

\$100,000. For many people, that notice symbolizes that the financial might of the United States government stands behind their banking institution. We learned the hard lessons of the 1930s, and created the FDIC to protect and strengthen our financial system.

In rural communities across America, local banks serve as the hub of the town. Every business in town relies on the bank for funding. The banker knows the town, and the town knows the banker. In many ways, each knows it disappears without the other.

Individuals in these towns like to know who is handling their money. They like the idea that their funds are secure in their home town. And, they like the fact that their money can be leveraged into other investments that will improve their communities. The more deposits a bank has, the more loans it can make. These loans are made locally, and serve as an investment in local communities.

The MAIN Street Act will help preserve these small towns and communities. It will bring greater liquidity to community banks and promote growth and development. I look forward to working with the FDIC and other banking leaders as we seek to update our banking insurance protections to allow small banks to compete with other investment opportunities available. I ask unanimous consent to have printed in the RECORD an article by Bill Seidman which further outlines some of the issues surrounding federal deposit insurance.

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

**\$200,000 OF FDIC INSURANCE? THE BATTLE  
HAS JUST BEGUN**

The battle is on—in one corner there's the proverbial David in the person of the FDIC Chairman Donna Tanoue, and in the other corner, three giant Goliaths—Senate Banking Committee Chairman Phil Gramm, Treasury Secretary Lawrence Summers, and Federal Reserve Board Chairman Alan Greenspan

Technically the conflict is over the FDIC's Deposit Insurance Option Paper (published in August), which suggested (some said foolishly) that deposit insurance coverage should be increased from \$100,000 to \$200,000 per depositor. As the paper pointed out, such an increase would compensate for the last 20 years or so of inflation since the insurance level was set at \$100,000. The new ceiling might also help to meet an increasingly difficult problem for community banks—obtaining sufficient deposits to meet growing loan demand. Core deposits as a source of funding for community banks have steadily declined and largely are being replaced by loans from the Federal Home Loan Banking System.

Once this idea was floated, Senator Gramm, and ever-pure free marketer, reacted with a resounding "No way—not on my watch!" At a recent Senate committee hearing (on an unrelated subject) Gramm gained support for his position from the secretary of the Treasury and the Fed chairman. Treasury said it doesn't agree with the proposal because it increases risk taking and possible

government liability; Greenspan said "no" because he feels it's a subsidy for the rich. (I guess he's been in government so long that anyone who has over \$100,000 is really rich.)

Do these opinions nix the possibility for a change in the deposit insurance ceiling? I don't believe so. This is a complex issue that will require congressional hearings and much research, because it relates to "too big to fail" policies and overall financial reform. Here are some of the important points to be weighed in this debate.

Increasing deposit insurance brings more financial risk to government—Possible, but unlikely, since the bank insurance fund has never cost the Treasury a penny (the thrift insurance fund is the one that went broke. Even Chairman Tanoue and Fed Governor Meyer have pointed out that the greatest risk to the fund is likely to be the failure of a large complex bank. Moreover, the risk is much greater to the federal government when it supports a huge home loan bank financing institution (another quasi-governmental agency such as Fannie Mae or Freddie Mac)—where any trouble means big trouble.

It distorts the operations of the free market—This is also referred to as creating a "morale hazard," the idea being that FDIC depositors won't have to worry about the condition of the bank. Of course, the so-called free market is out of kilter anyway, what with the Federal Reserve's discount window and the Treasury's bailout of Mexico and half of Asia through the IMF. In fact, the government seldom does anything that doesn't impact the free market (think environmental protection, antitrust, regulation of good drugs, bad drugs, and so on). The issue of whether to increase the deposit insurance ceiling has less to do with distortion of the free market than it does with whether this particular action in total is "good for the country." (In the case of Mexico, for instance, the free marketers decided that a U.S. bailout of rich U.S. business leaders was good for the country and the world; bingo, the funds were granted.)

It's a subsidy for the rich—It's debatable whether FDIC insurance is a subsidy at all. Most economists (though not Greenspan) doubt that there is much of a subsidy because the banks have paid for all of the insurance and the insurance fund has covered any losses.

Now that I've laid out the opposing views, here are several good reasons for approving the FDIC deposit guarantee increase:

It will level the competitive playing field—Historically, governments have protected all bank depositors when very large banks are in trouble, thus providing an implicit guarantee of unlimited insurance for those institutions (e.g., Japan, Saudi, Korea, Thailand, and the U.S.). Therefore, at the very least, the increase to \$200,000 tends to give community banks a better chance to maintain their deposit base against a too-big-to-fail competitor.

The increase will reduce the risk that smaller banks and the communities they serve will stagnate due to the banks' inability to obtain funding at a reasonable cost—It could also reduce future FDIC insurance payments if these weak banks fail in the next recession. (Incidentally, an FDIC study shows that if the insurance level had been at \$200,000 during the problems of the '80s and '90s, it would not have materially increased FDIC insurance costs.)

The increase will help to maintain a banking system that is decentralized and diverse—This type of system helps the econ-

omy, boosts productively, and promotes entrepreneurship—important factors in our present prosperity.

It provides a savings incentive—As more baby boomers retire with savings in excess of \$100,000, the increased FDIC insurance coverage will provide a convenient and conservative savings option and will encourage savings, which all economists agree would be good for the U.S. economy.

You may have guessed by now that I'm rooting for the corner with little David (Chairman Tanoue) in this important policy showdown—and the battle is far from over. Why? I'll simply use the litmus test that applies to all other proposed reforms: It's good for the country.

**RECOGNITION OF SERVICE TO THE  
STATE OF MICHIGAN**

Mr. ABRAHAM. Mr. President, as I leave the service of the Senate, I would like to take a moment and recognize the service of my dedicated staff over these last six years. Pay in a Congressional office is not great, Mr. President, the hours are incredibly long, and often times the work they do goes unheralded. But still these staffers dedicate their time and effort to helping the people of Michigan and advancing their interests.

I would like to take this opportunity, on behalf of the people of the State of Michigan, to thank them all for their dedicated and tireless service.

Mr. President, at this point I would like to enter into the RECORD a list of those people that have served on my staff, both here in Washington and back in Michigan, as a way of thanking them.

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

**STAFF OF SENATOR SPENCER ABRAHAM, 1994–  
2000**

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Joseph Cella, Regional Director; Cesar V. Conda, Administrative Assistant/Legislative Director; Adam Condo, Systems Administrator; Jon Cool, Staff Assistant; Ann H. Coulter, Judiciary Counsel; Majida Dandy, Executive Assistant; Anthony Daunt, Staff Assistant.

Joe Davis, Director of Communications; Nina De Lorenzo, Press Secretary; Larry D. Dickerson, Chief of Staff/Michigan Operations; Joanne Dickow, Legal Advisor; Hope Durant, Executive Assistant to the Chief of Staff; Sharon Eineman, Senior Caseworker.

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F. Chase Hutto, Judiciary Counsel; Michael Ivahnenko, Staff Assistant; Eunice Jeffries, Regional Director; Kaveri Kalina, Press Assistant; Raymond M. Kethledge, Judiciary Counsel; Elizabeth Kessler, General Counsel; Kevin Kolevar, Senior Legislative Assistant.

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Na-Rae Ohm, Special Assistant; Lee Liberman Otis, Chief Judiciary Counsel; Kathryn Packer, Director of External Affairs; Chris Pavelich, Regional Director; John Petz, Southeast Michigan Director; James L. Pitts, Chief of Staff; Conley Poole, Staff Assistant.

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Mr. ABRAHAM. Mr. President, I thank my colleagues for this opportunity, and I yield the floor.

#### BENEFITS IMPROVEMENT AND PROTECTION ACT

Mr. BAUCUS. Among the most pressing issues facing American senior citi-

zens and persons with disabilities is the need for coverage of prescription drugs under Medicare. While we in Congress continue to work to reach consensus on a Medicare prescription drug benefit, I applaud the bipartisan efforts of my colleagues to restore and preserve Medicare coverage for certain injectable drugs and biologicals that are crucial to seniors and persons with debilitating chronic illnesses. To this end the Act contains a tremendously important provision which amends Section 1861(s)(2) of the Social Security Act relating to coverage under Medicare Part B of certain drugs and biologicals administered incident to a physician's professional service. Because it is expected that the Act will be passed without any accompanying Committee Report language, and due to its importance to thousands of citizens, I rise to explain this statutory language.

The Medicare Carrier Manual specifies that a drug or biological is covered under this provision if it is "usually" not self-administered. Under this standard, Medicare for many years covered drugs and biological products administered by physicians in their offices and in other outpatient settings. In August 1997, however, the Health Care Financing Administration issued a memorandum that had the effect of eliminating coverage for certain products that could be self-administered. This changed policy interpretation resulted in thousands of patients who until that time had had coverage for drugs or biologicals for their illnesses, including intramuscular treatments for multiple sclerosis, being denied coverage for these same drugs and biologicals. At a time when the Congress and the Administration are seeking to expand Medicare prescription drug coverage, this HCFA policy has led to a reduction in coverage of many treatments.

The Act's language clarifies the Medicare reimbursement policy to ensure that HCFA and its contractors will reimburse physicians and hospitals for injectable drugs and biologicals for illnesses such as multiple sclerosis and various types of cancer as they had been reimbursed prior to the 1997 memorandum. The new statutory language contained in the Act requires coverage of "drugs and biologicals which are not usually self-administered by the patient," thus restoring the coverage policy that was in effect prior to the August 1997 HCFA memorandum. In carrying out this provision, HCFA should not narrowly define the word "usually." Nor should HCFA make unsupported determinations that a drug or biological is usually self-administered. In addition, HCFA should assume, as it did for many years, that Medicare patients do not usually administer injections or infusions to themselves, while oral medications

usually are self-administered. HCFA should also continue to take into account the circumstances under which the drug or biological is being administered. For example, products that are administered in emergencies should be covered even though self-administration is the usual method of administration, in a non-emergency situation.

I believe that to implement Congressional intent on this provision, HCFA must promptly issue a memorandum to inform its contractors (e.g. carriers and intermediaries) of the change in the law.

I commend the efforts of the bipartisan sponsors of this provision for correctly clarifying the intent of the Medicare reimbursement coverage policy for injectable drugs and biologicals. This issue is of vital importance to thousands of our citizens that are afflicted with debilitating illness such as multiple sclerosis. As Congress and the nation continue to engage in a discussion on expanding prescription drug coverage under Medicare, this is an important step to provide our seniors and persons with disabilities with the life-saving prescription drugs and biologicals that they deserve. I look forward to continue working with the Administration and HCFA to ensure that our seniors and persons with disabilities receive coverage for injectable drugs and biologicals.

#### FAREWELL TO MANUS COONEY

Mr. HATCH. Mr. President, I would like to take just a moment to offer my public thanks and appreciation to the Judiciary Committee's chief counsel and staff director, Manus Cooney, for all his dedicated work over the last 7 years he has served on my staff, and for his exemplary 12-year career in the Senate.

Manus has been my right hand. I want to state that for the RECORD so that 10 years from now his daughters—Caitlin, Claire, and Tara—will know why their father was hardly ever home for dinner. Let me say to them that, without his tremendous efforts, we could not have accomplished half as much for our country.

Let me also say to my colleagues that I know Manus was tenacious. Senators and staff alike always took it seriously when Manus was on a mission. Believe me, I got as many orders and assignments as you did.

Seriously, though, it was amazing to me how Manus always kept the faith—he believed in what we were doing and never gave up.

I am going to miss him. He will be leaving my office at the end of the year for a new, exciting opportunity to develop corporate strategy and to head Napster's new Washington office. He is the right guy for this job. He has the energy and the know-how to help Congress understand and connect with the