is occurring. It is fundamentally a law of supply and demand. As we keep down production, and the demand for that product, in this case oil, continues to grow, prices will rise. So not only must we call upon our OPEC nations to increase production, to lessen the price at the pump, but we also I think have to look inside our unnecessary rules and regulations that cause those gas prices to jump as well.

For months now, more than a year, Members of Congress, both Democrats and Republicans, have tried to plead with the administration to find ways to stimulate domestic production to decrease our reliance on OPEC nations. If they want to keep those production levels at what they are now, fine. That is their right. I do not agree with it, but that is their right. But why can we not, the United States of America, find ways to decrease our reliance upon OPEC nations and look right here in our 50 States to develop ways to lessen the burden to that family at the pump?

Do the math. It is very simple. If you have a 15-gallon tank in your car, and you go to the pump, say, once a week, you are paying $10 to $15 more just to fill up your family car, to take your kids to the Little League game or to school. Over a month, you are looking at another $40 or $50 out of your family wallet. Over 6 months, you are in the $200 to $300 range. If you do a lot of driving, you have to fill up twice a week, we are talking about $500 or $600 for a 6-month period that has got to come from somewhere. It does not fall from the sky; it comes from the family wallet. That means no vacation perhaps; that means maybe we are not going to buy the clothes for the kids for school; maybe we are going to put off buying that microwave oven that we wanted.

What do we hear from the administration? Let us see if there is price gouging. Fine, go, see if there is price gouging, but also be honest with the American people and tell them that there are a lot of unnecessary rules and regulations and a commitment to keep production in this country down.

□ 2145

Only when we are totally honest with the American people can we find ways to truly decrease the price at the pump.

If anybody thinks this is not affecting our everyday American out there, I think they are losing a lot of disks out in Los Alamos that they are so busy they cannot understand what is happening. Small businesses are forced to raise their fees, taxi drivers are forced to find alternative sources of income or go out of a job, small business owners who have to pay this additional freight, the additional gas costs.

This is not right, and for so many folks who claim to feel the pain of others, we are turning our cheek, turning our head away from the folks who cannot afford the costs the most.

Mr. Speaker, let me say that I think in more than the year of promises that were made and not fulfilled, the American people deserve more of a response that allows the United States companies to increase production, to decrease these onerous rules and regulations that do nothing but increase the price at the pump, and give the American family a break.

□

THE DEMOCRATIC PLAN FOR A MEDICARE PRESCRIPTION DRUG POLICY

The SPEAKER pro tempore (Mr. OSE). Under the Speaker's announced policy of January 6, 1999, the gentleman from Pennsylvania (Mr. PALLONE) is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Tonight, Mr. Speaker, once again I would like to talk about the need for a Medicare prescription drug policy, and talk a little bit about the Democratic plan, the President's plan, in contrast with what I consider the lack of plan that the Republican leadership appears to have come up with and apparently is attempting to move through the House over the next week or two.

My colleague, the gentleman from Maine (Mr. ALLEN), has been a leader on this issue and introduced legislation more than a year ago to deal most specifically with the issue of price discrimination.

As he has said many times and I will reiterate, there are really two aspects to this Medicare prescription drug proposal. One is to provide the benefit, and the other is to make sure that the price discrimination that we have witnessed so often in the last few years does not continue.

I would like to commend the gentleman for all that he has done to address this issue of price discrimination with his legislation, and also with his effort to get so many cosponsors to that bill.

Mr. Speaker, I yield to the gentleman from Maine (Mr. ALLEN).

Mr. ALLEN. I thank the gentleman for yielding, Mr. Speaker.

Here we are again, back in the well of the House, talking about a problem that is a matter of immediate concern to seniors and others all across the country.

A little history. I want to talk in a few minutes about the debates that are going to come up this week and next week here in the Congress over the issue of prescription drugs, but a little history is worth recalling.

It was almost 2 years ago when I released the first study done by the Democratic staff of the Committee on Government Reform which shows that, on average, seniors pay twice as much for their prescription medications as the drug companies' best customers, being big hospitals, HMOs, and the Federal government itself buying either for Medicaid or through the Veterans Administration.

That is an astonishing difference, a difference of about 100 percent of the most commonly-prescribed prescription drugs.

We released that first study on July 2, 1998. In September I introduced legislation, September of 1998, that would provide a discount to every senior who is on Medicare, to all Medicare beneficiaries. The bill would work very simply. It simply would provide that pharmacists would be able to buy drugs for Medicare beneficiaries at the best price given to the Federal government. It is called the Prescription Drug Fairness for Seniors Act, H.R. 664, in this Congress.

Then, in October of 1998, we did the first of the international comparisons. That was a study to show that Mainers pay on average 72 percent more than Canadians and 102 percent more than Mexicans for the same drug in the same quantity from the same manufacturer. Those two studies have been replicated in the first place in over 115 districts around the country, and in the second case, by dozens.

I want to thank the gentleman from New Jersey (Mr. PALLONE), who has done so much to help drive this issue, being here night after night after night and organizing the Health Care Task Force as the gentleman does.

It is very clear what Democrats are advocating for. On the one hand, we are saying we need a discount. It is very simple, it does not cost the Federal government any significant amount of money, it does not create any new bureaucracy, but it would yield about a 40 percent discount for seniors who are already on Medicare paying out-of-pocket for their own prescription drugs.

Let us remember that over half of all seniors have either no coverage at all, 37 percent, or very inadequate coverage from HMOs or through MediGap itself, so we are dealing with over half of the senior population which does not have adequate coverage for prescription drugs.

Now, 2 years after we began this effort, the Republicans are finally coming up this week and next with a plan. It is interesting what that plan is, because we have been advocating for the kind of discount I described, and also a benefit to make Medicare updated, to make it more like what the plans of Aetna, Signa, United, the Blue Cross companies provide employees, a health care plan with prescription drug coverage.

That is what we want for Medicare. Those plans negotiate lower prices for their beneficiaries. Medicare beneficiaries should get lower prices. But also, a discount is not enough. We have to have the benefit under Medicare.

It all seems very simple, but in Washington not much is very simple. What we notice are two things happening this week. On the one hand, the Republicans are coming up with a prescription drug plan that relies on HMOs and private insurance companies. On this foundation is built a plan that, the

truth is, will not help America's seniors, because instead of updating Medicare, instead of strengthening Medicare, instead of providing a Federal prescription drug benefit, what the Republican plan does is turn to HMOs. It says that they have been so successful in providing benefits for Medicare beneficiaries that we should let them provide prescription drug coverage, as well.

Then it says that the plan provides that there should be room for private insurance companies to offer prescription drug coverage, stand-alone prescription drug coverage. So one of the things we notice is this is the plan that the Republicans are rolling out in the House this week.

What we also notice is that, not by coincidence, the pharmaceutical industry is running ads suggesting that what this country's seniors really need is private insurance. What we can see is the Republicans in Congress are working hand in glove with the pharmaceutical industry, hand in glove with the HMOs and the private insurance industry.

Here is the most interesting ad. This ad has appeared as a full-page ad in the Washington Post. This is either from Roll Call or the Hill magazines here. It is in Congress Daily. Everywhere we go in Washington we see this particular ad. I have never seen it in anything less than a full page in whatever publication it has been in.

It is an interesting ad. It says, ''Read label before legislating. Private drug insurance lowers prices 30 percent to 39 percent. Shouldn't seniors have it?'' Now, I think seniors should get that kind of discount. That is exactly the kind of discount that is reflected in the Prescription Drug Fairness for Seniors Act. But my bill would provide that Medicare would negotiate lower prices for all 39 million Medicare beneficiaries. Under that kind of plan, Medicare would have real leverage to drive down prices.

What is interesting about this particular plan, this particular advertisement, is that a portion of it reads as follows: ''12 million senior Americans now have no prescription drug insurance coverage. As a result, most of them pay full price for their medicines. That is because they don't have the market clout that comes with a drug insurance benefit.''

Now, it is interesting, until last week the pharmaceutical industry was attacking my proposal and others on the grounds that if it provided a 20, 30, 40 percent discount to seniors, that they would have to cut back on research and development costs.

Here is an advertisement sponsored by PHARMA, the pharmaceutical industry, basically calling for a 30 to 39 discount.

The question that might arise is, why do they not simply give seniors a 30 to 39 percent discount now? They set the prices, they can lower them tomorrow. But they do not. This is an industry ad saying, protect us from ourselves. We are charging seniors far more than we charge insurance companies, big hospitals, and HMOs, and the way to do that is to give private insurance to seniors.

Now, to some extent we might say, well, does that not make sense? But the truth is, there is a glitch. There is a problem. The insurance industry says, we are not going to provide private insurance for prescription drugs. They have said it over and over and over again. Yet, the Republicans in this House are bringing forth a plan that depends on HMOs and private insurance companies.

How does this work? What does it mean? Well, the private insurance, Chick Kahn, head of the Insurance Association of America, has said, we are not going to provide private insurance for prescription drugs because it is like ensuring against haircuts. There are so many claimants, in other words. They say to people up in Maine, if Maine were a low-lying State and 85 percent of the people every year put in a claim for flood insurance, we would not be able to buy flood insurance in Maine at any price. But 85 percent of seniors in this country take some form of prescription drugs.

So despite the fact that the insurance industry is saying, we will not provide prescription drug insurance for seniors, the Republicans in this House are bringing up a plan that depends on private insurance for seniors. It will not work.

Why are they doing this? What is the purpose of the plan? The only conclusion we can come to is that the Republican plan is not a plan to help seniors afford their prescription drugs. What it is is a prescription for Republican Congressmen. It is a prescription to help them in November by having the appearance of a prescription drug plan for seniors but not the reality of a prescription drug plan for seniors. It is an illusion.

That is why it does not matter to the Republican leadership in this House whether the plan works or not, whether the insurance industry will actually provide insurance or not, or whether the plan will ever become law or not. It is designed as political cover. It is designed as a prescription drug theme for the fall elections, but not a prescription drug plan for seniors.

It is America's seniors who need the help. It is America's seniors who write to me, and I am sure to the gentleman from New Jersey, and send us a list of the cost of their prescription drugs. Then they show us what they are earning.

I have had people in my district say, ''Here is the list.'' I can remember a couple of women who wrote to me with basically the same kinds of numbers. They both said, ''My husband and I take about $650 of prescription drugs a month, but our two social security checks only come to $1,350. We cannot make do,'' so they do not take the medicines that their doctors tell them they have to take.

I have other women who have written to me and said, I do not want my husband to know, but I am not taking my prescription medication because he is sicker than I am, and we cannot both afford to take our medication. That is wrong in this country. It is absolutely wrong. We have the power in this Congress this year to do something about it.

As the gentleman knows, our task forces on the Democratic side have been working away developing plans that are not good politics, just good policy, policy that will help America's seniors, a benefit under Medicare that will help so people can get payment for their prescription drugs; so they are not driven to the hospital because they cannot afford to take their medications; so they can pay their rent and their food and their electric bills and still get medications that they need.

That is what we are trying to do on this side of the aisle, but on the other side of the aisle what we have is private insurance. An astonishing ad, this one is. It says, in effect, protect us against ourselves. We are charging seniors too much and we know it, and if only the private insurers would come in and cover America's seniors, then we would reduce our prices to seniors.

But they know that this will never happen. Here is the pharmaceutical industry with its own misrepresentation yet again to the people of the country. They are advocating a plan that will never happen because in fact the insurance industry will never provide stand-alone prescription drug coverage to seniors.

This ad is a fraud, and the Republican plan is a fraud. It will not work. It will not happen. It is a prescription for Republican legislators in the fall.

I think what we need in this country is a recognition that this issue will not go away. This problem that seniors face today will not go away until it is fixed.

☐ 2200

Every year, prescription drug spending goes up 15 to 18 percent year after year after year. So if we think we have got a big problem this year, a year from now, it will be 15 to 18 percent larger than it is right now. That is what we face in this country.

I just want to thank the gentleman from New Jersey (Mr. PALLONE) because this is a battle. We have a raid against the pharmaceutical industry and the HMOs. What we need to do, there is no reason, there is absolutely no reason to say that the only way we can give seniors prescription drug coverage is to pay private insurers to pay HMOs to provide that coverage when the insurers say they will not do it anyway.

I mean, it makes no sense. We need a stronger and better and more comprehensive Medicare. We need a plan that will provide continuity and predictability and stability and equity. That is what we need.

All the talk about choice and all the talk about private insurance is really a smoke screen. It is not about policy that will work for America's seniors. That is what we need to be doing. Seniors need help. They need it now. We can give it to them if we handle this issue right in the coming weeks.

I thank the gentleman from New Jersey very much for yielding to me.

Mr. PALLONE. Mr. Speaker, I want to thank the gentleman from Maine (Mr. ALLEN) for putting really so succinctly the difference, if you will, between what the Democrats are proposing and trying to accomplish here versus this Republican essentially sham proposal.

It reminds me so much of the debate over HMO reform, the Patients' Bill of Rights. Because as my colleagues know, I guess it was about a year ago, maybe 6 months ago, the American people were crying out, we all would go to town meetings and hear from all our constituents about the need for HMO reform.

The Democrats came up with the Patients' Bill of Rights, which is a very good bill to address the concerns and abuses within the HMO system. We heard the Republicans kept stalling and saying they did not want to deal with it, they did not want to deal with it. Nothing was happening in committee.

Finally, the pressure got so great that they decided to push a bill which essentially accomplished nothing. But beyond the fact that the legislation that was being pushed, particularly on the Senate side, was so weak and so lacking in any kind of basic protections for those who were being abused by the HMOs was the fact that it was very obvious that it was not being done because they really wanted to pass the bill, it was being done so they could say they were doing something.

Lo and behold, 6 months have passed, we have had conferences between the House and Senate, nothing has happened, and we are getting very close to the election without an HMO reform bill.

I think the same thing is happening here. The gentleman from Maine is absolutely right. We keep coming to the floor talking about the need for a Medicare prescription drug program. The pressure builds because it is a real concern out there. All of a sudden, now we get a statement from the Republican leadership saying that they are going to do something which is a sham. They may have it in committee this week, they may bring it to the floor next week so they can pass something by the July 4th recess.

What does that mean? The Senate will not act. If the Senate acts, there will be a conference. The conference will not go. It will never get to the President. The politics of this is really disgraceful because this issue, just like the HMO reform issue, is something that needs to be addressed, and it is not going to be.

The gentleman talked about the Republicans using this insurance plan. It reminds me so much, I read a little bit about what happened in the 1960s when Medicare was first started. We were getting the same arguments then. There were all these people, all these senior citizens that had no health insurance.

It was the majority of seniors that had no health insurance. The Republicans then in both the House and the Senate in the 1960s were arguing that we should set up some kind of private insurance program for the seniors. The Democrats rejected that. The Democrats passed the current Medicare program. The President, then Johnson, signed it. We have had a very good program. Why not build on the existing program?

What the President has proposed and what the Democrats in the House and the Senate have proposed is basically adding another part to the existing Medicare program. We have part A for hospitalization. We have part B for one's doctor bills, which is voluntary. One pays so much of a premium per month.

What the Democrats are proposing is that we set up another part C or D, whatever we want to call it, where one pays so much a month and one gets a prescription drug program. Everybody who is in Medicare is eligible for it. It is universal. It is affordable. It is voluntary. It is a defined benefit program so one knows that one will get all medically necessary drugs.

It has the effort to address the price discrimination that the gentleman from Maine mentioned with the benefit provider so that, basically, we have these benefit providers that negotiate a better price for the seniors than many of them would get now in the open market.

Why not build on the existing Medicare program and do just that? Why go back to this private insurance model which, as the gentleman from Maine said, does not work.

I just wanted to mention one more thing, and I want to yield back to the gentleman from Maine because he has been doing such a good job. Chip Kahn, who is head of the Health Insurance Association of America, made that statement before the Committee on Ways and Means last week where he said, This insurance-only program will not work. The insurance companies will not sell it. It is a sham. He also came before our Committee on Commerce and said the same thing.

One thing that he said that concerns me a little, he said, I was pleased to see that the Republicans at least have said that, if their private insurance program does not work and they cannot get it sold, then they will fall back on some sort of government assistance for the people who cannot buy private health insurance. Of course I said, well, it is not really clear what they are going to do. What is this fall back? Is it Medicare? They have not said.

I said to Chip Kahn, I said, Well, Chip, does it make sense to have a private insurance program with a fall back when we already have an existing Medicare program that does work that we can just add a prescription drug benefit to it? He said, Well, I am not really in a position to comment. Health insurance people do not let me say yes or no whether that makes sense. Certainly I agree there is nothing wrong with having a Medicare program.

They already realize that this will not work. That is why the gentleman from California (Mr. THOMAS) is now starting to talk about some sort of fall back. What does one need the fall back for? Do the Medicare program the way it has been working for 30 years.

Mr. ALLEN. Mr. Speaker, will the gentleman yield?

Mr. PALLONE. I yield to the gentleman from Maine.

Mr. ALLEN. Mr. Speaker, the gentleman from New Jersey is exactly right. It is interesting. The Republican plan, because of its reliance on the private sector to deal with the problem of Medicare beneficiaries, is incredibly complex. I mean, basically they create a whole new bureaucracy to deal with this, and then they expect a variety of different private insurance companies and HMOs to pick up and deal with this particular problem.

Well, let us look at what is going on in Medicare right now, in Medicare, managed care. Remember, we passed Medicare Plus Choice plan in 1997. The thought was, well, the HMOs will come into Medicare, and they will save us money because the private sector is always more efficient than the public sector. But in truth, the Medicare system, when one is in Medicare, there is no money being paid for profit. The overhead expenses and administrative expenses are far lower than in any private sector health care company.

Look at what is happening with Medicare managed care right now. What we see is, every year, the benefits change. The prescription drug benefits, which in some cases were free, free prescription drugs essentially for no additional premium when Medicare managed care was created. Now the caps keep coming down every year. Now 62 or 70 percent of all plans have an annual prescription drug cap of $1,000 or less. The premiums go up. The copays go up. The benefits go down.

But most striking, it is not available in most places. In seven out of ten counties in this country, Medicare managed care is not even available. It really only works, to the extent it works at all, in larger urban areas. Rural America gets left out. Frankly, maybe that is a good thing right now.

But it is only very limited in my home State of Maine. I mean, no more than 1,500 people in the State of Maine have Medicare managed care plan. Managed care is not working very well with this particular population. We know that because, every July 1, the

health care plans report to HCFA, and, again, last year, they dropped 400,000 people because it simply was not cost effective. They could not make a profit on those 400,000 Medicare beneficiaries. So they just dropped them from the plan.

July 1 is coming up again. My colleagues are going to see plans all across this country, managed care plans, simply dropping their Medicare beneficiaries because they are not making money on this.

So what do the Republicans do? They say we have got a prescription drug plan, and it relies on HMOs and private insurance companies. With all of the complexity, with all of the inequity, they are saying what we really need is more of a system that is not working.

That is why I keep coming back to the thing that this is bad policy. It is terrible policy. At a recent caucus, a Republican pollster made a presentation, and that material got out and has been published and so on. Now it is very clear that the Republican pollster said for Republicans it is more important that people think, that people believe you have a plan than the content of the plan. So the appearance of the plan is more important than the content of the plan. That is bad.

Basically, if we get the policy right, we will be doing the right thing. That is why, if we are going to make changes to Medicare, if we are going to deal with the Medicare population, if we are going to deal with the biggest problems that Medicare beneficiaries have today, which is the inability to pay for their prescription drugs, then we need to do it through Medicare. Medicare is reliable. It is universal. It is equitable. It is simple. It is cost effective.

I find the cost of providing a benefit would be significant. But there is not anybody in this Chamber who says it is too expensive who does not support a tax cut that is much larger than the annual cost of providing a prescription drug benefit under Medicare.

We can do this. We can do this this year. But we cannot do it with sham proposals, with private insurance companies who say we are not going to provide the insurance.

Let us get to a real proposal. Let us get the Democratic benefit and the Democratic discount on the floor for a debate. Then I think we can do the right thing for America's seniors.

Mr. PALLONE. Mr. Speaker, I agree with the gentleman from Maine (Mr. ALLEN). I guess I just worry that the public does get confused because the Republican leadership proposal is designed to confuse them. I mean, one of the things that I know of, they try to give the impression somehow that if one does not go along with their proposal, and one has an HMO, and one would like the HMO or one has an existing pension plan that provides for prescription drugs, that somehow that is going to change.

One of the things that I have made clear is that the Democratic proposal is a Medicare benefit, but it is voluntary. We have actually built into the President's proposal, the Democratic proposal, the idea that about 50 percent of the costs for an HMO or 50 percent of the costs if somebody has a drug benefit now through their pension or whatever would be paid for.

We would not discourage people from leaving their HMO if they like it and they have a drug benefit or leaving their other private plan that they might have through an employer that they like, because we are going to build in that about 50 percent of the cost of that drug plan in both of these cases would be paid for by the government through this Medicare program.

But what we are saying is that for those people who do not feel that they have a good program either because they have nothing or because they do not have a good program that they will be guaranteed a benefit if they do opt to pay for their premium per month just like they do with part B.

It just seems to me it makes a lot more sense to say on the one hand everybody is covered who wants it. If one does not want it, one does not have to opt for it. Everybody has got a specific benefit that they know is guaranteed. Then if one wants to opt out, one can. But not to build, as the gentleman, says, this bureaucracy which is very similar to the existing HMOs.

Mr. Speaker, I want to thank the gentleman from Maine (Mr. ALLEN) for joining me this evening. We are going to continue the battle on this.

Mr. Speaker, I wanted to go into a little detail about what the Democratic proposal is, which is essentially the President's plan. In describing what the Democrat proposal is, I am relying on the testimony that was made before the Committee on Commerce, of which I am a member, last week by Nancy-Ann DeParle, who is the administrator of the Health Care Financing Administration, which administers Medicare and would also continue to administer the prescription drug proposal under the President's plan which, as I said, is essentially the Democrats' plan.

I want to outline this because I do not want to just talk about why the Republican proposal is bad, I want to explain what the Democratic proposal is and why it is a good plan.

Basically, under the President's plan, it is voluntary. It is affordable. It is competitive. It has a quality drug benefit that would be available to all beneficiaries. The President's plan dedicates over half of the on-budget surplus to Medicare and also extends the life of the Medicare trust fund to at least 2030.

So what we are doing is we are using the budget surplus that has been generated with the good economy to pay for this Medicare prescription drug program.

Most important, the coverage is available to all beneficiaries under the President's plan.

☐ 2215

And I say that because I believe that the Medicare program has worked, and it makes sense to put this prescription drug plan under the rubric of the existing Medicare program. The advantage of doing that is that everyone, regardless of income or health status, gets the same basic package of benefits. All workers pay taxes to support the Medicare program; and, therefore, all beneficiaries should have access to this new drug benefit, just like they have for everything else in the Medicare program.

Now, a universal benefit helps ensure that enrollment is not dominated by those with high drug costs, the so-called problem adverse selection, which would make the benefit unaffordable and unsustainable. One of the criticisms of the leadership plan is that what may happen is that only people with high drug costs would opt into it. What we want to do is create an insurance pool, just like with Medicare in general, that everybody is involved with. Because it is only when we have a large insurance pool with people of all categories of use for drug benefits that we can be successful.

And, again, under the President's plan it is strictly voluntary. If a beneficiary has what they think is better coverage under an HMO or some kind of pension plan or something through their employer, they do not have to opt into it. As I said, what we are really going to do is to make sure that those plans get extra money, up to 50 percent of the cost of what it cost them for a drug benefit, the existing HMO would get or the existing employer benefit plan would get, in order for the individual to continue to use that plan if they do not want to opt into the Medicare plan.

Now, for beneficiaries who choose to participate under the President's plan, the Democratic plan, Medicare will pay half of the monthly premium, with beneficiaries paying an estimated $26 per month for the base benefit in 2003. As the program is phased in from 2003 on, it becomes more generous; and, of course, the premium goes up accordingly. The premiums would be collected just like the Medicare part B program as a deduction from Social Security checks for most beneficiaries who choose to participate.

Low-income beneficiaries would receive special assistance so that if they are below a certain income, just like now for part B, for those seniors in part B now, which pays for their doctor bills, if they are below a certain income, they get part of the premium paid for. If they are at a very low income, the complete premium is paid for. We would do the same thing with this prescription drug plan using the same criteria. The income basically that would be used for those criteria would be the same.

Under the President's plan, Medicare would pay half the cost of each prescription with no deductible. The benefit will cover up to $2,000 of prescription drugs when coverage begins in 2003

and increase to $5,000 by 2009, with 50 percent beneficiary coinsurance. After that, that would be adjusted for inflation. But most important, also, we have a catastrophic benefit. So that basically above a certain amount, I believe it is $3,000 out of pocket, all the costs would be paid for by Medicare and by the Government.

The price discrimination issue that my colleague, the gentleman from Maine (Mr. ALLEN), mentioned is addressed in the President's plan through competitive regional contracts to provide the service. In other words, basically in each region of the country we would ask people to apply or compete to be the benefit provider; to be the entity that would go out and negotiate a price for the drugs and provide the medicine or prescription drug benefits for the individual. And basically that would be reviewed by HCFA on some kind of yearly or biannual basis. If it was not working out so that prices remained too high, then they could drop those benefit providers that were not performing.

I think that is important. Because, again, if we do not have some way to address the price discrimination issue, then I do not think that this program would work. And, again, there is nothing in the Republican proposal to address the issue of price discrimination or provide this kind of fair price that has been proposed in the President's program.

I want to talk, again, about those people who are in HMOs. We are not saying that individuals in HMOs cannot continue in those HMOs and get a drug benefit. In fact, what is going to happen is that this Medicare program is going to provide money to the HMO for that drug benefit. Under the President's plan, essentially we strengthen and stabilize the Medicare+Choice HMO program.

Today, most Medicare+Choice, or HMOs, offer prescription drug coverage using the excess from payments intended to cover basic Medicare benefits. They are only getting the amount of money that the Federal Government assumes would pay for basic Medicare benefits without the drug benefit. But under the President's proposal, those HMO plans in all markets will be paid explicitly for providing a drug benefit in addition to the payments that they receive for current Medicare benefits.

So they will no longer have to rely on the rate in a given area to determine whether they can offer a benefit or how generous it can be. And that is where we get into the problem where some of the HMOs drop the drug benefit or start charging more for the drug benefit. They will not have to do that because there will not be the regional variations. They will be getting money directly from Medicare, directly from the Federal Government, to pay for half the cost of the drug benefit. And that also will be true for any kind of employer plan that someone might have that they receive through their employer that they want to keep as well.

I think that the concern that I have, if I contrast the Democratic plan, which I think is really a Medicare benefit that is available to all, that ends price discrimination, that has a defined benefit, if I contrast that with the Republican plan, the basic problem with the Republican plan is that it is imaginary. It is not going to work. It is just political cover. It is empty promises. My colleague talked about that before. And it is not an entitlement to anything.

The one thing that really disturbs me is if we set up a system, as the Republican leadership has proposed, where this is basically a private insurance plan, we get away from the basic universality of Medicare that we have had for a long time. If we start breaking up Medicare and suggesting that one part of it, in this case the prescription drug plan, can be outside of the Medicare drug program, I think it undermines the whole Medicare program and the whole ideology of the Medicare program.

I have been concerned because I think that is the goal of some of my Republican colleagues. They do not really like Medicare. They do not like the fact that Medicare was set up as a government program. They would rather have all of Medicare, perhaps, to be some kind of a private insurance program, and the prescription drug benefit becomes sort of the first way to accomplish that.

The other problem with the Republican plan is that since it does not have a defined benefit, we are never going to know exactly what kind of benefit one gets. In other words, we say in the Democratic plan that if the medicine, the prescription drug, is medically necessary, if the doctor feels, and he is going to write a prescription that this drug is medically necessary, then the individual gets it. That is the definition of the benefit. But we do not have that under the Republican plan. We do not necessarily know what kind of drugs are going to be covered. And it is going to depend upon the whims of the private insurance market whether or not they can offer certain drugs or cover certain things at a given time.

Seniors need to have a certain amount of certainty. I think one of the biggest problems that exists now when HMOs change their drug benefit plans or they simply drop seniors altogether is that I get a call saying what happened, I thought I had a certain HMO, I thought I had a certain drug benefit plan and all of a sudden I do not. We need certainty, and that is essentially what the Democrats are proposing.

There was a very interesting article, I thought a really enlightening article, in The New York Times, Mr. Speaker, just yesterday, Sunday. It was on the front page. It was by Robert Pear, and it was entitled ''Party Differences on Drug Benefits Continue to Grow.'' And it talked about this whole Medicare debate in terms of what the Republican leadership proposes as opposed to what the President and the Democrats are proposing.

I do not like to read, but I just thought that there were certain parts of this article that really sort of explained the differences between what the Democrats proposed and what the Republicans proposed, and why I feel that the Democratic plan really is a good plan that will work whereas the Republican plan simply will not work and it is just something they are putting forward. I would just like to read certain sections of this article, if I could, because it does draw such contrasts between the Democrats and the Republicans on the issue.

It says, about halfway down the front page in the article from yesterday's New York Times, ''Democrats want more uniformity in premiums and benefits. They say the Republicans' free-market approach will confuse beneficiaries and encourage insurers to seek out healthy customers with relatively low drug costs, a practice known as cherrypicking.''

This is the whole idea of breaking the insurance pool. The reason why Medicare works is because so many people, almost everyone, most seniors, are involved with it. So it creates this huge insurance pool that does not depend on whether a person is sick or how much health care or hospitalization is needed. Well, we break that system by allowing insurance companies, through private insurance, to cherrypick those who use the least amount of drugs; and all of a sudden, we do not have a workable plan.

Well, the article says that, ''The Republican proposal assumes that insurers can be induced to offer drug coverage subsidized by the government just as health maintenance organizations have been induced to sign contracts with the government to care for 6.2 million Medicare beneficiaries. But when asked if insurers would be interested in offering drug coverage under Mr. Thomas','' the Republicans', ''bill, Charles Kahn,'' this is Chip Kahn, ''President of the Health Insurance Association of America, said: No, I don't think so. They would not sell insurance exclusively for drug costs. The government may find some private entities to administer drug benefits, but the government would have to accept all or nearly all of the financial risk.''

Well, this again goes back to what my colleague from Maine was saying before. Who is going to offer a benefit or an insurance policy that has a benefit that almost all seniors need? The whole basic idea of insurance is risk. And if we have a situation where they have to insure and probably pay out money to almost every senior, they are not going to sell the policy.

''President Clinton,'' again from the New York Times, ''would offer the same drug benefits to all 39 million people on Medicare. House Republicans, by contrast, would describe a

model insurance policy, known as standard coverage. Insurers could offer alternative policies with different premiums and benefits.''

That is the problem. Rather than having that defined benefit under the Democratic plan, we have under the Republican proposal a standard coverage that does not mean anything because the insurance companies do not have to provide the benefits that are under the standard coverage. They can vary as they see fit.

Again, in this New York Times article from yesterday, ''Nancy-Ann Min DeParle, administrator of the Health Care Financing Administration, which runs Medicare, said elderly people could be refused if they had a large number of choices.'' And she is talking about the Republican plan. ''It's difficult for seniors to navigate among plans,'' Ms. DeParle said. ''Moreover,'' Ms. DeParle asked, ''do seniors want and need all these choices? If you let plans design all sorts of benefit packages, that promotes choice, but it also promotes cherrypicking of the healthiest seniors. That's why we need defined benefits. Seniors want to know what's covered. It must be predictable.''

The Republicans keep talking about choice, but look at the example with the HMOs and how much confusion that has caused now in Medicare, where so many of them are dropping the plans or changing their plans and the seniors call us up and complain to us. Well, I frankly feel that if we have a defined benefit plan under Medicare that is certainly preferable. If someone wants to use an HMO, they can, but at least provide a guaranteed benefit.

''Democrats fear,'' again in the New York Times, ''that the market for drug insurance would be filled with turmoil as insurers went in and out from year to year. In the last two years, dozens of HMOs have pulled out of Medicare or curtailed their participation, disrupting insurance arrangements for more than 700,000 elderly people, and more health plans are expected to withdraw this year. Democrats say drug benefits should be fully integrated into Medicare, like coverage of hospital care and doctors' services. The bill,'' this is the Republican bill now, ''says Medicare officials must ensure that every beneficiary has a choice of at least two plans providing prescription drug coverage. One could be an HMO; at least one must be a traditional insurer. But Democrats say even if benefits have two options, both may be high priced plans. Under the House Republican proposal, Medicare officials could offer financial incentives to get insurers to enter markets in which no drug plans were available.''

Now, that is fine. In other words, just like HMOs, the Republican plan would say, and this is what the gentleman from California (Mr. THOMAS) has said, well, if we cannot find any insurance companies to provide this prescription drug coverage, then we will just give them more money and then they will do it. Well, that is all very nice, but, again I am going back to this New York Times article, ''Chris Jennings, the health policy coordinator at the White House, said the availability of these incentives would encourage insurers to hold out for more money. It would encourage insurers to hold Medicare hostage, Mr. Jennings said. The policy says that if insurers don't participate in the marketplace, we'll give them more money.''

Now, do my colleagues think an insurer will decide to participate in the market at the beginning, when they get less money, or will they hold out a little longer and then they might get more?

□ 2230

''That's the most inefficient, ridiculous incentive mechanism one could imagine.''

That is, essentially, what we are getting now with the HMOs. HMOs that are pulling out of the Medicare senior market are coming back to Congress and saying, okay, we will stay in the markets if you give us more money, if you give us a higher reimbursement rate. Insurance companies that theoretically are going to tap into the drug benefit programmed under the Republican plan, they will do the same thing, they will say, well, we cannot offer the plan now. Give us more money. And then they will hold out until they get more money. And even then there is no guarantee that we are going to get a good benefit plan.

I do not want to keep talking all night, Mr. Speaker, because I know that we are going to be dealing with this issue again and again. And I certainly plan to come again on other nights in special orders with my colleagues on the Democratic side to keep making the point that what we really need here is a Medicare benefit, a Medicare prescription drug benefit, that is voluntary; that provides universal coverage to everyone who wants to opt for it; that is designed to give all beneficiaries meaningful defined coverage; that has a catastrophic protection so that, if over a certain amount, the Government pays for all benefits; that has access to medically necessary drugs and, basically, defines what is medically necessary by the physician, not by the insurance company; and that, basically, says that if you are low income, we will pay for your premium, just like we do for part B for your doctors bills; and, finally, that is administered in a way that has purchasing mechanisms so that we can keep the price fair and not provide for the price discrimination that exists right now under current law for so many people.

That is what we will push for regardless of what the Republicans come up with. And certainly, we are more than willing, as Democrats, to work with the Republicans to fashion a plan that will work. But, so far, what we are hearing from the other side of the aisle is a sham, is not something that is designed to provide a meaningful benefit, and that ultimately will not pass here, not pass the Senate, not land on the President's desk in time for the end of this Congress. And that is what I do not want to see.

The Democrats want to see something that will pass and be signed by the President and become law so that Medicare beneficiaries can take advantage of it and that it not just be a political issue for this November election.

□

PRESCRIPTION DRUG COVERAGE

The SPEAKER pro tempore (Mr. PITTS). Under the Speaker's announced policy of January 6, 1999, the gentleman from Pennsylvania (Mr. ENGLISH) is recognized for 60 minutes as the designee of the majority leader.

Mr. ENGLISH. Mr. Speaker, the House is on the brink of considering a very important issue, one that matters to people in my district in northwestern Pennsylvania and to all users of the Medicare program throughout the United States, whether they are seniors or individuals with disabilities. We are talking, of course, about the bipartisan effort to revise the Medicare program and to include prescription drugs.

My intention tonight, along with a couple of my colleagues, is to clear away the partisan smoke, to clear away the rhetoric, and to focus on what is really being proposed and the potential for a true bipartisan approach to extending prescription drugs under the Medicare program.

Mr. Speaker, modern medicine is using drug therapies more and more to prevent and treat chronic health problems. This is the 21st century. A trip to the pharmacy is far better than a trip to the operating room. We no longer practice medicine as our grandfathers or even our fathers once experienced, nor should we continue to offer seniors the limited Medicare program that our grandfathers and fathers knew. We need to revise the program and expand it and rethink it.

Medicare is, essentially, a standard benefit program from the 1960s, and it needs a facelift. We started that process in recent years by extending Medicare benefits to include a variety of new procedures. But we need, among other things, fundamentally we must modernize this benefit to provide prescription drug coverage.

Now, Mr. Speaker, I had the privilege of being appointed by the Speaker to serve on his Prescription Drug Task Force. We generated a blueprint and an outline which we thought could form the basis of a bipartisan prescription drug initiative. And indeed it has.

The House bipartisan prescription drug plan is a billion-dollar market-oriented approach targeted at updating Medicare and providing prescription drug coverage. After all, how many of us would give our employer's health