

HB

216



Amendments to HB 216;

Page 3, line 6;

The election shall be made in writing on a form provided by the board and approved by the Commissioner of the Department of Administration for the State.

Page 3, line 15;

ployee is participating in the program. In the event of an election for transfer of assets under (d), the employee forfeits all rights to reclaim the corresponding service if that employee reemploys under the state retirement system.

Page 5, line 14;

account under 14.25 (AND SUPPLEMENTAL CONTRIBUTIONS MADE UNDER AS 14.25.055, IF ANY,)

Page 5, line 29;

\* Sec. 4 AS 39.35.120 is amended to read:

Sec. 39.35.120. COMMENCEMENT OF PARTICIPATION. (a) (UNLESS AN EMPLOYEE HAS ELECTED TO PARTICIPATE IN THE OPTIONAL UNIVERSITY RETIREMENT PROGRAM UNDER AS 14.40.661 - 14.40.799, AN) An employee of the state shall be included in this system upon commencement of employment with the state, or on January 1, 1961, whichever is later. Unless an employee has elected to participate in the optional university retirement program under AS 14.40.661 - 14.40.799, an (AN) employee of a political subdivision or public organization that becomes an employer shall be included in the system on the effective date of the employer's participation or the date of the employee's commencement of employment with the employer, whichever is later.

Amend AS 14.25.220 (40) (C);

(C) a full-time or part-time teacher of the University of Alaska, not covered by the optional university retirement plan under AS 14.20 or a person occupying a full-time administrative position at the University of Alaska which requires academic standing, not covered by the optional university retirement plan under AS 14.20; the approval of the administrator must be obtained before an administrative position qualifies for membership in the system;

Alaska State Legislature  
Representative Niilo Koponen

Pouch V  
Juneau, Alaska 99811  
(907) 465-4992

House District 21

119 N. Cushman, Suite 207  
Fairbanks, Alaska 99701  
(907) 466-8172

SPONSOR STATEMENT FOR HB 216

House Bill 216 provides for an effective means for the University of Alaska to compete in the national academic market to attract and retain qualified professionals, with no additional cost to the State.

House Bill 216 would allow the Board of Regents to adopt an optional defined contribution retirement plan for U.S. faculty and a small number of administrative officers. A choice of retirement plans is currently available to faculty and administrative officers in publicly supported institutions in thirty-six states and the District of Columbia, and in over 1,000 private colleges and universities.

In a defined contribution retirement plan the retirement benefits provided by the plan are fully and immediately vested in individual participants. Faculty and administrative officers would not then be constrained by pension considerations from moving within institutions of higher education within the country. Because an optional defined contribution plan eliminates the concern for future funding liability the University's pension obligation is discharged concurrently with the termination of employment.



Brian Rogers

University of Alaska  
College of Arts & Sciences

March 28, 1989

The Honorable Johnny Ellis  
Chairman of the Health, Education  
and Social Services Committee  
P. O. Box V  
Juneau, Alaska 99811

RE: Fiscal Note on HB 216

Dear Representative Ellis:

Enclosed is the University of Alaska's fiscal note for House Bill 216, "An Act establishing an optional university retirement program for certain employees of the University of Alaska and certain community colleges; and providing for an effective date."

If you have any questions concerning this fiscal note, please do not hesitate to call me or Marsha Hubbard at 474-7593.

Sincerely,

Brian Rogers  
Vice President for Finance

Enclosure

cc: Jim Nordline, Health, Education & Social Services Committee  
Alison Elgee, Div. Director for Office of Management & Budget  
Gina Spartz, Admin. Assistant for Legislative Finance Div.  
Representatives Koponen, Boyer, Ulmer, Ellis, Collins, Gruenberg,  
and Hudson

FISCAL NOTE

REQUEST:

Revision Date: 3/22/89 Agency Affected: University of Alaska  
 Title: "An Act establishing an optional  
university retirement program for certain  
employees of the University of Alaska and  
certain members of the legislature and providing  
for an effective date." BRU: All  
 Components: \_\_\_\_\_  
 SPONSOR: Kaponeen, Beyer, Ulmer, A. O. (Bill)  
Gruenberg, and Hudson

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		-0-	-0-	-0-	-0-	-0-
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE		-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) The cost of the alternative optional university retirement program is projected at zero. It is the university's intent to establish rates for the optional retirement program at levels which will result in no additional cost. The optional retirement program will, however, increase the university's competitiveness in recruiting faculty and top administrators.

Prepared by: Jim Lynch Phone: 474-6573  
 Division: Controller and Associate Vice Presidents Date: 3/22/89  
 Approved by Commissioner: Brian Roberts Date: 3/28/89  
 Agency: Vice President for Finance

- Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Administration  
 Title: "An act establishing an optional university retirement program." BRU: Retirement and Benefits  
 Sponsor: Koponen Components: Retirement and Benefits  
 Requestor: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached financial implication statement.

Prepared By: Sally Smith Phone: 465-4470  
 Division: Retirement and Benefits Date: 5/29/89

Approved by Commissioner: John M. Andrews Date: 3/29/89  
 Agency: Department of Administration

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

House Bill 216  
Analysis of Fiscal Implications to the Retirement Funds  
Prepared by Division of Retirement & Benefits  
Department of Administration  
March 23, 1989

Analysis: This bill would allow the University of Alaska to establish an additional retirement system for its faculty and administrator positions. Participation in this system would be optional and provide an alternative to participating in the appropriate Public Employees' (PERS) or Teachers' (TRS) Retirement System. The election will be irrevocable.

There would not be an adverse impact on the actuarial soundness of either the PERS or the TRS funds. The increase in the unfunded liability and the decrease in the funding ratio in each would be negligible.





# NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

## ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE  
ANCHORAGE, ALASKA 99503  
(907) 274 0536

## JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302  
JUNEAU, ALASKA 99801  
(907) 586 3090

## FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET  
FAIRBANKS, ALASKA 99701  
(907) 456 4435

March 27, 1989

To: Representative Johnny Ellis, Chair  
Members, House HESS Committee

Re: House Bill No. 216: "An Act establishing an optional university retirement program for certain employees of the University of Alaska and certain community colleges; and providing for an effective date."

NEA-Alaska supports the basic concepts and purposes of HB 216 and encourages favorable consideration by the Committee.

This legislation would be valuable to the University as it seeks to recruit and attract faculty in that it gives faculty the option to have greater mobility within higher education vis a vis their retirement programs and planning.

Presently a person is not vested in the Teachers' Retirement System until after eight years of membership service. In the event a faculty person does not receive tenure within the University system they have no vested retirement benefit.

The relatively modest and low pay scales of the University of Alaska combined with the fact of no raises in recent years makes recruitment and retention of faculty more difficult each year.

The implementation of HB 216 would provide faculty with the option to utilize other retirement systems such as the TIAA/CREFF which is generally available to them in other institutions of higher education through-out the country. Therefore, service at the University of Alaska would not be a deterrent to their retirement planning.

Thank you for your consideration of our position.

Respectfully submitted,

*B. Manners*

Bob Manners  
Executive Secretary

*Judy Salo*

Judy Salo  
President

cc: Representative Niilo Koponen

# Uncertainty Is Rampant as Colleges Begin to Brace for Faculty Shortage Expected to Begin in 1990's

Some institutions stockpile professors, while many worry about the supply of high-quality candidates

By CAROLYN J. MOONEY

At a gathering of deans from across the country, an administrator from the University of Rhode Island was describing his futile attempts to persuade a top student to consider an academic career.

With private industry offering jobs with starting salaries of \$34,000, higher education never stood a chance. Richard J. Gelles, the university's dean of arts and sciences, told the group.

"Without a doubt, this student had the potential to become a world-class economist," he said. "I kept whispering in her ear, 'Things will change. You'll want something more in your life.'"

Such whispers may become louder and more frequent in the coming years, as colleges and universities brace for a faculty shortage that is expected to occur as a large proportion of the professoriate nears retirement age. By most estimates, more than one third of the nation's faculty members are older than 50, and many are expected to retire over the next 10 to 15 years. Most were hired during the 1950's and 1960's, when American higher education expanded rapidly to meet the needs of the baby-boom generation.

The expected wave of retirements will come at a time when many institutions are concerned about a decline in the number of American doctoral-degree recipients, a drop in many disciplines in the proportion of recipients planning academic careers, heavy pressure to increase the number of minority faculty members, and waning faculty morale compounded by tight budgets.

### Hiring Before Openings Occur

Colleges and universities that can afford to do so are stockpiling young faculty members—hiring them before openings actually occur—while others are using a variety of creative approaches to lure the strongest candidates. But even after years of little momentum in the faculty job market, some observers of hiring trends are questioning whether there will be enough high-quality candidates to fill the vacancies.

"It's a daunting challenge," says Calvin C. Moore, associate vice-president for academic affairs at the University of California system, whose nine campuses expect to hire more than 10,000 new faculty members over the next 17 years. "It's going to be an increasingly competitive environment."

Mr. Moore and his counterparts elsewhere say that higher-education institutions need to make a major effort to publicize the advantages of an academic career. At the same time, many will be scrutinizing the academic culture to try to determine why potential faculty members are turning away.

Money, it appears, is not the only issue. As more and more institutions are learning, the prospect of a widespread faculty shortage has implications that go far beyond the economic principles

of supply and demand. Already it is causing many of those involved in faculty recruiting to re-examine a broad range of issues—from personnel benefits to tenure and promotion criteria to the public's perception of academic life.

Among the concerns:

• The quality of future faculty members may not be as high, since all but the most elite institutions will be forced to compete more fiercely for a shrinking pool of American scholars. Some report that they are already seeing weaker and shallower applicant pools.

• The hard-to-hire disciplines that must compete most intensely with private indus-

try for job candidates—such as business, engineering, mathematics, and the sciences—simply won't have enough full-time faculty members to fill their needs if current trends continue. Some departments may be forced to pay significantly higher salaries and rely even more heavily on adjunct professors and foreign scholars.

• Not enough minority scholars are in the graduate-school pipeline to meet the ambitious affirmative-action goals outlined by many institutions, and there is little indication that the situation is improving. Consequently, some universities may decide to hire their own minority graduate students as faculty members—something considered taboo by many in the past—or prepare for lengthy searches.

• Besides making salaries more competitive, institutions will have to do more to address quality-of-life issues such as affordable housing, day care, and jobs for spouses, which have become increasingly important to young faculty members. Those that do so will have an enormous advantage in recruiting.

• Colleges and universities are not making a sufficient effort to promote the advantages of academe, or to encourage potential scholars to seek academic careers early on.

### An Early Warning

One of the earliest and strongest warnings about a future faculty shortage was issued in *American Professors: A National Resource Imperiled*, a book published in 1986 by Howard R. Bowen and Jack H. Schuster. It concluded that half a million new faculty members would be needed over the next 25 years—most of the nation's approximately 700,000-member professoriate. It also cited studies projecting that the mean age of the professoriate would continue to rise between 1980 and 2000—from 48 to 55 for tenured professors, and from 45 to 49 for all faculty members.

For many institutions, though, the heightened interest in faculty planning has been building only recently—for several reasons. First, planning has been complicated by the fact that colleges and universities don't yet know what will happen when the mandatory-retirement age for professors is eliminated, as expected, in 1994. At that time, professors can no longer be required to retire at age 70. A few states have already dropped the cap.

Until recently, the impending end of the mandatory-retirement age raised concerns that colleges would face not a shortage of faculty members but a surplus of elderly scholars who would stay on after they were no longer productive, delaying promotion opportunities for younger professors. Those fears led to a proliferation of early-retirement plans at many institutions.

Another complicating factor is uncer-



U. of Rhode Island's Richard J. Gelles: "You can't clone a doctorate at age 27; you have to do it at age 12."



U. of California's Calvin C. Moore: "It's a daunting challenge. It's going to be an increasingly competitive environment."

CONT'D

lainty over future enrollment. Institutions don't yet know whether enrollment will drop over the next few years, reflecting a decline in the traditional college-age population, or grow because of rising participation rates by that group and by older and part-time students, the case during the current academic year.

And many colleges simply cannot afford to hire more faculty members to protect themselves against a shortage that has not yet hit.

Yet another unknown is the elasticity of the job market. After years of hearing about Ph.D. recipients who worked as janitors because they couldn't get academic jobs, many institutions are concerned that it will take time to spread the message that the situation is improving. So far, the faculty job market hasn't opened up dramatically, and when it does the improvement is expected to come only gradually.

Meanwhile, although the number of doctorates earned at American universities appears to be rising slightly after a decade of stability, the proportion of degrees earned by U.S. citizens has been declining—from 85.6 per cent in 1962 to 72.3 per cent in 1986, according to the National Research Council. The proportion of foreign students receiving doctoral degrees is especially high in some fields, such as mathematics, computer science, and engineering, in which only half or fewer of the doctoral degrees earned in 1986 went to U.S. citizens.

"People are only now realizing the possibility of a shortage," says G. Gregory Lozier, executive director of the office of planning and analysis at the Pennsylvania State University. A year ago, Mr. Lozier helped conduct a study of 24 research universities, which concluded that certain academic disciplines could face acute faculty shortages in the future.

Another study, completed a year ago by the Consortium on Financing Higher Education, found that most institutions had done little planning on the issue. It concluded that making retirement more attractive to all faculty members by offering fringe benefits and perquisites would help institutions either way: In the event of a shortage, retired faculty members could teach part time; in case of a glut, professors could be better eased into retirement if they could keep strong ties to their institutions.

Some new studies that higher-education officials hope will improve planning are now in the works. The

U.S. Department of Education and the National Endowment for the Humanities are collecting information for a national comprehensive faculty survey. With the help of higher education's largest pension companies, the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, Mr. Lozier and several colleagues are expanding their earlier survey on the age distribution and retirement patterns of faculty members. And the Association of American Universities has commissioned a national research project to examine the condition of doctoral education in the United States.

More and more institutions, meanwhile, are doing their own analyses and looking at ways to address a potential faculty shortage.

Some, particularly two-year colleges, expect to rely more heavily on part-time instructors, while others anticipate hiring more foreigners.

Another potential pool of scholars—people who received doctoral degrees in the 1970's but never got into the crowded academic pipeline—is not expected to be a significant source of future professors, say most of those interviewed on the subject. Many members of this "lost generation" of scholars, they say, have not remained active enough in their disciplines to be strong candidates at four-year institutions, but some might be absorbed by two-year colleges.

#### Offers to Two-Career Couples

At the State University of New York at Binghamton, where enrollment jumped from 1,500 to 7,500 during the 1960's, officials are trying to be as creative as possible when it comes to recruiting. The decade of

rapid growth led to a flurry of faculty hiring at that time. As a result, a university survey found that 42 per cent of Binghamton's 511 faculty members—and 61 per cent of tenured professors—were older than 50 in the fall of 1987.

Sidonie A. Smith, dean of Binghamton's college of arts and sciences, says a tight state budget has made advanced planning difficult. However, she says the university tries to be creative in other ways, such as negotiating with two-career couples, and, in one recent case, with a homosexual scholar and the scholar's companion. The candidate ended up going elsewhere.

"We've just tried to be as aggressive as we can," Ms. Smith says. "I would have hoped to think carefully

about planning in departments where the supply of faculty is becoming critical, but now I just don't have the [financial] flexibility."

Other institutions are also bracing:

■ Rensselaer Polytechnic Institute expects to replace up to 160 of its 394 faculty members by 1994, and add an additional 20 professors.

■ At Michigan State University, nearly 40 per cent of all faculty members—and nearly half of those in the humanities—will be 65 years old by the turn of the century.

■ The University of Rhode Island expects nearly a fourth of its 322 tenure-track faculty members to retire by the year 2000. However, some departments, like English—where nearly a third of the faculty members will be retiring in the next five years—will be hit much harder, officials there say. Administrators are permitting some departments to hire

promising scholars—especially minority scholars—before positions actually open up.

■ Purdue University also expects 25 per cent of its faculty members to retire by 2000, with the crunch coming between 1992 and 1996, says Varro E. Tyler, vice-president for academic affairs. Like many institutions, Purdue is concerned about finding enough minority-group members. "We prefer not to hire our own Ph.D.'s, but we will if we have to," Mr. Tyler says.

#### Hard-to-Hire Disciplines

They may. Nationwide, only 820 blacks earned doctoral degrees in 1986, according to the research council. The proportion fell from 4.2 per cent of all doctorates in 1976 to 3.6 per cent in 1986. The problem is especially acute in hard-to-hire disciplines: Of the 804 doctorates in math-

ematics that were awarded by American institutions in 1987-88, for example, only four went to blacks, according to the American Mathematical Society's annual survey.

To increase the flow of minority-group members into the academic pipeline, some institutions are taking part in state and federal programs aimed at giving minority youngsters an early taste of campus life. In what may prove to be the ultimate recruiting tool, for example, minority high-school students attend special state-financed summer programs in the sciences at Binghamton and other New York institutions.

Some historically black colleges, which expect that larger institutions may come knocking on their doors for scholars more often than they already do, have taken the "grow your own" approach. Benedict College and Johnson C. Smith University pay

(CONT'D)

for professors already on the faculty to earn doctoral degrees. In return, they agree to return to teach for a certain period.

So far, however, efforts like those haven't been enough.

Says Mr. Gelles of the University of Rhode Island: "There's a lot of networking and stealing going on. We're in the first stages of building up minority enrollment at the undergraduate level . . . and we're hoping everyone else will do the same, with a net increase.

"You can't clone a doctorate at age 27; you have to do it at age 12."

#### Negative Messages to Students

Indeed, the need to inspire potential scholars of all races at an early age is rapidly becoming clear.

Says Mr. S. . . . , the co-author of the 1986 book on faculty members and a professor of education and pub-

lic policy at the Claremont Graduate School: "The real challenge is, are we doing what we should to encourage high-quality undergraduates to be thinking about academic careers?" That is difficult to accomplish, he adds, when "the evidence suggests that there are a lot of faculty members who are disturbed about their circumstances."

Professors who are bitter about earning less than they might elsewhere or who feel under heavy pressure or think their jobs aren't respected send negative messages to undergraduates, agrees Jules B. LaPidus, president of the Council of Graduate Schools in the United States. "It's more than a public-relations problem," he says. "You really have to change the culture."

One young faculty member at a comprehensive university, who decided against going to a more elite

institution because it expected tenure candidates to publish two books, puts it this way: "We have the anxiety of job pressure to get tenure as well as financial anxiety. That kind of dual anxiety makes you want to say, Forget academe.

"I don't think anybody expects to live as you would in the corporate world, but money should not be such a source of anxiety for people who have gone to school as long as we have," the faculty member adds.

Most administrators agree that faculty salaries must continue to increase. Faculty members of all ranks earned an average of \$37,000 in academic 1987-88, while assistant professors earned an average of \$29,200, according to an annual survey conducted by the American Association of Professors.

They also agree that institutions must do more to help young faculty

members find affordable housing and day care, and to make graduate school less of a financial burden. The University of California system, for example, thinks its new "stop-the-clock" policy, which allows new parents to stop the tenure clock for up to a year, will be helpful.

Research institutions will need to help their young professors find better ways to balance research and teaching. A few observers have suggested that some may even revise their tenure criteria to stress quality rather than quantity by limiting the scholarship to be considered during tenure review.

Less publicized are the rewards of academic life—the chance, as Provost David Giltitz of the University of Rhode Island puts it, "to follow your own marching orders."

"A lot of it has to happen on a one-on-one basis," Mr. Giltitz says. "Professors have to identify really bright undergraduates before they get sidetracked and infect them with the enthusiasm of academic life."

Involving undergraduates in research and letting them know just what faculty members' jobs involve can help, says Mr. LaPidus of the graduate-schools council. "For the most part, people just don't know what scholars do," he says. "They have the opportunity to pursue an interest as far as it can be pursued, but that message isn't being put across fast enough."

David W. Breneman, president of Kalamazoo College, now tries to deliver that message when he lectures Kalamazoo's Phi Beta Kappa members. "I began to realize that we weren't as a college promoting graduate school," he says.

#### More Long-Term Planning

Despite their concerns about a faculty shortage, some administrators say it could also spawn positive change.

A shortage, they say, could give colleges and universities a chance to reshape overly specialized academic departments and hire more faculty members on an interdisciplinary basis. And predictions about a shortage are already forcing two-year and four-year institutions to do more long-term planning.

Some institutions are exploiting unlikely strengths more aggressively than ever. Mohave Community College, concerned about recruiting faculty members from its sparsely populated surroundings, is hoping that its location near the Grand Canyon will be a major attraction.

"We push the quality of life, the recreational opportunities," says Roland J. Chapdelaine, the college's vice-president. The college, which expects to lose a fourth of its faculty to retirement over the next 10 years, also has become more aggressive about recruiting professionals to teach on a part-time basis and training them, he says. But he acknowledges that two-year colleges must retain a balance between part-time and full-time instructors.

Ms. Smith, the Binghamton dean, suggests that a faculty shortage might mean that academic departments could become less important in the future. "Much of the interesting work is being done at the intersections of disciplines," she says. "Each appointment may have to serve two or three areas intellectually. Is that going to have an impact on the way scholarship is organized?"

She isn't sure. This much she knows, however: "The shortage hasn't hit yet. But I've spent a lot of time thinking about it.

"I think we're all worried."

## For Washington Policymakers, a Host of Problems

The nation's pressing health problems are now on the political agenda of President Bush and the 101st Congress. What is likely to be accomplished this year?

### The Bush Administration

A starting point for Bush's people is the budget that President Reagan delivered on Jan. 9 for the fiscal year that starts in October.

Reagan proposed cutting \$5.6 billion from projected Medicare outlays—what outlays would be if continued at current levels—by reducing payments to hospitals and doctors. He proposed cutting \$1.4 billion from projected Medicaid grants to the states for care of some 22 million poor people. The cuts, said Reagan Administration budget officials, would not affect care. But Dr. Otis Bowen, Reagan secretary of Health and Human Services, called it "unrealistic" to expect the states to absorb the Medicaid reductions.

Bush's responses are not known and are in fact still incomplete. He may go along with the Medicare cuts as part of his proposed "flexible freeze," and also try to steer more Medicare patients into "managed care" organizations that limit choice of doctors and otherwise seek to control costs.

He is expected to reject any cuts in Medicaid. And, according to campaign and transition-period plans, he could recommend something like a \$200 million fund to expand coverage for pregnant women and young children, as well as another \$200 million, perhaps, this year or next, to begin letting low-income adults "buy in" to Medicaid, adding their own modest contributions.

As part of his campaign promise of "access to health care for all Americans," he might recommend tax benefits to encourage people to buy long-term care insurance, though most such insurance plans now go only part of the way toward financing the years of care that some of the aged ultimately need.

### The Congress

There will be (read all this as reasonable prediction, not certainty) much talk this year of two subjects: expanding health coverage for the uninsured, probably by mandating more employer coverage, and finding ways to pay for long-term care of the aged.

Legislative action is at least possible on health coverage, but highly unlikely on the huge expense of long-term care.

However, Congress' first priority will not be health care, say many Congressional sources, but "deficit reduc-

tion, deficit reduction, deficit reduction." Any increased expenditures may depend on deficit reduction and on some signal, however muffled, from the Bush lips on new taxes.

Congress will inevitably do some squeezing of Medicare payments to doctors and hospitals, though probably not to the Reagan budget's extent. Any Medicaid cuts are probably "dead on arrival," in the unobvious words of Chairman Leon Panetta (D-Calif.) of the House Budget Committee.

Rep. Fortney (Pete) Stark (D-Calif.), chairman of the House Ways and Means health subcommittee, wants to tie payments for hospital building or equipment to hospital occupancy, now only 60 to 75 percent in many hospitals. "Why should we waste money keeping inefficient or underutilized hospitals open?" he repeatedly asks.

A cut is likely, as in the Reagan budget, in payment to hospitals for "education"—meaning salaries—of the interns and residents who give most of the

*Runaway Medicare costs are likely to result in a Congress that will continue cutting hospital payments "until they see blood on the floor."*

Ron Kovener  
Healthcare Financial Management Association

care in major medical centers. These hospitals have been making too much money, it's said. If applied with a meat axe, such cuts could mean fewer doctors at patients' bedsides. But such are runaway Medicare bills, predicted Ron Kovener, vice president of the Healthcare Financial Management Association, that Congress will continue cutting hospital payments "until they see blood on the floor."

Doctors' fees will get much discussion. A Physician Payment Review Commission is required to suggest reforms to Congress early this year. Key members like Stark and Rep. Henry Waxman, still another California Democrat who heads another House health subcommittee, as well as Rep. Dan Rostenkowski (D-Ill.), House Ways and Means chairman, have called physician payment reform a priority.

But serious reform may not come easily, since there is no agreed method on the horizon, except for cuts—or

further cuts—in some heavily used services that many observers consider overpriced, including heart surgery, cataract surgery, radiology, anesthesiology, EKGs and colonoscopy, the exploration of the colon to look for cancer.

Stark also will be pushing for a law to limit doctors' investments in profit-making medical equipment or other endeavors where they give the care. This is a complex issue. Every doctor who collects a fee has a conflict of interest, for the more he or she does, the more the profit. But doctors' investments have been on the increase, there are stories of cases of resulting overuse, and Stark wants to get a vote on a bill.

Sen. Edward Kennedy (D-Mass.), chairman of the Senate Labor and Human Resources Committee, Waxman and Stark are backing "mandated benefits" proposals to require employers to cover uninsured workers, just as Massachusetts has started to do on Gov. Michael Dukakis' initiative. Several members have talked about tax benefits to encourage employers to cover workers. Another heavy hitter on health issues, Senate Finance Committee Chairman Lloyd Bentsen (D-Tex.), wants to use the tax code to encourage more health insurance for care of children.

Any extensive congressional action to expand coverage of the uninsured could carry a huge price tag, if the government as well as employers share the financial burden. Watch Bush's lips.

Congress meanwhile may have to deal with a growing backlash by unhappy seniors against the new Medicare expansion to cover "catastrophic" hospital, doctor and drug bills, all to be phased in over the next four years. The cause of what Republican Senator Robert Dole (Kan.) has called a "near revolt" of the elderly—an exaggeration, so far—is the fact that those over 65 must bear nearly all of the cost. They will do so partly in annual premiums and partly in an income-based income tax surcharge that together will reach a \$1,561 maximum for the most affluent by 1993.

About 60 percent of the aged will pay only an extra \$122 a year by 1993. But all those covered will also be required to pay considerable "deductibles" before the new insurance pays the rest of the bills, and some members are calling for delay or reconsideration of the 1988 legislation.

The 30-million-member American Association of Retired Persons supported the bill, though reluctantly swallowing the charges on the elderly. A new poll this month indicated that two-thirds of those over 65 favor the law as is. Bentsen vows that there will be no change.

—Victor Cohen

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Mary Van Nimwegen

H. HESS 3-28-89