BUDGET COMMITTEE
Judd Gregg, Ranking Member
http://budget.senate.gov/republican
Contact: Betsy Holahan (202)224-6011
Emma Post (202)224-2574

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Senator Gregg's Senate Floor Remarks
on Medicare Funding Warning Legislation
(unofficial transcript)

I recognize that much of the debate of the past two days has been about our status in Iraq and what we should be doing there relative to the two proposals by Senator Feingold. Clearly, the issue of how we fight terrorism and how we confront the threat of Islamic fundamentalism and its avowed purpose of destroying Western culture, and specifically targeting America and Americans, is probably the overriding issue which we as a nation must address.

But right behind that issue is the question of what type of nation we are going to pass on to our children, relative to the fiscal strength of our nation. And we confront an issue there which is as significant for the prosperity of our children as the issue of terrorism is relative to the security of our country. We are faced with a situation where, as a result of the pending retirement of the Baby Boom generation, three specific programs -- Medicare, Medicaid, and Social Security -- will grow at such exponential rates that they will essentially bankrupt our nation if we don't do something.

This chart reflects those three programs, the red line here, and their rate of growth. This black line across here reflects what has historically been the amount of money that the federal government has spent. The federal government has historically spent about 20% of the Gross National Product of America. These three programs alone by the year 2030 will cost 18% of the Gross National Product.

Try to put this in perspective: by the year 2030, when the Baby Boom generation is almost fully retired and is receiving its benefits, the cost of supporting that generation through Medicare, Medicaid and Social Security will be so high that if you put it in the context of what we traditionally spend in this government, we will have no money available to do anything. We'll have no money for national defense, no money for education, no money for laying out roads, no money for environmental protection.

And it doesn't stop there. The costs incurred continue to go up. By about the year 2050, we will have a situation where approximately 28% or more of the Gross National Product would have to be spent to support these programs. Then you have the additional programs of government. If that were allowed to occur, it would lead to a situation where our children and our children's children would be paying so much in taxes to support the costs of maintaining these three programs for my generation, the Baby Boom generation, that our children would essentially have no opportunity to send their children to college or to buy their first home or to live the prosperous and fulfilling lifestyle that we have today in America. It would be all those discretionary dollars that would be absorbed through taxes to support these programs.

To put it in a different context, with numbers which are almost incomprehensible, but which need to be pointed out, unfunded liability of Medicare, Medicaid, and Social Security is $66 trillion. That means, after you figure in all the money you paid for Social Security taxes and all the money you paid for health insurance taxes, the Medicare taxes, there's still an obligation on the books that isn't paid for that amounts to $66 trillion. That’s trillion with a "t."

To make it more comprehensible, if you took all the money paid in taxes since our country was formed, since we began, that's $42 trillion. That's all the money that's been paid in taxes. We have a liability on the books that exceeds all the money paid in taxes throughout the history of our nation.

To put it in another context, if you take all the assets of this nation, everybody's home, everybody's car, all your stocks, all your small businesses and you add them up, everybody's net worth, that amounts to $59 trillion. So we have a debt on the books that exceeds our net worth as a nation. That's called bankruptcy, and that's what we're headed towards unless we address this.

Now, this week the Administration, under a direction from the Congress, sent up a proposal to try to address the biggest part of this problem, which is the cost of Medicare. When we passed the Part D drug benefit for senior citizens, there was language put in that bill - which was passed on a strong bipartisan vote - that said that if the dollars that pay for Medicare come out of the general fund at a rate that exceeded 45% of the overall cost of Medicare, then the Medicare Trustees were to direct the President to make a proposal to bring the costs of Medicare back under control. It's called a trigger. That's what it's referred to.

And why was that language put in? It was put in because Medicare was always conceived to be an insurance program, even though it gets a fair amount of support out of the general fund, the general fund being those taxes that are used to operate the government generally, to pay the defense budget, to pay the education budget, to pay the environmental agencies, to pay the different activities that the government undertakes. That's the general fund.

Those funds were not supposed to be the funds that supported health insurance for seniors. Medicare was supposed to be an insurance program, as is Social Security, where the funds are collected from people working under taxes which you pay, which are withheld, and those funds are what are supposed to support Medicare. If you start taking money out of the general fund, it's generally acknowledged that you're basically creating an income transfer event or a redistribution of wealth event, where you're taking money from basically the general operation of the government and you're putting it into the support of people on Medicare who are retired. That was never the goal of Medicare.

And so recognizing that, but also recognizing that a brand new benefit was being put on the books that was fairly significant -- the drug benefit -- it was decided to put in place a law that said we want to keep Medicare as an insurance -- primarily an insurance event which a cost that is basically supported by the general taxpayers of America who need to support the regular operations of government -- defense, education, things like that. So this trigger was put in.

Well, we have now had the trustees evaluate the Medicare fund and they've concluded that in the seven-year window under the present projected spending patterns, Medicare's support, the dollars necessary to support Medicare, will require a call on the general fund that will exceed 45% of the general expenditures of Medicare. That's a serious issue, and it speaks to the larger issue of this unfunded liability question because Medicare makes up $34 trillion of the unfunded liability.

Remember the prior chart where I pointed out that there's $66 trillion. The majority of it is obligated to Medicare. So it's Medicare spending that is driving the problem which we confront, which was pointed out in this chart which shows we're headed towards a government that our children cannot afford and which will bankrupt our children unless we do something.

So this proposal that was put into the Part-D drug law and which the trustees direct the President is essentially to propose changes in Medicaid spending which will allow us to make the Medicare program affordable and continue it to be an insurance program. It is a fairly significant step if followed correctly, down the road towards reducing this out-year threat of a fiscal meltdown. And so it is critical that we heed the law that we passed and specifically the statement that has been made by the Medicare Trustees that the trigger must be exercised. The Administration has the obligation to end up a way to accomplish these savings.

Now, under the law, the Administration sends up its proposal, which is meant to bring the Medicare system back into balance, so that it's not taking more than 45% of the general fund, and that bill is then required to be introduced by the Majority and the Minority on the House and the Senate side. And the Chairman of the Finance Committee has introduced the bill, I believe, last night with myself as ranking member of the Budget Committee as the primary sponsor on our side. That doesn't mean that it's agreed to. It just means that under the law it has to be introduced. I happen to think what the Administration has sent up makes sense.

But what cannot be denied is that this problem is very real. I was extremely surprised, for example, to hear Senator Kennedy say that "the proposal sent up by the administration is dead on arrival... and the administration has trumped up a phony crisis in Medicare." Well, you tell me how $34 trillion of unfunded liability is a phony crisis in Medicare.

You tell me how the Medicare Trustees, who have a responsibility, the highest standard we have under law to protect the solvency of the Medicare trust fund, tell us how that law is being violated and that changes must occur, that that is a phony crisis. What is unfortunate is this burying the head in the sand approach that's being taken by the Majority party, as reflected by Senator Kennedy, in facing this issue. This issue must be faced. We need to act.

Now, what has the Administration suggested we do? They've suggested three basic things in order to bring this in line. First, and I just can't understand why anybody opposes this proposal, they have suggested that under Part-D, people with higher incomes pay higher premiums for the drug benefit.

Currently, high-income people pay a very small portion of the cost of the drug benefit compared to what they can afford to pay. So somebody like Warren Buffett, who qualifies for the Part-D benefit and is a national figure of some note and obviously has a fair amount of assets -- he is actually being subsidized, his part is being subsidized by John and Mary Jones who work at a restaurant in New Hampshire, or Biloxi and Susie Parker who work at a gas station. They're subsidizing Warren Buffett's drug insurance, his ability to buy drugs, which is totally wrong, and so what the Administration has suggested is that for people who have individual incomes over $82,000 and joint taxpayers who have incomes over $164,000 or approximately that amount, fairly wealthy people by American standards, they should pay higher premiums. They're still going to be subsidized by John and Mary Jones who are probably making a lot less than $164,000 working at the restaurant in Nashua, New Hampshire.

That's their first proposal. The second proposal they put forward is a proposal to increase efficiency of our health care system through health IT adoption, which means using technology to communicate more effectively the costs of health care and create a more integrated system and greater transparency in the quality of care delivered. We would get more effective information on what health care costs in order to drive better purchasing practices and we all know this is going to significantly improve the delivery of Medicare and all health care if we do this. And it's something that should be done and, therefore, is appropriate.

The third thing they've suggested is that we basically limit frivolous lawsuits that are driving up the cost of health care and actually driving some doctors in the area of OB-GYN’s out of the practice. We essentially adopt what's known as the California planning for medical liability insurance. Again, a very rational approach.

None of these ideas that the Administration has put forward are radical. None of them are even targeted in a way that would significantly affect very many beneficiaries. As a matter of fact, under the Part D means-testing proposal, 94% of Medicare beneficiaries won't be affected. Only the wealthiest 6% would be impacted and they should be impacted.

And so that proposal has been put forward. Three ideas, all of them reasonable, all of them initiatives which we should be able to accomplish, and which would, if undertaken, actually reduce this insolvency in Medicare dramatically.

Now, the Administration's three proposals aren't the beginning and the end of the process. I mean, anything can be on the table to try to get this resolved. But the fact is we need to resolve it. The trigger has been pulled. We are projected to go over the 45%. We need to act not only because of that, but because of, more importantly, this out-year problem. We have no right as policy-makers to pass our generation's problem on to our children, which is exactly what we're going to do if we don't act here. Our generation is the one that's creating the issue here because of the demands we're going to put on the system because we're such a large generation. We're in the position of government to change and address this. We should take that action. I certainly hope we can over the next few months.

Thank you, Mr. President, I appreciate the courtesy and yield.

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