

**Transcript of Remarks by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing on the President's Budgetary Proposals for the
Department of Health and Human Services with Secretary Mike Leavitt
March 1, 2006**

Opening Statement

Thank you Mr. Chairman, and thank you for calling this hearing, and thank you Mr. Secretary for being here. I apologize, as well, for the unpredictability of the Senate. I have high regard for you, both personally and professionally, as I have expressed to you, both publically and privately.

I don't have high regard for this budget. Let me just run through some of what I see are the serious deficiencies of this budget.

We hear from the administration the deficit is going to be cut in half over the next five years. But they only get there by leaving out things: war costs, alternative minimum tax correction cost, and the full cost of the tax cuts beyond the five years. When you put all those things back in, this is our projection of where the deficit heads. And we don't think that's a healthy direction.

We look at the growth of the debt and it is even more alarming. As you know, the debt is growing much more rapidly than the deficit. This year, the President says the deficit is going to be in the \$400 billion range, which I think somewhat overstates the deficit for this year. But the debt will go up, according to our calculation, \$630 billion this year. And every year for the next five years under the President's budget proposal we see the debt increasing \$600 billion or more each and every year.

You understand this challenge very well. As we look at the unfunded liabilities of the country, Medicare is by far the biggest. This is the 75-year shortfall in Medicare, \$29.6 trillion. It is more than seven times the projected shortfall in Social Security. By the way, I think the projected shortfall in Social Security is somewhat overstated for technical reasons I won't go into. But I do believe the shortfall in Medicare is very real, and it is the thing that is going to swamp the boat.

Then I look at the specifics of the President's budget, and for 2007 through 2016, he proposes \$154 billion in savings from Medicare, but during that same period he proposes tax cuts of \$1.7 trillion, more than 10 times as much. Frankly, I don't think these proposed tax cuts are affordable, given the fact that we can't pay our bills now, and given the priorities of the American people.

This is a statement, Mr. Secretary, that you made that I very much agree with. You said, "We had to make hard choices, hard choices about very well-intentioned programs." I agree that these are hard choices. I don't agree with the choices that have been made because I don't see any justification for having 10 times as much tax cuts as we're having in terms of spending savings.

Then we get to an issue of priorities. In the President's budget, he would cut rural health care programs \$133 million. During this same year, the cost of the tax cuts going to those who earn over \$1 million is over \$41 billion. You know, I think we're going to have to go to the wealthiest among us and say, you know everyone is going to have to sacrifice here. We're at war. We're piling up debt at a record rate. We've got to get everybody here pulling the wagon. We can't be saying to those who are the wealthiest among us, you get a pass.

This is from a hospital administrator back home. He says, "We cannot absorb... cuts of this magnitude without reducing access to needed services and negatively impacting the health of our communities." This is from the Mercy Hospital, Valley City, North Dakota. Valley City is a town close to where we were when you were with me in Fargo. And this is the consistent message I am getting back.

Let me go to my last slide because this goes to the question of what do we do about all of this. This to me is the most compelling statistic. Six percent of Medicare beneficiaries account for roughly 51 percent of program cost. I think collectively we have to focus like a laser on that fact. Six percent of Medicare beneficiaries are using over half of the budget.

This to me is the major opportunity to both save money and get better health care outcomes, because I don't think we're doing a good job of coordinating the care. The result is these people are taking many too many prescription drugs, many of which work against each other. They are being subjected to all kinds of duplicate testing, and these factors actually make their health worse, and cost the taxpayers massive amounts of money. Of course, it costs the patients massive amount of money too.

So I hope in this hearing today we're able to have a conversation about what we can do that would be effective at saving money here, and improving health care outcomes. And, then, Mr. Secretary, I just want to say I will try to focus on avian flu and what the plans are there and what we need to do to get ready, because I am convinced the risk is enormous, and, as you and I had a long conversation on this matter before, to talk about the strategy for how we get ready to combat a pandemic, whether it was avian flu or caused by some other virus.

I thank the Chair. I thank the Secretary.

Closing Statement

Let me just say this to you, my reading of this book on what happened in 1918 is that an awful lot of well-meaning people did not respond aggressively enough. And I am very concerned that we're headed in that direction again. When I hear you say three to five years on the vaccine front, that sounds like a long time. And, in any event, we'd have to face six months of this scourge before we'd be ready to respond.

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Can I just say to you, Mr. Secretary, with great respect when I read the reactions of

public health people, what they're telling me and what they're saying publicly is that the response is woefully inadequate, that we don't have the resources. If we have a pandemic, the medical essentials are going to be in grossly short supply. Ventilators. If there is one thing I have heard consistently is we're going to have immediately a crisis with ventilators. We're going to have a crisis with hospital space. We're going to have a crisis with public health providers. This is what I get back from them, that we're not prepared. And when I talk to people in business, their response is we're not prepared.

I have great respect for you. I think we have to do more. I think we have to have a more ambitious plan than we've got that I have seen so far.