 million hours of spent time in tax preparation. It eliminates Federal income taxes on savings for more than 30 million Americans in the middle-class families and reduces Federal income taxes on savings for an additional 30 million Americans. It essentially allows about a $10,000 nest egg to grow, tax free, and will let Americans enjoy the miracle of compound interest.

Specifically, it excludes the first $500 in interest and dividend taxation. That permits you to grow this nest egg and not have to pay taxes on the interest and dividends for the first $500 in that kind of income. It sounds small, but it affects a huge number of Americans and starts us in the direction of saying we ought to save, and we ought to start taxing not earned income, but consumed income.

The next provision is a capital gains cut by recognizing that investment and investing should be encouraged, not penalized. A Tax Code for the new century should exclude modest capital gains from taxation. The purpose of the provision is to provide an incremental step toward shifting our Internal Revenue Code away from taxing savings and investment. A savings-friendly Tax Code would lower the cost of capital so that prosperity, better paying jobs, and innovation can continue in the United States.

The bill would eliminate capital gains for 10 million American families, 75 percent of whose income is $75,000 or less. This provision is also a 70 million man-hour timesaver. I can think of many activities to spend 70 million hours on rather than filling out tax forms. The specific of this provision is that it exempts the first $5,000 in long-term capital gains from taxation. It eliminates it totally from taxation.

Another important section deals with retirement savings incentives. The purpose of this is to say that the savings rate for all Americans will increase by reforming the system to favorably treat income that is invested for retirement. It provides targeted incentives to middle-class families to increase their retirement savings in a traditional IRA by $1,000 per working member of the family per year. Specifically, it raises the contribution limit for traditional deductible IRAs from $2,000 to $3,000 and indexes them to inflation, when we can fit that into the dollars in the code.

The bill includes a death tax phase-out. It recognizes that death should not be a taxable event in the 21st century. We do not have sufficient resources to do away with it in toto. Some will be proposing it. I think they will find that it is rather expensive, even with $782 billion to spend. So that purpose of ours is to begin phasing it out. Specifically, it reduces tax from the top rate of 55 percent to 40 percent.

Then we have innovation and competitiveness. We all know those are characteristics that, at this point in our economic history, are rampant in our American economy. Innovation and competitiveness are the things that turned the American economy around and made Japan ask: How is America doing right? It made France and Germany ask: What are they doing right? Fifteen years ago, everybody was asking the reverse. Some were wondering if we should do things like they did things. I am grateful we did not, for most of the difference was planning by Government. They continued to do it and we came out of it with innovation and competitiveness.

Now we ought to make sure we do what we can with this available surplus to make the research and investment credit turn out to be a permanent part of the Tax Code. This change recognizes that the single biggest factor in creating better jobs through productivity growth is innovation. Productivity growth is the foundation for research and development conducted in the private sector. Between 60 to 80 percent of the productivity growth since the Great Depression can be traced to innovation.
Specifics of the proposal. The provisions here are the same as those contained in Senate bill 951, which I introduced. The main thrust of this tax credit is permanent, but also expands it to cover businesses that were not heretofore covered, including many small businesses that are filled with innovation but can’t avail themselves of the research and development tax credit.

Last, but not least, the bill includes a section on energy independence. All I will say is that America is, once again, looking at itself in the world and finding that we grow more and more dependent on oil from abroad. In fact, it has gotten so high that there is no question that America is now dependent for its very survival upon importing oil from foreign countries. We have probably reached the point where we cannot hold by $10,000 so that more capital will be made available by the way we change the Tax Code for that kind of industry, the oil patch of America, for those who supply the services, take the risks, and those who pump the oil and gas.

We have made some changes and many Senators are interested in some of these issues, such as oil and gas capitalization, through changing the Tax Code. I won’t read them one by one. To be specific, with reference to my own State, this overall proposal cuts taxes for 574,000 New Mexicans who have to file an income tax return.

First, the bill cuts taxes by 10 percent by lowering the 15-percent bracket to 13.5 percent. The current 15 percent tax rate will have a $1.4 million tax cut for 118,000 New Mexicans. I close with a quote from Milton Friedman.

Milton Friedman said, and I agree:

"The estate tax sends a bad message to savers, to wit: that it is O.K. to spend your money on wine, women and song, but don’t try to save it for your kids. The moronic absurdity of the tax is surpassed only by its economic irrationality."

The death tax is also one of the most unpopular taxes. While most Americans will never pay it, 70 percent believe it is one of the most unfair taxes. It is 10 times worse than its unpopular reputation. The Tax Foundation found that today’s estate tax rates (ranging from 18 to 55 percent) have the same disincentive effect on entrepreneurs as doubling the current income tax rates and NFIB called it the “greatest burden on our nation’s most successful small businesses.”

The would make R&E credit permanent and phase-in some modifications during last five years. This is essentially the text of a bill I introduced earlier this year.

The bill increases expensing to $250,000. This will simplify record keeping for 2.5 million small businesses and save them a whopping 107,000,000 hours in tax preparation. This also phases out the AMT for both individuals and corporations.

The tax plan also recognizes that there are certain areas of the country—oil patch in particular—that are being devastated. At the same time, the oil industry pays some of the highest taxes in the country. For this reason the bill also includes oil and gas tax relief.

While the Joint Committee on Taxation has not completed its revenue estimates, it is my intention that these tax provisions can be accommodated within the Budget Resolution.

THE ILLEGAL PURCHASE OF FIREARMS

Mr. LEVINE. Mr. President, we’ve all heard the saying, “if at first you don’t succeed, try, try again.” It’s a lesson we’ve been taught since childhood. It’s a lesson taught children to be persistent and work hard if they want to achieve their goals. It is also a lesson that applies to the purchase of firearms, and it is one that Benjamin Smith knew all too well.

Over the Fourth of July weekend, the majority of Americans were celebrating the birth of our nation. But the long, four-day week was marred by another tragedy, made possible by the free flow of deadly firearms. A single man, Benjamin Smith, with a hatred for life, allegedly used a .22 caliber handgun and a .380 caliber semi-automatic .45 caliber handgun to murder two people and wound nine before ending his own life.

The alleged gunman had a history of violence, a protection order filed against him, and belonged to an organization that espouses hatred toward minorities, yet, he was still able to purchase deadly firearms, all because he was persistent. Approximately one week before his killing spree, he had applied to purchase firearms from a licensed gun dealer. He obtained an owner identification card, filled out an application, and expected to retrieve his weapons shortly thereafter. A few days later, however, he returned to buy the weapons and was rejected by the licensed dealer after failing to pass the Illinois state background check. Unfortunately, Benjamin Smith knew his lesson, “if at first you don’t succeed, try, try again.”

Benjamin Smith knew of other means to obtain firearms. He knew that although he was not permitted to purchase a gun from a licensed dealer, he would have few problems buying a gun on the street, from an unlicensed dealer. He knew that federal law requires that background checks be conducted by licensed dealers, but he also knew of a large secondary market in the United States that permits the free flow of weapons in to the hands of those who can not pass background checks. And, because he knew how easy it is to obtain a gun in the United States, Benjamin Smith was able to try, again, to purchase firearms for his killing spree.

Smith’s second attempt to purchase guns was successful and as a result, this dangerous young man was equipped with the two handguns believed to be used in the several Independence Day shootings. Because of this secondary market that allows easy accessibility of firearms, the nation is losing the lives of innocent individuals.

Mr. HELMS. Mr. President, the close of business yesterday, Thursday, July 15, 1999, the Federal debt stood at $5,625,473,322,843.46 (Five trillion, six