

Program, backed by the U.S. Treasury, to be the sole originator of all federal student loans; save \$61 billion over 10 years by eliminating the Federal Family Education Loan Program, FFELP, which provides unnecessary subsidies to private lenders and banks for originating student loans.

Of the \$61 billion in savings, it directs \$10 billion to help reduce the Federal deficit, and the remainder towards important education programs, such as \$35.5 billion for Pell grants to help students afford college; direct \$22.5 billion of the total \$35.5 billion in new Pell Grant funds to increase the maximum award amount—from the current \$5,550 to about \$6,000 to help with rising college costs.

The economic downturn has resulted in increased enrollment at colleges and universities, and increased eligibility in Federal student aid, with the number of Pell grant recipients increasing by 1 million students in the past two years alone.

In my home state of California, these important provisions are supported by the University of California, UC, California State University, CSU, and California's public community college system—which together serve approximately 500,000 Pell grant students.

I urge my colleagues to support these provisions that are critically important to our Nation's students.

PUERTO RICO

Mr. MENENDEZ. Mr. President, I want to thank the chairman and his staff for taking the time and effort to ensure the 4 million residents in Puerto Rico are treated fairly in our health care system.

Throughout my time in Congress, first in the House, and now here in the Senate, I have worked to see the people of Puerto Rico are not forgotten. The health care reform package we are debating today has several outstanding provisions for Puerto Rico. It is an example of the good we can do for its nearly 4 million U.S. citizens—who pay Social Security and Medicare taxes.

But there is one issue I want to raise and that is the Medicare Advantage program on the island. Approximately 83 percent of the eligible Medicare beneficiaries in Puerto Rico participate in Medicare Advantage, compared to 25 percent in the States. This can be tracked to the fact that eligible seniors in Puerto Rico are not automatically enrolled in Medicare Part B when they turn 65. As a result, it is more beneficial for seniors in Puerto Rico to enroll in Medicare Advantage to receive all of their Medicare services.

However, the fee-for-service, FFS, cost calculation for Puerto Rico is inaccurate and under counts expenditures per Medicare beneficiary. Last year the Medicare Payment Advisory Commission, MedPAC, alerted Congress to this and recommends that the Centers for Medicare & Medicaid Services, CMS, should expeditiously use its authority to employ an alternative calculation method . . .

The fee-for-service cost calculation is important because it will soon be the basis for Medicare Advantage rates throughout the country and Puerto Rico. I strongly believe CMS should take a look at the under count. If there is validation that the FFS expenditures are too low, I believe the HHS Secretary and CMS should use current authority and adjust the calculations appropriately.

I am asking HHS and CMS to look at the under count because there is a very real chance we could do harm to Medicare Advantage in Puerto Rico if we don't get the FFS costs accurate. I hope the chairman agrees with me.

Mr. BAUCUS. I thank the Senator for bringing attention to this issue. He is a true champion for Puerto Rico and a constructive member of the Finance Committee.

I share his concern about the possible under count of fee-for-service costs in areas like Puerto Rico. That is why we included a provision in the Medicare Improvements for Patients and Providers Act of 2008 to have MedPAC study the accuracy of the calculation and report to Congress. As he points out, MedPAC recommends that CMS alter the FFS cost calculation so that such under counts do not exist, particularly in areas like Puerto Rico where Medicare Advantage provides benefits to over 80 percent of its seniors.

I strongly agree with him that CMS should promptly use its authority to correct any and all under counts that might exist in areas like Puerto Rico. The island has unique circumstances that could affect Medicare expenditures and spill over to Medicare Advantage. Moving forward I will continue to work with the Senator closely to monitor and correct this issue as expeditiously as possible.

Mr. MENENDEZ. I thank the Chairman for his leadership and commitment on this issue.

PEOS

Mr. NELSON of Florida. Mr. President, I would like to ask the chairman of the Committee on Finance and its ranking member a question on the application of the legislation to Professional Employer Organizations or PEOs.

As they know, there are millions of individuals throughout our country who are working for small businesses which are in PEO arrangements. The clear objective of this legislation is to create incentives for health care coverage and not to provide disincentives. I would like the chairman to clarify that, for purposes of the application of section 2716 of the Public Health Service Act (Prohibition on Discrimination in Favor of Highly Compensated Individuals) and for purposes of Internal Revenue Code sections 45R (Credit for Employee Health Insurance Expenses of Small Businesses) and 4980H (Shared Responsibility for Employers), to any health plans sponsored by a Professional Employer Organization, PEO, or

a PEO client organization, the rules would be applied to each client organization separately and eligibility for the small business tax credits and employer shared responsibilities would also apply to each client organization separately, and not at the PEO level.

Mr. BAUCUS. If the individual providing services to the PEO client organization pursuant to the PEO arrangement continues to be an employee of the PEO client organization, the Senator from Florida is correct.

Mr. GRASSLEY. I agree with the chairman.

Mr. BAUCUS. Mr. President, I want to talk a moment about one of the only retroactive tax provisions in the Patient Protection and Affordable Care Act, Section 9016. This one deals with the special deductions given to the many nonprofit Blue Cross Blue Shield organizations which are no longer exempt from Federal income tax.

Under section 833 of the Internal Revenue Code, these organizations receive a 25 percent deduction for claims and expenses and an exception from the—otherwise applicable—20 percent reduction in the deduction for unearned premium reserves. Effective January 1 of this year, these non-profit Blue Cross Blue Shield organizations must now meet a medical loss ratio of 85 percent or higher in order to take advantage of the tax benefits of section 833. This provision was included to ensure that recipients of this special deduction actually spend out most of their premium income on the people they insure and not on administrative fees or executive compensation.

But I want to clarify two issues here. First, it was our intention that, in calculating the medical loss ratios, these entities could include both the cost of reimbursement for clinical services provided to the individuals they insure and the cost of activities that improve health care quality. Determining the medical loss ratio under this provision using those two types of costs is consistent with the calculation of medical loss ratios elsewhere in the legislation. This determination would be made on an annual basis and would only affect the application of the special deductions for that year.

Second, it was our intention that the only consequence for not meeting the medical loss ratio threshold would be that the 25 percent deduction for claims and expenses and the exception from the 20 percent reduction in the deduction for unearned premium reserves would not be allowed. The entity would still be treated as a stock property and casualty insurance company.

It is my understanding that the Joint Committee on Taxation scored this provision consistent with the policy I just outlined. We intend to clarify these two issues in a technical corrections bill as soon as possible.

Mr. President, I want to speak concerning the accounting treatment of one of the tax provisions that passed in the Patient Protection and Affordable