



U.S. SENATE COMMITTEE ON

Finance

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Statement of Sen. Chuck Grassley, of Iowa
Chairman of the Senate Committee on Finance
Wednesday, March 14, 2001

It's wrong to mislead Americans into believing that we can't provide tax relief for hard-working families and protect Medicare and Social Security at the same time.

Over the next 10 years, \$3.8 trillion will be spent on Medicare. That's more than twice the size of any tax cut. Meanwhile, those who want to postpone much needed improvements to the Medicare program are using fuzzy math to perpetuate the hoax that Medicare is running a surplus. In fact, the kind of approach supported by Sen. Conrad and a majority of Democratic senators yesterday would short-change Medicare beneficiaries by splitting Medicare in half and leaving Part B of the program, including prescription drugs, unprotected.

In 1993, Congress voted to tax up to 85 percent of Social Security benefits and transfer those taxes into the Part A trust fund. In 1997, Congress voted to transfer the cost of home health out of the Part A trust fund into the Part B trust fund. Without these two actions, there would be no surplus in Part A. Medicare Part B will run a deficit of more than \$1 trillion over the next ten years, completely offsetting the \$400 billion surplus in Part A. Splitting Medicare in half would only further these accounting gimmicks and mislead seniors into believing Medicare is secure. We know that's not the case. And it's time to be honest about Medicare's financial condition.

The arguments made by those who want to delay action to strengthen and improve Medicare have another big problem. When you add Sen. Conrad's lockbox proposal to his debt reduction plan, you get \$3.8 trillion. That's \$700 billion more than we have in publicly held debt and \$1.5 trillion more than we have available to pay off. As a result, the government will be forced to invest this excess surplus in the private sector instead of securing it for the millions of beneficiaries who rely on Medicare and Social Security. Federal Reserve Chairman Alan Greenspan warned Congress against investing excess surpluses in the private sector as it could disrupt financial markets and reduce the efficiency of our economy. What's more, the Senate has already voted 99 to zero against allowing the government to invest the Social Security surplus in the private sector. So why would we do that with Medicare surpluses and deprive seniors of the health care they need?

This year we have a real opportunity to modernize Medicare, provide a universal and affordable prescription drug benefit, and put the program on a sound financial footing for seniors. We want to protect the Medicare surplus so it can be used for this purpose. We should avoid irresponsible proposals that lock away Medicare dollars and make them unavailable for improvements to Medicare. We shouldn't deprive seniors of what they need and want most: a strengthened and improved Medicare program.