of need and for cultural enrichment are efficiently and effectively led and adequately financed.

It seems to me that we in the business community can do three things here.

First, we can make sure that we and our associates are providing the kind of high-quality volunteer leadership that is going to become increasingly important as the government steps away from a broad range of social and cultural programs. Strong volunteer organizations were once one of the unique hallmarks of American life. A tendency to turn vast areas of human and cultural services over to the government weakened many of these organizations. We must, through our efforts, rebuild them.

Second, we must make sure the organizations we support are meeting real needs. As the government pulls back, needs will increase. Those of us who volunteer our time and contribute our money will have to do a better job than we have done in the recent past to set priorities and put more effort into those organizations which meet real needs.

And third, we are going to have to make sure those organizations that are filling real needs are adequately financed. A recent Conference Board study indicates that fewer than 30 percent of the two million corporations in the United States make any kind of charitable contributions at all.

Those companies that do not make contributions must be encouraged to do so. And those of us who do make contributions must be encouraged to do more. For many years, Federated has contributed considerable sums of money to charitable organizations. Last year our contributions totaled about three and one-half million dollars.

The new challenges of the 80's, however, make it clear that this is not enough. We have recently funded a charitable foundation with $15 million. Our current plan is to use funds from the foundation to move towards doubling our contributions in terms of the portion of our pretax profits used for this purpose. We won't do this overnight. But as needs increase we will increase our contributions to do our part to help meet them.

This is one way in which it is our intent to keep our promise to America. But keeping the promise is more than big companies giving away large sums of money.

Keeping the promise is a job for all of us as we go about our daily lives. I'm sure we will all do our part.●

PROPOSAL TO CAP MEDICAID

Mr. BAUCUS. Mr. President, I should like to engage in a brief discussion with the chairman of the Finance Committee regarding the proposal to cap the medicaid program.

It is not my intention to involve the Senate in a lengthy debate or vote on this proposal. However, it is my intention to express my disapproval for the cap. A cutback of Federal support for medicaid of this magnitude has the potential for doing great harm. As the director for the medicaid agency in my State recently said—

The proposals take the heart out of basic human services.

In addition to expressing my reservations about the medicaid cap, I am hopeful that the Senator from Kansas will engage in a discussion of possible alternatives. I am also aware that several of my colleagues share my misgivings. The Senator from New York is here and also wishes to make some remarks about this issue.

The administration is proposing to limit the entitlement nature of the medicaid health insurance program for low-income people. In this fiscal year, roughly 18 million people will receive medical services under the medicaid program.

Just who are these people who depend on medicaid?

Two children, age 2 and 6, in an AFDC family of three. The father deserted the family. The monthly income is $252. The family lives in Great Falls.

A 45-year-old woman who spent 17 years of her life in a State mental hospital because no one was able to diagnose her disease as cerebral palsy. She was subsequently released, placed on medicaid and entered an intermediate care facility. Soon after she was able to move into a group home and is now leading a more independent life. She lives in Helena.

A foster care child, born illegitimately, who suffers from spinabifida. No one wants to adopt the child because of the medical expenses involved. The child lives in Billings.

A 70-year-old widow who lives on an SSI payment of $238 a month. She lives in Roundup.

A 45-year-old man, a former logger, who was disabled at work. He lives with his wife and three children. Their total subsistence income is about $500 per month. The family lives in Missoula.

These examples drawn from my State of Montana illustrate that the medicaid program is, indeed, benefiting the truly needy. It is a vital safety net that must be preserved.

The administration proposes to limit Federal expenditures for the program in fiscal 1982 to a 5-percent increase over the prior year and set the spending increases in subsequent years to the inflation rate, as measured by the GNP deflator. This restriction in growth will reduce Federal medicaid spending by $15 billion over the next 5 years. It would reduce spending by over $1 billion in fiscal 1982. These estimated cutbacks are conservative and could be substantially higher.

The administration's rationale is ostensibly to slow the growth of the medicaid program until fundamental reforms can be implemented. We still do not know much about these fundamental reforms.

I say to my colleagues that I have earnestly studied the proposal. I have genuinely tried to appreciate the rationale behind the measure. I have listened to Secretary Schweiker explain the necessity for the cap and assure me that States can absorb the cutbacks.

But in spite of these efforts, the logic behind the cap simply escapes me. It just does not make sense.

I fail to understand it because I look at Montana and I see that my State is now projecting a cost overrun of some $7.5 million and may be forced to abolish all optional services.

I do not understand it because I know furthermore that over half the States are facing similar large-scale medicaid cuts even before the cap is imposed.

A sudden and substantial limit on Federal expenditures will further threaten medical care for the indigent at a time when State medicaid budgets are already hard pressed.

In my judgment, the proposed cap is ill conceived and ill designed. It does nothing to address the endemic causes of rising health care expenditures. The effect of the cap will, in my view, shift costs to States and localities and diminish access to basic health care services for millions of our less advantaged citizens.

The proposal is flawed in many respects.

First, it punishes States—such as New York and Michigan—that have adopted or are implementing rational cost containment strategies. These State efforts need to be encouraged. A sudden loss of funds will imperil the innovative reforms States are now adopting.

Second, the cap puts the cart before the horse by cutting back on Federal funds before fundamental program reforms are proposed and implemented. These reforms may ease the regulatory burden on States and provide greater freedom and flexibility in administering State programs.

But, can we seriously discuss limiting the entitlement nature of medicaid before we know precisely what the administration has in mind when it talks about fundamental reforms? And, how can we seriously discuss limiting the entitlement nature of medicaid before we understand the degree to which this greater latitude will enable the States to reduce the costs of their program without eliminating essential benefits?

Third, many States are experiencing unexpected growth in their medicaid caseloads due to economic circumstances beyond their control. The proposed cap penalizes individuals in States that are economically hard hit.

Fourth, many States including my State of Montana, are now considering regulations to drop optional beneficiaries and services from their medicaid program. For some States there is no more fat to cut. They have cut back to the bone. I shudder to think how these States will absorb further shortages in funds.

For all of these reasons I strenuously object to the imposition of a cap on medicaid. The Finance Committee will be instructed to save over $1 billion in fiscal 1982 in its health programs. The Senate Budget Committee has already indicated that these savings can be accomplished in ways other than capping medicaid.

I look to my chairman of the Finance Committee for reinforcement here. It is my sincere hope that we can—with a little imagination—save this money without doing harm to the most neediest members of our society.

The Senator from Kansas is one of the most compassionate, sensitive Members of this body. He is widely respected for his concern for those among us who are less fortunate.

The Finance Committee is well known for developing innovative cost-saving proposals. As in past years, the staff has developed several alternatives for the committee's consideration.

Can the Senator offer me some assur-

ance that we in the Finance Committee will not take the easy way out? That we will seriously explore alternatives that will not impact directly on the medically indigent?

In my view, the imposition of the cap on medicaid is a shortsighted answer with long-term, irreversible consequences. I look to the Senator from Kansas for his wise advice.

Mr. DOLE. Mr. President, to balance the budget represents an enormous task. To do so, it will be necessary to break the momentum of spiraling Federal costs that has built up over the past quarter century. As many have pointed out, in just the last 10 years Federal spending has increased from $211 to $655 billion.

A balanced budget will certainly require a fresh look and a healthy skepticism toward programs that have often been built up laboriously over the years and strongly supported by proponents. Medicare and medicaid must certainly be included among those programs to be reevaluated.

The total health component is currently about 10 percent of the budget and 13.5 percent of the nonmilitary portion of the budget. The increases in this component have been rapid—from $1.8 billion in 1965 to $73.4 billion in 1982. In fact, medicare alone will account for about $48 billion in 1982.

Until recently, increases in the price of health care, as measured by the Consumer Price Index (CPI), consistently exceeded price increases in the rest of the economy. A major exception to this trend occurred during the economic stabilization program (August 1971 to April 1974 for health) when medical care prices increased at lower rates than general price levels. After these controls were lifted, medical care prices immediately began to increase faster than all consumer prices. Recently, medical care prices in total have been increasing faster than all consumer prices, with hospital room rates leading the way.

As a first step toward bringing these costs under control, the President has proposed a reduction of almost $2 billion in Federal spending in the medicare and medicaid programs in fiscal year 1982.

The Senator from Kansas is concerned, as are many of his colleagues, that these cuts, and any additional cuts which we decide upon during the course of our discussions today, be made very carefully. Numerous days of hearings have been held by the Senate Finance Committee to afford us the opportunity to hear from the public about the administration's proposals. The Senator from Kansas is grateful for the number of suggestions made by these witnesses, and I hope we can sort out these proposals and come up with specific spending reduction recommendations that are responsible, equitable, and help spread the burden of these cuts.

We will also consider those suggestions made by the Budget Committee and the administration. It is our belief, however, that both medicare and medicaid must be examined during this process. While recognizing that proposals for long-term reform are in the works, we believe some reasonable changes at the current time are both possible and desirable.

The medicaid cap which my distinguished colleague from Montana has raised for discussion at this time is one specific proposal that will be reviewed very carefully. The Senator from Kansas agrees that maximum flexibility for the States is a desirable goal. However, in providing this flexibility with one hand, we must not limit their funds so drastically with the other hand as to inhibit any positive innovation.

As my colleagues are well aware, for some time the States have requested increased administrative freedom with respect to medicaid so they themselves could design more cost effective programs. The President's proposal is designed to allow States the freedom to implement any number of changes, which could well result in a medicaid program better suited to each individual State while at the same time produce significant savings.

While the decision regarding a budget target will be set in the context of this debate, the details with respect to the specific proposals to reduce spending must be made within the appropriate authorizing committees. The Senator from Kansas assures his distinguished colleagues from Montana and New York that Finance will examine the medicaid cap and all other proposals very carefully.

The Budget Committee's recommendations to the Finance Committee do not bind us to any specific proposals. They are intended to leave us sufficient flexibility to achieve savings through various options. We may well want to consider alternatives to this proposal. I would like to maintain that flexibility for the Finance Committee and not begin a lengthy debate on specific proposals before the committee has had the opportunity to fully consider its options. I do believe, however, that the committee will be able to find the required savings. It seems to me that our concern today should be whether or not we can live with the Budget Committee number. I believe that we can.

Mr. MOYNIHAN. Mr. President, I thank the Senator from Montana for giving me an opportunity to join in this discussion.

I stand here as a representative of a State with 932,000 children who, through no fault of their own, will continue to need the assistance of the medicaid program. I mention children because 47 percent of the total medicaid population are children. I also represent 100,000 elderly and chronically disabled persons who will continue to require some form of long term care services provided by the medicaid program.

Like every other Member of the Senate, I am concerned about the cost of health care services. We are charged with looking at different ways of delivering quality health care in a more cost-effective manner. That is, and will continue to be, a fundamental challenge. Let us, therefore, pause and look to see whether the current proposal will help or deter us from reaching that ultimate goal.

I have carefully reviewed the proposal to cap the medicaid program and found that it would, if implemented, place community-based and noninstitutional programs more at risk than established institutional programs; that it would force States to reduce payment levels to financially hard-pressed health care providers; that it would cause States to start eliminating optional services and recipient classes from coverage; and that it would entirely exclude certain classes of providers from participation in medicaid.

As Senators, it is our responsibility to deliberate on these matters. We need to take a close look at the medicaid program as it is administered today. There are 52 separate medicaid programs with different eligibility standards and benefits; a Federal matching rate that arbitrarily penalizes States with large medicaid populations; 11 States with experimental and alternative reimbursement programs designed to reduce the cost of health care; and a program that still does not provide health care for millions of poor people. We are now being asked to reduce this program further. Let every Senator understand two things: First, we are not talking about reductions in a program that has covered all of those in need; and, second, the changes to come will occur because of fiscal pressures imposed by this administration, not because the need has suddenly vanished.

Again, this is the challenge to all Senators, and especially to those of us who sit on the Finance Committee, for it is under the jurisdiction of that committee where these decisions will come about. There are alternatives, some of them good, and we will look at them all.

I do have one last concern that I am compelled to state at this time: That this Congress not forget in its efforts to reduce the cost of the medicaid program the cost containment efforts of States like New York and Michigan. My State, along with others, learned years ago that health care costs could not continue to rise unabated. Therefore, New York State passed its own laws that would allow it to curtail the rate of increases in the medicaid program, and since 1975 the State has saved $2.4 billion. Because New York's cost containment efforts have been so successful in eliminating excess health care costs, this State would be especially penalized by the proposed medicaid cap. It is only fair that these efforts be given consideration in the coming debates.

AMERICAN CONCERN WITH FOREIGN POLICY AND NATIONAL DEFENSE

● Mr. GLENN. Mr. President, it seems to me evident that we are at a watershed in our foreign policy and in our views of what constitutes an adequate military instrument to support that policy. The ominous rise of Soviet adventurism and an exponential increase of our dependence of importing critical materials have contributed to a quickening of American concern with foreign affairs and national defense.

Immediately after World War II, the Soviet threat was seen mainly as the