



# Committee On Finance

Max Baucus, Ranking Member

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**Statement of U.S. Senator Max Baucus (D-Mont.)  
U.S. Senate Finance Committee Hearing  
on the FY2007 Budget for the Department of Health and Human Services  
(as prepared)**

In the Book of Deuteronomy, Moses told the Children of Israel:

“If there is among you anyone in need, a member of your community in any of your towns within the land that the Lord your God is giving you, do not be hard-hearted or tight-fisted toward your needy neighbor. You should rather open your hand, willingly lending enough to meet the need, whatever it may be.”

In our day, in our community, that job — the job of opening our hands to meet the need — falls most heavily on the Department of Health and Human Services. Today, we examine the administration’s proposals for how the Department should do that job.

And from the perspective of those in need, I find the administration’s priorities misdirected. Administration officials may well have had the needy in mind. But the administration’s proposals too often seem to extend a hand to someone else altogether.

Let me start with the administration’s health savings account proposals. Over the next ten years, the administration proposes spending \$156 billion on these accounts.

To receive the tax benefits of one of these accounts, a beneficiary would have to enroll in a health insurance plan with a high deductible. And who would make that choice? People who do not expect large medical expenses would be most likely to make that choice. These are not people with health needs. This is what health care analysts call “adverse selection.”

Encouraging healthier Americans to choose these accounts and high-deductible plans will make health care more expensive for those who stay behind in traditional coverage. Sick individuals who remain in traditional coverage are more expensive to cover. And since the new accounts will encourage healthy people to leave traditional plans, the premiums for everyone else in traditional plans will rise accordingly.

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Thus these accounts will lead to a weaker health care system, not a stronger one. As the magazine *The Economist* wrote: “[The administration’s plan] may speed the reform of American health care, but only by hastening the day the current system falls apart.”

Yes, these new health savings accounts would make an attractive investment. But who would chose to invest in them? People who already have wealth and savings who want a tax-sheltered home for those investments would make that choice. People who are scraping to get by — people in need — would not make that choice. These accounts would thus not be likely to add to net savings.

Yes, it makes sense that those who spend their own money — rather than their employer’s — will be more sensitive to the cost of their care.

But it is not easy for the average consumer — the average patient — to know which health care services are best. And greater transparency of price and quality information, while a good goal, will not solve this problem. Individuals overly concerned about the cost of care may cut back on cost-effective health care, like preventive care. If that happens, it will ultimately cost the health system more.

On the issue of Medicare generally, the administration’s priorities are again misdirected. For example, the administration would reduce payments to Medicare hospitals, home care, and nursing home providers, among others.

And yet the same budget would maintain current overpayments to Medicare managed care — Medicare Advantage plans.

Medicare Advantage plans are aptly named. The folks who offer these plans have a distinct advantage. Medicare pays them far more than it costs to care for the average Medicare beneficiary. And yet Medicare Advantage plans typically enroll healthier — and cheaper — Medicare patients.

Recognizing the unfairness of this system, the Medicare Payment Advisory Commission recommended several policies last year to reduce overpayments to Medicare Advantage plans.

The recently-enacted budget bill partly adopted one of MedPAC’s recommendations. But several others recommendations — including the elimination of a \$10 billion incentive fund for Medicare HMOs — were not.

I do not understand the administration’s rationale for overpaying private Medicare plans, while proposing cuts for other Medicare providers. Once again, the administration appears to help those who are not in need.

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I am also deeply concerned about the budget's proposal to give the administration authority to make across-the-board cuts in Medicare.

The administration is asking Congress to give it authority to cut all Medicare providers by four-tenths of a percent when Medicare spending reaches a certain threshold.

When we wrote the threshold into the new drug law, we created a process that would require thoughtful, targeted proposals, and not mindless sequestration. This proposal contradicts that intent.

The budget's Medicaid cuts are also misdirected.

The recently-enacted budget reconciliation bill, which I did not support, made deep cuts in Medicaid. The President signed it yesterday. The ink is barely dry. Now the budget proposes Medicaid cuts more than twice those just enacted — \$17 billion over five years. We should pause to ensure that we have not damaged our nation's safety net before Congress makes further cuts.

Many of the proposals would once again target the states. The provider tax and targeted case management services reductions concern me. States rely on these funds to provide vital services to nursing home residents and at-risk populations.

The Congressional Budget Office says that these cuts will adversely affect tens of millions of Medicaid beneficiaries. And yet the administration proposes more cuts in its budget.

The Department of Health and Human Services oversees critical programs that extend a hand to those in need. Yes, we must ensure that the Department does so wisely.

But let us start by making sure that we spend those dollars first on those in need. Let us make sure that we do not lavish benefits on those who are not. And let us wisely extend our hands to meet the needs in this good land that the Lord our God has given us.

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