



BUDGET COMMITTEE



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Opening Statement from Senator Judd Gregg (partial/unofficial transcript)

Senate Budget Committee Hearing on the President's Fiscal Year 2008 Budgetary Proposals for the Department of Health and Human Services

**Witness: The Honorable Mike Leavitt, Secretary
Department of Health and Human Services**

Thank you Mr. Chairman, it's a pleasure to have the Secretary here to talk about the health care elements of the President's budget. I obviously agree with the groundwork laid by the Chairman on the issue of the problem, which is the demographic shift in our population that we're going to have to support as a nation, and what the effect of that will be, and the fact that a large percentage of the issue is health care, and how you deliver quality health care to 80 million retirees versus 35 million retirees and do it in a way that doesn't bankrupt the younger generations who are paying for it.

Where I think we depart ways, of course, is that I'm willing to step forward – and I admire the Administration and respect the Administration for stepping forward with some specific proposals right now, and not to play the verbal game of, “Well if we just did it on a global basis, if we just did this, if we just did that, we might be able to accomplish this or that.” I think you've got to have specific proposals and the proposal the Administration has put forward is a legitimate, specific proposal which would reduce the long-term unfunded liability of Medicare by almost 25%. That liability is approximately \$32 trillion, actually its probably closer to \$40 trillion, and that's not a sustainable liability for us to pay for.

What the Administration has suggested are major changes in Medicare which do not affect beneficiaries, certainly do not affect poor beneficiaries or moderate income beneficiaries, but rather give us a better accounting of the costs of health care, and reimburse on that better accounting system, and also require high-income people to pay a fair price for the benefits they get from the government -- specifically Bill Gates' father shouldn't have his Part B physician premium subsidized and he shouldn't have his Part D drug premium subsidized at the rate that we subsidize it. These changes are very

appropriate and they save significant dollars over the term and move us in the direction of solvency, which is very appropriate.

What has been the Democratic response so far? Well, I've heard, not the Chairman – in fact I think the Chairman has been very responsible in this – but members on his side of the aisle who represent the ideology of the Democratic party, or at least they're asserting that they do because they're running for President, saying that these Medicare proposals of the President are cuts, they're slashes to the system – they're a dramatic disassemblage of the system. And of course they aren't anything like that. They're very reasoned, very appropriate attempts to try and bring under control a system that's not going to be sustainable.

What will be slashing to the system is if we continue on the path that we're presently on, which will give our children a system they can't afford and give retired people a system that can't be paid for. So starting now makes sense.

The second idea that's come forward from the other side of the aisle, and has now passed the House, and which I know the Secretary is very familiar with, is to give the Secretary the authority to negotiate drug prices relative to the Part D premiums. What's the practical effect of that? Well, you can't have that authority unless you also have a formulary, we all know that, which is a list of drugs that would be acceptable because that's where the club comes from. And so what essentially it is is a rationing proposal. What the other side of the aisle is suggesting is that our senior citizens should have their drugs rationed, and the decision on what they would get and what they won't get would be decided by the Secretary of HHS, whoever that person may be.

Its put forward in the motherhood language of negotiating drug costs, but the practical effect of it would be, that like veterans, who only have the access to about 37% of the drugs that are on the market today, American citizens would no longer have access to all of the drugs that are out there, which would reduce their quality of life. And we've seen the marketplace has had a fairly significant impact on pricing of drugs relative to Part D - - so much so that we've saved almost \$100 billion off the baseline in that program, as a result of the competition. So to go to a system of rationing seems to fly in the face of what is working, which is a market-oriented system, but that's the proposal from the other side of the aisle.

So I look forward to the Secretary outlining in further detail the Department's position, both relative to Medicare and its proposal, and relative to the rationing proposal that the Democratic Party has put forward as the essence of their health care plan. I also look forward to the Secretary giving us some thoughts on how we deal with Medicaid, because states are being overwhelmed by the costs of Medicaid. We're not doing a very good job of managing Medicaid, and I'd be interested in his thoughts relative to using the states as more aggressive incubators of ideas in the area of Medicaid – having been a former governor I know he's very aggressive on that issue. Thank you.

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