



Committee On Finance

Max Baucus, Ranking Member

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Contacts: Laura Hayes, Lara Birkes
202-224-4515

STATEMENT OF SENATOR MAX BAUCUS HEARING ON HHS FY 2004 BUDGET

We are pleased to have you here today, Secretary Thompson. This is the first Finance Committee hearing of the year to address health care and welfare issues.

We have a lot to talk about this morning. You have been very busy. You've put a lot of ideas on the table that have generated a lot of discussion. And quite frankly raised a lot of eyebrows. I expect nothing less from you, as I know you have an affinity for bold ideas.

I'd like to take this opportunity to lay out my concerns about the Administration's budget proposals – as they've been reported in the press – and talk about how we can move forward to find common ground.

First, on Medicare. Like many of my colleagues, I believe very strongly that a prescription drug benefit should be available to ALL Medicare beneficiaries. Including those who choose to remain in the current fee-for-service program. The administration's proposal, as I understand it, would not work for Montana or other rural areas.

Providing more choices to seniors in Medicare can be a positive development. In fact, I wish that seniors in my state had the option of enrolling in a Medicare+Choice program that provided prescription drugs at no cost or at a low cost.

I also agree that integrating a drug benefit with other medical services makes sense. But while the general notions of choice and integration might sound good, it is not necessarily the case that these policies are more efficient for the program.

Private plans have not fared well in Medicare up to now. Medicare+Choice plans have left the program in droves, despite our efforts to ease regulatory burdens and increase payments. An estimated 64 percent of beneficiaries are enrolled in plans that are paid at rates equal to – or above – current local fee-for-service rates. Some plans receive as much as 140 percent of fee-for-service payments. Yet plans are still leaving the program. That should not be a model for reform.

I would also stop short of advocating an FEHBP program for Medicare. For one thing, when people say that Medicare should be more like the Federal Employees' Health Benefit Program it is not always clear what they mean.

If that is shorthand for "premium support" or an attempt to phase-out or otherwise disadvantage the current fee-for-service program, then I cannot support it. But if it means that more choices will be available, and the same drug benefit will also be available to seniors under the current program, then there is room to talk.

As I've said publicly, I will support a private insurance-based drug benefit, so long as it includes beneficiary protections, a solid government fallback, and implements risk using a phased-in approach.

In short, I cannot support any proposal that would create an un-level playing field between private plans and the current fee-for-service program. The traditional program must remain a viable option for all Medicare beneficiaries

A final point on Medicare. When we talk about Medicare solvency, we must have an honest dialogue. I am concerned about the political rhetoric I've been hearing from the Administration that Medicare will experience a \$13 trillion shortfall over the next 75 years.

That assessment is inaccurate. It leaves out a significant source of Medicare funding – general revenue contributions – but it counts all of the spending. Part B is funded by general revenues and beneficiary premiums. This rhetoric should not be used to scare the public into swallowing undesirable reforms – particularly when none of the reforms on the table save any money.

Now let me turn to Medicaid. This is another area where the administration has proposed a far-reaching plan that has generated controversy and much discussion.

What states really need right now is fiscal relief. Whether for health care, social services, domestic security, or a one-time block grant. Without this assistance, states will be forced to cut Medicaid even further, cut other spending, and increase taxes. In the interest of our national economy, we need to help states.

Beyond that, I am open to talking about changes in Medicaid. Where do states need more flexibility? What other areas need improvement, clarification, or better accountability?

I think the administration's block grant proposal moves in the wrong direction. The proposal provides some additional dollars up front, but takes it back through a dramatic drop in federal funding.

Moreover, states opting into the program are locked in for ten years. Ten years in a program that would not account for any unexpected spending increases – for health costs, enrollment spikes, or prolonged economic downturns.

The capped federal funding would also limit state options to expand coverage in the future – when the financial picture improves. For beneficiaries, the proposal puts optional populations and benefits at risk. The term “optional” might sound like these people are less needy, but seniors with incomes as low as \$6,600 are considered optional. So is a 7 year-old in a family with an annual income of \$16,000.

And prescription drugs are an “optional” benefit – which is ironic, considering how hard we’re working to include prescription drugs in Medicare. Let me reiterate that I am open to working on improvements to Medicaid. But we should not throw the proverbial baby out with the bath water. This program is too important to too many people.

A couple of points on welfare reform reauthorization. We must get it done this year. Our nation’s welfare program cannot continue to be extended in three month increments. It’s too difficult for states to administer their TANF programs or prepare for any changes passed by Congress.

I strongly support welfare reform. Looking back, it was one of the best things we did in the last decade. Thousands and thousands of people have exchanged a monthly welfare check for a real paycheck.

I appreciate that the President has asked us to do better, and to try to reach families still on welfare. But I’m concerned the Administration’s proposal is too prescriptive. It would force my home state of Montana to scrap its successful welfare-to-work strategy.

According to the most recent data, Montana ranked first in the country in getting welfare recipients into jobs. We’d like to continue in that direction.

I also favor strengthening work requirements. But in a way that makes good sense. And in a way that gives states extra funding for any increased child care and transportation needs – so that we avoid another unfunded mandate. The last thing we want to impose on States right now.

And finally, I have questions about the Administration's foster care block grant proposal. When more than 30 States haven't passed the current safety standards, I am not sure it makes much to loosen oversight. We also must continue to promote and support adoption, as we did in the Adoption and Safe Families Act of 1997.

Mr. Secretary, thank you for coming this morning. I sincerely appreciate your continued service. We have a opportunity to make a difference in so many programs that directly affect people’s lives and well-being. I look forward to working with you, Mr. Thompson, with Chairman Grassley, and with the other members of this Committee, as we strive to meet the needs in this country – in a way that represents sound public policy.