

Book

Stenographic Transcript Of

HEARINGS

Before The

COMMITTEE ON FINANCE

UNITED STATES SENATE

EXECUTIVE SESSION

Washington, D. C.

March 19, 1980

Alderson Reporting Company, Inc.

Official Reporters

300 Seventh St., S. W. Washington, D. C.

EXECUTIVE SESSION

WEDNESDAY, MARCH 19, 1980

United States Senate,
Committee on Finance,
Washington, D. C.

The Committee met, pursuant to notice, at 11:10 a.m. in room 2221, Dirksen Senate Office Building, Hon. Russell B. Long, Chairman of the Subcommittee, presiding.

Present: Senators Long, Byrd, Baucus, Dole, Packwood, Chafee and Heinz.

The Chairman: Mr. Constantine, we can get back to what we were working on before we turn to windfall profits. We are back to the catastrophic health insurance issue.

Now, would you proceed to tell us where were we when we last met, Mr. Constantine?

Mr. Constantine: Since the last meeting, we have been dealing with the remaining issues in this area which are described on the top paper, entitled, "Remaining issues for Committee Consideration," with the administration and with the health people as well.

We also, at a later point, responded to the request of the budget mark-up by the committee where you asked the staff whether there was a possible interim approach that took into

1consideration the budget circumstances and inflationary
2concerns of the committee.

3 We thought, proceeding in order and to ease into this, you
4might want to consider the areas where there is agreement,
5where we do not believe there will be too much controversy.

6 Senator Dole: Before we do that, maybe we could discuss
7for a minute whether we should consider anything at this point.

8 I favor a program, and I think we worked a long time on
9it. We have a fairly good consensus of the committee. I am
10not certain ---when was the last time we met?

11 Mr. Constantine: The last time the Committee met on this
12issue was in November.

13 Senator Dole: Since November, there have been a lot of
14discussions about the economic crisis or the economic collapse
15and whether or not we should be launching into any new program,
16no matter how important it may be.

17 Certainly I think catastrophic coverage is important to
18millions of American families. We are talking about at least
19when we left in November, a cost in '81 of over \$8 billion.

20 We are already going to be loading up on Americans
21between \$50 billion and \$60 billion in new taxes on one form or
22the other.

23 This would be \$8 billion to the employers in this country.
24Added to that is the government cost and we still have not had
25the Budget Resolution, which will not come until May. We are

1not certain whether the \$300 million that we requested in
2budget authority for '81 will be approved by the Budget
3Committee.

4 My question is whether we should even proceed at this
5point or whether we should defer any further action until we
6have some expression from the Budget Committee and the full
7Senate.

8 We had a little meeting this morning of five of the eight
9Republicans who discussed this and I think we all support a
10catastrophic coverage. Some of us have bills introduced. Some
11of us, of course, have worked with the Chairman on this
12legislation.

13 But there is a consensus, at least on the Republican side,
14that maybe we ought to put the brakes on without any signal
15that we are opposed to what we started to do, but temporarily,
16at least, we indicate our concern about the Budget, about the
17economy, about starting any new programs.

18 There has been a freeze on hiring by the President. We
19believe there ought to be a freeze on any new programs until we
20can find a way out of the morass of the economy.

21 The Chairman: Let me just respond to that.

22 Notwithstanding the budget problems, when we go out there
23on the Floor with any revenue bill, we have Senators waiting
24for us with amendments to produce revenue or to provide
25additional benefits and some of those things have enough appeal

1that the Senate votes for them.

2 This windfall tax bill, the proposal starting January 1,
3to have a \$200 exclusion on interest and dividends. Now, that
4was sponsored by this Committee, but the start of that was by
5one of our members on the Floor insisting on offering an
6amendment to the windfall profits tax bill to add this item.

7 There is an item that would be enough to start a real nice
8health program in the catastrophic area. You could do a lot
9with as much money as that amendment would cost.

10 So if we do not act in the areas where we think we ought
11to do something and somebody pre-empts us with a floor
12amendment to do more for disability or to do more with tax
13deductions or do more in one area or another, it seems to me
14that this area, that this has enough priority that it deserves
15the consideration of the Senate, even if we do have to defer
16the effective date, find some way to pay for some of this
17with whatever it takes to do it.

18 Senator Danforth is suggesting one way, that you put a tax
19on cigarettes, but there are other ways that we could find to
20finance something and also we could defer. The question is,
21are we just going to forever talk about matters and never do
22anything?

23 My thought, as well, we ought to recommend what we think
24ought to be done, even if we have to do it on a very modest
25basis or even have to move the effective dates up a full year,

1 whatever it takes. That is what we did when we were looking at
2 a lot of proposals, which I do not think have any more merit
3 than this, in the energy area or energy-related area, and there
4 are some things not that closely related to energy.

5 I do not think that forever we should say not now. We
6 ought to do something, not now.

7 Senator Dole: What about in '82?

8 Senator Packwood: Mr. Chairman?

9 The Chairman: I think we ought to do what we can, as we
10 can.

11 Senator Packwood: Mr. Chairman?

12 The Chairman: Yes, sir.

13 Senator Packwood: I am a cosponsor of one of the
14 catastrophic bills and I agree with Senator Dole that we ought
15 to at least delay it until the Budget Resolution is before us.

16 As I understand it, if it is going to take effect in an
17 out-year, we cannot bring it up before the First Budget
18 Resolution is adopted. Is that right?

19 The Chairman: I am not sure about that.

20 Senator Dole: Is that right?

21 Mr. Stern: Entitlement legislation is to be taken up
22 after the May 15th date, if it is effective during fiscal year
23 1981.

24 Senator Packwood: Right. We cannot take it up before
25 then.

1 Mr. Stern: In the Senate, that is correct.

2 Senator Packwood: Yes.

3 We have time to see what the Budget Committee does.

4 Secondly, as you look at the continuing studies that come
5in, I question whether a catastrophic bill as extensive as we
6once thought was necessary is necessary, because more and more,
7at least employees are being covered by catastrophic insurance
8as new contracts are being written.

9 Three, in light of the fact that apparently we are going
10to try to balance the budget between \$19 billion and a
11billion tax cut, I do not know where it will have to fall to
12balance it. I do not think this is the time to be looking at
13it.

14 Nothing needs to be lost, Mr. Chairman, when you consider
15all of those factors, until you see what the Budget Resolution
16says.

17 The Chairman: Well, am I correct that as long as we bring
18out resolutions that gain more revenue than they cost us. But
19the Senate can act on those notwithstanding the Budget
20Resolution.

21 Mr. Stern: The matter that Senator Packwood is referring
22to really is a procedural requirement of the Budget Act that is
23not affected by whether the bill gains or loses money to the
24government. Just procedurally, if you have entitlement that is
25affected in the budget, it cannot be acted on after that

1 resolution has been adopted.

2 Our thought in scheduling these meetings is, even if you
3 make decisions, it will take some time to draft and prepare a
4 report, so that there was no loss of time if the Committee was
5 going to consider that now. It still probably would be mid-May
6 by the time you could take this up on the floor anyway.

7 It does not mean that the Committee has to wait until May
8 15th.

9 Senator Byrd: Mr. Chairman if I might, the members of the
10 committee would find it difficult to know exactly how to vote
11 on this matter until the Budget Resolution was clear, would it
12 not?

13 Would that not cause a complication?

14 Mr. Stern: You have heard from the Budget Committee* that
15 they allow \$300 million for the first part of a health
16 insurance program so that this committee has another
17 recommendation that there should be some allowance, recognizing
18 that will not be the first full-year cost. That would enable
19 you to proceed somewhat into this area.

20 Senator Byrd: The committee does not know whether the
21 Budget Committee will approve that \$300 million.

22 Mr. Stern: That is right.

23 Senator Packwood: We will know that, as far as the
24 Committee is concerned, by March 26th, because that is when the
25 budget mark-up is scheduled to be finished. It does not

1necessarily mean that is what the Floor will or will not do,
2but we know what the committee is intending next week.

3 Senator Dole: In seven days.

4 Senator Packwood: We start on the 26th, we finish on
5April 2nd. Excuse me.

6 The Chairman: If you want to insist on that, then I
7suggest that we meet tomorrow and decide whether we want to do
8that.

9 As far as I am concerned, whatever the majority of the
10Committee wants to do, it will do.

11 I take it if that is the view, we do not have a quorum
12here at the moment and I do not feel like trying to round one
13up at this point. But if you would like to have the committee
14make that decision, I think that it would be well to meet
15tomorrow and let everybody know.

16 Senator Dole: Bob, we have Moynihan on the Budget
17Committee so you know if we are going to have any money in the
18pot. Will you know that by the 26th?

19 Senator Packwood: We start on the 26th. We will know it
20by Wednesday night, I think, the 2nd of April. I may be off a
21day, but we are due to finish the mark-up before the Easter
22recess and we will know at that time whether or not -- Mr.
23Chairman, we are looking at trying to cut \$19 billion to \$21
24billion. Everyplace there is \$100 million to \$200 million that
25is not committed and is vulnerable -- and it should be. I am

1not complaining about that.

2 I think that we would be wise, from all of our time
3standpoint, to wait two weeks from today so we will know what
4the Budget Committee is recommending and then decide whether or
5not we want to pursue it further.

6 The Chairman: Well, who is going to be in a better
7position to recommend what we ought to do about this matter?
8Should we recommend to the Budget Committee that something
9ought to be done, or should they recommend to us that something
10ought to be done?

11 It seems to me that generally the authorizing committees
12recommended to the Budget Committee rather than the other way
13around.

14 Senator Packwood: We already recommended to the Budget
15Committee. We already put \$300 million in it, in the
16recommendation, in the letter.

17 All I am saying, that was sent to the Budget Committee,
18before the President's budget message, before the concept. We
19indeed were going to balance the budget. Before Congress
20really agreed that we were going to follow the law that Senator
21Byrd put in the law that will balance the budget in fiscal '81.

22 All of that, whether anybody took it seriously or not -- I
23know I did. I know Harry did.

24 And now the Committee is going to take it seriously.

25 You will recall your amendment last year when we had that

1 alternative balanced budget amendment of mine. You added an
2 amendment that it requires the Budget Committee to come in
3 with an alternative balanced budget.

4 All I am saying, the circumstances today are not what the
5 circumstances were two months ago or six weeks ago in terms of
6 the attitude in this country, the attitude of the President or
7 the attitude of the Congress.

8 It is not a question of their telling us what to do. We
9 have already put the \$300 million in our request, but they are
10 going to have to come back to this Committee, and every other
11 Committee and say, my fellow members of Congress, here is
12 where we suggest cutting \$20 million.

13 I do not want to waste our time, and I do not think they
14 do. But I just think that all of us better realize that there
15 are going to be lots of cuts in different programs, that we
16 have at least set aside money for in the thought or hope that
17 perhaps we could undertake them.

18 The Chairman: Well, let me suggest, then, that we meet
19 tomorrow. We have a confirmation tomorrow, do we not?

20 Mr. Stern: Yes, sir.

21 The Chairman: After we have voted on the confirmation
22 that is before us tomorrow, that we discuss this matter. As
23 far as I am concerned, we should decide it then.

24 Senator Dole: We might here from Dr. Mongan or Dr. Davis.
25 Does the administration have any position on this?

1 Dr. Mongan: Yes. Senator, actually, I would like to
2 state our support at this point for proceeding with this
3 issue. As Senator Long indicated, we feel that, in fact, the
4 immediate issue we face with respect to budgetary constraints
5 can be dealt with through deferred effective dates and through
6 phased-in provisions of the sort that we even built into our
7 original proposition.

8 In addition, we feel if you encompass the series of the
9 kinds of competitive reforms and controls that have been
10 talked about, that we could put together a package.

11 In addition to not being inflationary itself, actually is
12 a tool against inflation, so we would like to see the
13 Committee proceed. We are willing to consider, and in fact,
14 our bill encompasses, deferred effective dates and we are
15 willing to consider various phase-in mechanisms, but we would
16 like to see the Committee proceed in this area.

17 Senator Dole: Can we have all that information tomorrow
18 morning? I assume we would have to wait until '82 if we do
19 not have \$300 million for '81.

20 Mr. Constantine: Senator, you obviously can pick any date
21 you want for effective dates.

22 Senator Packwood: Refresh my memory on what that rule is
23 about starting something in an out-year that does not start in
24 the next fiscal year?

25 Mr. Stern: In the case of entitlement programs, you

1 cannot start in an out-year. You would have to be effective
2 at least some nominal token effect, in fiscal year 1981.

3 Senator Packwood: We are subject to a total point of
4 order if we make it effective in '82?

5 Mr. Stern: That is correct.

6 Senator Byrd: Mr. Chairman?

7 The Chairman: Mr. Byrd?

8 Senator Byrd: May I ask HEW, as I undersatnd it, the
9 administration does favor establishing this new program?

10 Mr. Mongan: Yes, sir. We continue to support it.

11 Senator Byrd: It is a new program.

12 Mr. Mongan: We continue to support establishment of a
13 health insurance program of the sort we described, which we
14 feel will not be inflationary -- in fact, will help us in the
15 battle we are currently in.

16 Senator Byrd: I have difficulty in following the
17 administration's position.

18 President Carter on Friday told the American people that
19 he was reducing his budget by \$13 billion. The figures do not
20 bear that out.

21 The figures show that he advocated Friday an increase of
22 \$5 billion for FY 1980 and a reduction of \$3 billion for FY
23 81. Nowhere is there any \$13 billion reduction. As a matter
24 of fact, there is an increase of \$2 billion.

25 If you consider the 1980 increase which he proposed, of

1 course you have to consider that. I find it very difficult to
2 match the administration's figures with its own words. Maybe
3 you can match it for me.

4 Dr. Mongan: Senator, I am not the best person from the
5 administration to speak to the series of budget cuts currently
6 being planned and discussed with respect to the health
7 insurance issue. From the very outset, we have designed this
8 program to have a delayed effective date of fiscal year 1983
9 and to be a program, opposed to be a universal comprehensive
10 program, would be a program targeted on what we would
11 consider to be the very most serious problem facing us, the
12 problem of catastrophic illness.

13 Senator Byrd: Let me ask you one figure. In the
14 President's budget that he submitted January 28th, he gave the
15 figure of \$616 billion for total expenditures for FY 81. Is
16 that correct?

17 Dr. Mongan: I believe that is correct.

18 Senator Byrd: All right.

19 In his speech Friday night and the fact sheet that he
20 submitted to the members of the Congress, he gave the figure
21 of \$613 billion.

22 Is that correct?

23 Dr. Mongan: I am told those are the re-estimates of the
24 budget due to the changed economic analysis.

25 Senator Byrd: He advocated on January 28th the

1 expenditure of \$616 billion for FY81. Last Friday, the 14th,
2 he recommended the expenditure of \$613 billion.

3 Is my arithmetic correct? That is a \$3 billion reduction,
4 not a \$13 billion reduction?

5 Dr. Mongan: Senator, I cannot speak for whether the
6 arithmetic is correct.

7 Senator Byrd: Just speak, then, to the \$613 billion. I
8 can do the arithmetic.

9 The \$613 billion is correct, is it not?

10 Dr. Mongan: Rather than speak to the \$613 billion, let me
11 speak to the fact that my understanding is that the
12 administration is currently working on putting together a
13 package of budget cuts that will be greater than \$13 billion
14 in fiscal year 1981.

15 I guess the major point that I was trying to make today is
16 that our health insurance proposal has always been planned for
17 implementation at a later effective date than fiscal year
18 1981.

19 Senator Byrd: Well, the facts are that the
20 administration's own fact sheet shows that the expenditures
21 that he recommended last Friday night will total \$613 billion
22 and that is only \$3 billion less than the budget he submitted
23 on January 28th.

24 I say it is very misleading to the American people.

25 The Chairman: Well, let me just say this, in defense of

1 this witness -- not that he needs any defense, because he is a
2 hell of a sweet guy. He used to work for us. We hired him
3 over here and we gave him -- I do not know if we gave him our
4 blessing to leave here and go over into that jungle where he
5 is working these days, but at least nobody has any complaint
6 about the work he did for this committee when he was here and
7 he did not come up here to testify as the Director of the
8 Budget, he came here to testify on his program, which has
9 something to do with health.

10 By the time you confront this witness with saving the
11 whole, wide world, that is the first time that he has had the
12 responsibility.

13 Dr. Mongan: I am not inclined to ask for it.

14 Senator Byrd: I submit that it is relevant because I find
15 that figures submitted by most departments of government are
16 not figures that I can have great confidence in, regardless of
17 which department of the government submits them.

18 He may not be responsible for the figures, but --

19 The Chairman: I think you can have reasonable confidence
20 in this witness. I have never known this witness to come in
21 here and deceive you or mislead you.

22 Senator Byrd: I have fine confidence in this witness.

23 The Chairman: I think everyone's view is amply clear. I
24 would like to discuss this matter tomorrow and I suggest that
25 after we vote on the confirmation tomorrow morning that we

1 return to discuss this matter because it is a matter the
2 Committee ought to decide.

3 But I think they ought to be on notice that we are going
4 to consider this suggestion tomorrow.

5 (Thereupon, at 11:35 a.m. the Committee recessed, to
6 reconvene at 10:00 a.m. on Thursday, March 20, 1980.)

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