

Congressional Closeup by William Jones

Medicaid cuts would endanger patients

A bill introduced by Sen. David Pryor (D-Ark.) to compel drug companies to cut the prices charged to Medicaid is seen by some medical professionals as an attempt to deprive patients of needed medicine.

The Pryor proposal is aimed to force drug manufacturers to bid competitively against each other in each state to determine who will give Medicaid the lowest price on drugs found to be medically equivalent for a given condition. The low bidder's drug would then become the only one normally permitted for that condition for the length of the contract. The Office of Management and Budget has made a similar proposal.

Although formulated to appear to be aimed at eliminating supposedly overly expensive drugs through Medicaid, the legislation could have disastrous effects on Medicaid patients.

Gerald Mossinghoff, president of the Pharmaceutical Manufacturers Association, in testimony before a Senate Finance subcommittee on Sept. 17, said that the Pryor proposal makes the false assumption that "different drugs having unique chemical structures are somehow therapeutically interchangeable among patients who have vastly different medical profiles."

A report by Health and Human Services Inspector General Richard Kusserow made a comparison of prices paid by Medicaid in the five states with the largest drug outlays, with prices paid in typical Canadian provincial drug programs. Mossinghoff also objected to this comparison. "Until recently," he said, "Canadian prices have been low because of government patent policy, but discovery of new drugs there has been negligible as a result: the government did not

protect drug firms against the huge costs of research and development of new drugs."

House ups premiums over deposit insurance panic

Frantic over the possibility that the Federal Deposit Insurance Corp. (FDIC), in the face of a threatened bank collapse, would not be able to accommodate demands for cash in a general bank crisis, the House, on Sept. 17, approved one of the biggest changes in federal deposit insurance in half a century.

The bill, sponsored by House Banking Committee chairman Rep. Henry B. Gonzalez (D-Tex.) and ranking Republican committee member Rep. Chalmers Wylie (R-Ohio), gives the FDIC authority to set premiums for deposit insurance at whatever level regulators see fit. The legislation was backed by the Bush administration.

The General Accounting Office and the Congressional Budget Office had said earlier that the \$14 billion insurance fund could be depleted if the economy slides into recession or if even a few large banks fail.

Bankers aren't opposing the legislation but many believe that it could be counterproductive. Said Kenneth Guenther, executive vice president of the Independent Bankers Association of America, "It further creates the impression that something is rotten in the state of Denmark. I really don't think the FDIC fund is in any trouble at this time."

Although part of the increase in insurance premiums will be passed on to customers in the form of higher fees or lower interest rates, much of the money will have to come out of the pockets of bankers. Federal Reserve

Board chairman Alan Greenspan believes that setting FDIC premiums too high will undermine banks' finances.

The American Bankers Association expressed support for the measure, but said an overhaul of deposit insurance is still needed.

SDI whittled to 'theater defense'

Immediately following the Iraqi invasion of Kuwait, the Senate approved a measure forcing the Pentagon to slow down work on strategic anti-missile defenses, the Strategic Defense Initiative, while putting more emphasis on "theater defense."

The particular program involved is the Extended Range Intercept Technology, or ERINT. This involves the development of a light-weight missile to ram incoming ballistic missiles at five times the speed of sound, causing them to vaporize. This, however, is primarily an upgrading of an already existing technology, rather than the technological revolution which the original SDI program envisioned.

The Bush administration venture in the Arabian Desert has ironically made foes of the SDI think twice with regard to some secondary aspects of the overall defense program—the third echelon envisioned in the original program, point defense, or "theater missile defense." Even extreme SDI opponents like Sen. Edward Kennedy (D-Mass.), who have worked to eliminate SDI entirely, are willing to admit that "maybe there's some justification for increasing that particular aspect of the program."

The House on Sept. 18, by a vote of 225-189, cut the space-based missile defense system to \$2.3 billion for fiscal year 1991, which begins Oct. 1, a figure \$600 million less than was

approved by the House Armed Services Committee and \$2.4 billion below the Bush administration request. Rep. Jon L. Kyl (R-Ariz.) warned that continued cuts would lead to the nation "being held hostage by some tinhorn dictator."

If the U.S. action in the Gulf draws blood, or if Gorbachov is challenged by a nervous Soviet military high command, opponents may wish they had not been so successful in their rush to gut the SDI.

Democrats score Bush for Kuwait invasion

In the first criticism of the administration on Gulf policy, House Democrats angrily lectured John H. Kelly, Assistant Secretary of State for Mideast Affairs, as he testified before a House Foreign Affairs subcommittee on Sept. 18 for not getting tough with Iraq earlier. While supporting Bush's insane troop deployment in Saudi Arabia, the Democrats indicated that the administration was not unaware of the Iraqi preparations for an invasion.

Subcommittee chairman Rep. Lee Hamilton (D-Ind.) referred to Kelly's earlier testimony when questioned about a possible Iraqi attack, where he had said that the "U.S. had no defense treaty relationship with any Gulf country," i.e., that there was no U.S. commitment to come to Kuwait's defense if it was attacked. Hamilton's annoyance with what he saw as State Department excuses for a failure of policy marked the first instance of a lawmaker faulting the administration's actions in the Gulf.

Rep. Tom Lantos (D-Calif.) called the U.S. action "a policy premised on fiction and fantasy." He continued, "The obsequious treatment of Saddam by a large number of high-

ranking officials . . . encouraged him . . . and there's no escaping that responsibility."

In contrast to the House debate, Senate Intelligence Committee chairman David Boren (D-Okla.) gave the intelligence community "very high marks in the 30 days preceding the invasion."

Souter nomination headed for approval

President Bush's nomination of David H. Souter for the U.S. Supreme Court appears to be headed for confirmation by the Senate Judiciary Committee and by the full Senate, in spite of a great deal of ignorance as to the positions he would take as a Supreme Court Justice.

Souter replied to questioning by referring to personal experiences rather than to legal decisions he had made or might make on issues of abortion, school-sponsored prayer, and civil rights.

According to observers, Souter cleared the first two days of hearings without offering any definitive picture of who he is, leaving liberals and conservatives alike uncertain of where he stood. At the conclusion of Souter's testimony, Judiciary Committee chairman Joseph R. Biden (D-Del.) indicated that the committee would approve Souter's nomination.

Senate preparing harsh review of German treaty

Senate Majority Leader George J. Mitchell (D-Me.) put the Bush administration on notice on Sept. 18 that the

Senate intends to consider the recently signed treaty which restored the sovereignty that Germany lost in World War II, before Congress adjourns in September for the Nov. 6 elections.

In a back-handed slap at German unification, Mitchell took sharp issue with published reports quoting an unnamed State Department official as saying that the treaty did not need the advice and consent of the Senate because it involves a relinquishing rather than an assumption of responsibilities. "Such a view hardly merits serious consideration," said Mitchell, who added that the Constitution requires Senate approval of treaties.

The administration intends to send the treaty to the Senate for ratification, giving opportunity for a continuation of the German-baiting endemic on the Hill.

Senate subcommittee trashes NASA budget

A Senate Appropriations subcommittee has slashed the budget request for the National Aeronautics and Space Administration for fiscal year 1991 by \$863.6 million.

This includes a body-blow 35% reduction in the funding request for Space Station Freedom, a program critical to the next step of returning man to the Moon on a permanent basis and laying the basis for a manned mission to Mars.

NASA Administrator Adm. Richard Truly told the panel that the real difficulties in NASA are not with the Space Station, the Space Telescope, or the Space Shuttle as such, but his lack of authority and flexibility in running agency programs. A "better match" is needed between NASA's programs and its resources, he said.