



# BUDGET COMMITTEE



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**Senator Gregg's Opening Remarks at Hearing on the Long-Term Budget Outlook**  
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*(unofficial transcript)*

Thank you, Mr. Chairman. Let me join with you, and I think all members of the Senate, in thanking the Director and the staff of CBO for the extraordinarily effective and professional way you have handled the immense workload that has been put on you as a result of the health care bills being brought forward. We certainly thank you on our side of the aisle for being fair and objective and being an honest umpire of the numbers and that's been very imported as we've proceeded here.

I want to echo much of what the Chairman said. I think the key to what the Chairman said is that this issue of the deficit and the debt is spiraling our nation downward to a point where we might not have fiscal sustainability. We're looking at, basically, a debt which will exceed anything in our history other than during the period of World War II and a debt which has no end in sight. And as a result, we're basically headed on a path of financial bankruptcy for our children and it's not right.

And it's mostly being driven – although there is definitely a revenue component to this – it's mostly being driven on the spending side of the ledger. The spending is going from about 20% of GDP, up to 24%, 25%, 26% of GDP. A large amount of that is driven, of course, by the health care and the demographic situation which we confront as a nation which is going to cause greater utilization of health care.

And I think the key here is, as we look at all these health care bills, we have to put in place systems within these bills, if we're going to pass health care reform, which are going to lead to a long-term reduction in the rate of growth of health care spending in this country. And so far we haven't seen that; at least we haven't seen it, in my opinion, in the House bill and we definitely didn't see it in the bill reported out of the Committee which I serve on, the Health, Education, Labor and Pensions Committee. In fact, we saw just the opposite. That bill increases spending by \$2.2 trillion when fully phased in over 2014-2023 and it increases spending by \$3 trillion over 2010-2029. That's spending; some of that is offset, but not much.

And as a very practical matter, you can't grow the government at that rate and catch your tail. You can't keep up with the debt that will have to be added because the cost is just too high. And we have to come at this from a different direction, in my opinion.

Now you have outlined to us the two themes which we should be pursuing, if we're going to effectively bend the out-year cost curve, in a letter to myself and Senator Conrad. And those two themes were 1) that we need to change our tax policy relative to the deductibility of health insurance, which makes obvious sense. If you're incentivizing people to over-utilize the system through the tax laws, you're driving up health care costs. And if you're looking for revenues to basically address the issue of uninsured, you should look within the health community and why should you be funding gold-plated health insurance policies?

And so I greatly regret that there is a movement to take off the table one of the two items that you, in your letter, pointed out to us was the most important for the purposes of controlling out-year health care costs, which is to basically make the deductibility of health insurance – high-end policies, especially – bring those into the debate. And we should not take that off the table because I think your counsel there is excellent.

The second item, of course, was that the reimbursement system has to change. There are a lot of different proposals out there to do that but I tend to think the best way to accomplish that is by incentivizing both the user to pursue healthy lifestyles and the provider to deliver quality at lower costs and the way you incentivize people is with cash, and creating a system which accomplishes that.

And so I thank you for your counsel in this area but I don't sense that your counsel is being taken. At least neither the House bill nor the bill reported by the HELP Committee address effectively the two points which you have made for bending the out-year cost curve of health care. And so I'll be interested in hearing what your thoughts are in that area, and we certainly appreciate your continued presentation to us of the information which is critical for us to make public policy decisions. Thank you.