



For Immediate Release

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Grassley Takes Careful Approach to Prescription Drug Coverage

WASHINGTON – Adding a prescription drug benefit to Medicare should be done in the broader context of modernizing the program, Sen. Chuck Grassley, chairman of the Committee on Finance, said today.

“While adding prescription drugs may be one of the most visible improvements to Medicare, it’s clearly not the only modernization necessary,” Grassley said. “We have an opportunity to strengthen and improve Medicare overall. And we owe it to the people who rely on Medicare, to the providers who strive to deliver high-quality care, and to the taxpayers who must foot the increasing costs of the program, to do that.”

Grassley’s comments came after a hearing that explored Medicare’s financial condition and the cost of prescription drug coverage. The latest findings include:

- ▶ Now, there are four workers for every Medicare beneficiary. By 2030, there will be only 2.3 workers per beneficiary. Baby boomer retirement will result in a doubling of beneficiaries by 2030. Therefore, as more beneficiaries enroll in Medicare over the next several decades, there will be fewer workers paying taxes to cover benefits.
- ▶ Medicare’s trustees’ report that to bring Medicare into balance over the next 75 years, benefits would have to be cut by 37 percent or revenues would have to be increased by 60 percent. That’s without adding a new prescription drug benefit.
- ▶ An accounting of Medicare’s financial condition must consider spending in both parts of the program -- Parts A and B -- rather than just Part A, especially since Part B is growing at five times the rate of Part A. Some observers fail to take in the whole picture, an approach Grassley said is intellectually dishonest.
- ▶ No one can be sure how much a prescription drug benefit will cost 10, 20 or 30 years from now. The Congressional Budget Office recently issued its new baseline estimate for drug spending by the Medicare population under current law, and it’s sharply higher than last year’s baseline. This level of uncertainty in drug cost projections makes it imperative that Congress is fiscally responsible and proceeds carefully in adding new benefits to Medicare.

Grassley said it’s important to recognize that Congress won’t shortchange Medicare beneficiaries to provide tax cuts, as some detractors argue. Over the next 10 years, the government will spend \$3.8 trillion on Medicare without adding any new benefits. That’s more than twice the size of any tax cut. “Prescription drug coverage is one of many improvements to Medicare that we need to carefully consider this year,” Grassley said. “It’s clear that we have a major challenge before us. But I’m committed to working with President Bush and my colleagues in the Senate and House to find viable solutions.”

