

STATEMENT OF CONGRESSMAN JOHN D. DINGELL

The uncontrolled growth in entitlement spending and tax expenditures contribute to a deficit that poses a grave threat to the economic well-being of our country. It is because of the magnitude of this threat, and the serious reflection and deliberation which are needed to confront it, that I cannot sign the Chairman's letter to the National Economic Council and the congressional leadership. Accordingly, I respectfully request that the views contained herein be inserted in the Appendix for additional views to the Chairman's letter.

The mandate of the Bipartisan Commission on Entitlement and Tax Reform, as contained in the President's Executive Order 12878, was to "... recommend potential long-term budget savings measures involving (1) revisions to statutory entitlement and other mandatory programs; and (2) alternative tax reform proposals."

As a first step to fulfill this mandate, last August, the Commission used time and resources to publish an Interim Report, not required by the Executive Order or the Health and Human Service's Charter, which attempted to define the problems with entitlements. While I had many qualms about the substance of the report, the Chairman made a good-faith attempt to address my concerns, and so I eventually voted in favor of the report. In doing so, I assumed that shortcomings on distributional analysis would be addressed on any Final Report released by the Commission. Regrettably, they were not.

In early December, the Commission circulated a "Staff" Report containing a laundry list of proposed options to cut entitlement and tax expenditure spending. The Commission also created a computer simulation model containing the proposed options and released it for public distribution. The Staff Report was circulated eight days before the final vote. Three suggested proposals containing different mixes of options were released two days later.

The Chairman released his own mark on Thursday, December 8. The Chairman's mark had no distributional analysis, and members were given fewer than 24 hours to analyze the consequences of the proposal, which included unprecedented Social Security and Medicare cuts, the partial privatization of both programs, means testing of Medicare and Unemployment Insurance, and a 43 percent reduction in the value of benefits for today's young. A hearing was convened on Friday, December 9, at which the Chairman acknowledged that his mark would fall short of the 20-vote supermajority needed to recommend the proposal to the National Economic Council and congressional leadership.

In light of the perceived lack of support for his mark, the Chairman proposed for consideration a cover letter of sorts, to be attached to his mark, other members' ideas, and the Staff reports, on the following Monday, with the final vote on Wednesday. The Chairman again made good-faith attempts to address my and other members' concerns, but his attempts fell short of what was required to receive my

vote. The Chairman received 24 votes in favor, 2 abstentions, and 6 votes in opposition to his proposed letter and attachments.

The reasons for my vote are simple. First, as defined in the Interim Report itself, rising health care costs are the primary engine fueling projected increases in the Federal deficit. Social Security is not driving the Federal deficit. I believe that the letter, Chairmen's mark, and attached Staff reports lacked sufficient emphasis on taming the health cost engines through comprehensive health care reform. I also believe that the draconian cuts to Social Security posited in the documents were not the proper course to ensure solvency for the Trust Fund.

Whereas annual shortfalls are projected in the Social Security program some 35 years from now, the program can be brought into long-term fiscal balance through a number of incremental steps, such as the illustrative mix embodied in H.R. 4245. I applaud and join in Commissioner Richard Trumka's proposals for balancing Social Security financing. His illustrative packages also show how Social Security's projected shortfalls can be addressed reasonably and incrementally without undermining the economic well-being of American families.

While Social Security is amenable to such adjustment, the growth in Medicare and Medicaid are not going to be properly and sustainably addressed with intra-programmatic tinkering, and certainly not with wholesale caps and cuts. Medicare costs are rising because of demographic changes, new technology, and most importantly, because of out-of-control escalating health care costs in the private sector. Medicaid's costs are rising for many of the same reasons, and additionally because it is absorbing more of the uninsured.

The only sustainable way to control the growth in Medicare and Medicaid is through comprehensive health care reform. If we do not deal with the private sector issues, we cannot get any kind of grip on the costs and capriciousness of the present health care delivery system, which raised the number of uninsured in our Nation to 39 million in 1993. Trying to "fix" Medicare and Medicaid without reference to the private market is like putting a bandaid on a hemophiliac's open wound. Hemorrhaging will continue. Cost cutting through lowering provider payments will continue. Cost cutting through lowering provider payments will just shift costs to the private sector, which will cause provider costs to increase, which will, in turn, initiate a new round of Medicare and Medicaid cost cutting, until the programs are terribly weakened.

Some may argue that the Commission's mandate precluded a comprehensive recommendation encompassing the private health care sector. But Medicare and Medicaid services are not provided by government doctors — they are provided by private doctors in the private market. If the Commission deemed it appropriate to foray into such positions as publicly defining the entitlement problem as a lessened national private health care delivery system so that Medicare and Medicaid's growth could be tamed.

I found the Staff Report and the Chairmen's mark as presented in this regard to be reckless and callous proposals to dismantle the programs themselves. Such decisions are to be properly made in public,

with complete information on the fiscal *and* distributional impacts, not through thinly cloaked destructive austerity measures.

Medicare and Social Security are social insurance systems. People work their entire lives, paying into Medicare and Social Security with the explicit expectation that they will be repaid by receiving health and income security in their non-income-earning years. Options such as means testing will turn these programs into welfare programs. This would discourage savings by penalizing those who save for retirement and it would rend asunder political support for the programs, all of which would literally undermine the economic well-being of the middle class.

My second difference concerning the final letter and attachments is that they contain no distributional affects. I found it impossible to responsibly and logically make any kind of recommendation on any options, let alone the ones I would have preferred, because the Chairmen and Staff claimed they didn't have the resources to delineate the distributional impact of the options on the American family.

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I think the Commission shirked its responsibility in not doing this analysis. Fiscal impact alone is not enough to recommend a policy. If Commission Staff did not have this expertise, the Executive order explicitly allowed the Chairman to request information and detailing of personnel from HHS or any other Federal agencies. Some of the raw data already existed in the Ways and Means "Green Book" and the Energy and Commerce "Yellow Book," and any additional information would certainly have been within the reach of the administering agencies, as total dollars spent merely reflect the aggregate of total eligible families served. Indeed, the Congressional Budget Office performed just such an analysis for comprehensive entitlement reform options and published it in September of 1994.

This distributional data should also have been plugged into the computer model along with the fiscal data.

My third and final difference with the letter and attachments was in the relatively meager amount of attention paid to tax expenditures. Appropriately, the letter was eventually excised of references to a wholesale replacement of the current progressive but imperfect income tax system. However, I felt that the Chairmen's mark and the Staff Report reflected the paucity of discussion or consideration of many other tax expenditures, including ethanol subsidies, raising the tax on capital gains to the same rate as the tax income, or requiring royalties on the extraction of hard rock minerals.

In closing, I would like to commend the Chairman for all his hard work. I regret that a consensus could not be reached on real reform. The issue was again brought to the public's attention, an important first step in any major policy initiative. And we have learned from the mistakes of the Commission important lessons on how to achieve consensus on the hard choices to be made controlling entitlement and tax expenditure growth. ★