



# BUDGET COMMITTEE



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**Senator Judd Gregg's Opening Remarks  
Senate Budget Committee Hearing on Health Care and the Budget  
September 11, 2007  
(Unofficial Transcript)**

Thank you, Mr. Chairman, for holding this hearing. I'm going to start where you stopped, which is that first, health care is driving the out-year problems which we face as a society from a fiscal standpoint and also it's going to be driving our social issues to a large degree because of the aging of the population and it has to be addressed. Second, it can only be addressed in a bipartisan way. And sitting at the dais today, I see Senator Wyden, who has put forward a bipartisan bill in this area, which I am a co-sponsor of and which I congratulate him for.

However, prior to getting into the Wyden initiative, which I'm sure he'll spend some time on anyway, I want to just address the issue of the first of your three options for resolving this, which is a proposal to go to universal health care under a nationalized system. This Kennedy bill, which is called 'Medicare For All,' is a leading example of this, but of course, Senator Clinton has proposed this, Senator Obama has proposed this, Senator Edwards has proposed this -- all the national candidates in the Democratic Party running for president have proposed a nationalization of our health care system, having a national delivery system which is controlled by the government.

The arguments for this are that it delivers better health care, that is obviously gives everyone access to health care, and that it costs less. All three of these arguments are wrong, and in addition, the proposal of nationalizing the system as the approach to making sure that everyone gets coverage and having the government run it leads to some other very clear, significant problems. The first, of course, is that it creates rationing. And you don't have to go too far to see this. We see it, for example, in Canada, where you've got waiting times that have doubled since 1993. In Britain, you've got waiting times for cancer and cardiac tests which are 25 weeks. There is no question but that when you go to a nationalized system, you end up with a system that basically rations health care. You're basically putting everybody into what amounts to a national HMO, and the way HMOs succeed is by eliminating health care delivery in most contexts.

Second, you reduce innovation. It is estimated that national research and development funding would be reduced by nearly 25 percent, or \$77 billion, if you went to a nationalized system, and nearly one-half of the drugs approved by the FDA would not be available as a cost control measure. You are basically limiting the availability of drugs and the development of new drugs, things which cure people and make them better, by going to a nationalized system. You only need to look at our neighbors in Canada and our friends across the sea in Britain to see that's absolutely the case. That's why new drugs are being developed here and not in those nations to a large degree.

Third, taxes go up a lot. Now, the Chairman makes the point that we spend more per capita as a percentage of Gross National Product on health care than any other country in the world. This is true, but if you look at the tax costs, which countries bear as a result of going to a nationalized system, you see that the tax burden on the taxpayers of those countries goes up dramatically. Let's look at Canada for example. Since they have gone to a nationalized single-payer system, their tax burden has jumped exponentially and the vast majority of that is health care costs. Let's look at the European Union and Canada as compared to the United States' tax burden. Again, the E.U. and Canada have dramatically higher tax burdens as a percentage of Gross National Product. Almost all of that reflects health care costs. Remember, in the U.S., we at least have a fairly significant effort in the area of national defense in our tax burden. Canada and the E.U. do not have that type of national defense commitment in their numbers. So the vast majority of those dollars that are being taxed in those systems are to pay for single-payer, nationalized systems, universal health care.

And the effect of these higher tax systems, what is that? Well, not only does it mean that people end up paying more of their earnings to the government, for a less efficient health care system, which delivers a lower-quality, rationing and less research, but it also means that productivity in those countries is not as high because they have a higher tax burden, and the next chart reflects that. The United States' productivity far exceeds Canada and the E.U. and I would argue, and I think many economists would argue, that is in large part a direct function of the tax burden of those countries, which is a direct function of having nationalized their health care system.

In addition, you don't have to believe me on this point, just look at the numbers that Senator Kennedy's plan proposes, and that's the next chart. 'Medicare For All,' Senator Kennedy openly proposes a dramatic increase in H.I. tax and Social Security tax, 57 percent higher under that plan in order to pay for it, that's the burden that would be put on the American taxpayer. So even though we may spend more on health care in our society today, moving to a single-payer nationalized system is actually going to cause us to spend a great deal more in the area of tax burden and probably create a less efficient system.

And you don't have to listen to me about this less efficient system. I would quote my colleague, the Chairman of this committee's comrade from North Dakota, because he described what presently exists as the one national health care system that we have in this country which is truly a nationalized system, and that's the Indian health care system.

That is a nationalized system, and quoting Senator Dorgan on the floor just a few weeks ago, he said of the Indian health care system, which is a nationalized system, “You can’t ration health care. Yet that is what is happening. We have a trust responsibility, and yet health care is being rationed with respect to Native Americans.” Why is that? Because they’ve got a nationalized system, a federal system which is rationing their health care. Quoting again from an Indian hospital executive, who said, “In the Native American population, we are effectively using a system of rationing to be able to provide care for those that we serve.” That is what happens when you go to a nationalized system. The Indian health care system is the best example of what is going to happen to the American system if we go to a system of – call it Medicare For All or call it universal health care under a nationalized system – it doesn’t work.

The better approach is the approach suggested by the Senator from Oregon, which is to create an atmosphere where everybody has the wherewithal to go out and purchase health care and we use the private markets to do that and we make sure that everybody does that. There are a lot of different variables for accomplishing that and I have some reservations about Senator Wyden’s proposal, but conceptually, using the private marketplace is a much better way to proceed, in my opinion, and it avoids the rationing, the reduction in research, and the massive increase in taxation which would occur if we went to a universal system under nationalization.

Thank you, Mr. Chairman.