



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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STATEMENT OF SENATOR MAX BAUCUS HEARING ON THE NOMINATION OF MICHAEL O. LEAVITT TO BE SECRETARY OF HEALTH AND HUMAN SERVICES

The Secretary of Health and Human Services (HHS) bears great responsibility. HHS runs Medicare, which covers over 40 million Americans and is at the heart of our compact with elderly and disabled Americans. Medicaid, the health care safety net for 50 million beneficiaries. And Temporary Assistance for Needy Families (TANF), which helps the neediest families among us.

But that's not all. HHS also administers day care and foster care. Initiatives to reduce drug dependency and prevent child abuse and domestic violence. And the Indian Health Service, which has awaited reauthorization since 2001.

As Utah's longest-serving governor, you earned a reputation as an innovator and a consensus builder. Those traits will be sorely needed as we move forward on critical issues in this Committee's jurisdiction. Starting with Medicare, I played a large role in the passage of the 2003 Medicare prescription drug bill. And I anxiously await HHS's publication of the final rule to implement major components of the law, particularly the following areas:

- The transition from Medicaid drug coverage to Medicare, for those who are eligible for both programs;
- Consumer protections to ensure access to necessary drugs;
- Rules for interactions between state pharmacy plans and Medicare;
- Rules for calculating payments to states, also known as the 'clawback';
- Rules related to employer subsidies for retiree drug coverage; and
- The rules governing access drugs for Indian populations and nursing home residents, among others.

Administrator Leavitt, when we met recently, you drew a parallel between implementation of the 2003 Medicare law and the stakes involved in staging a successful Winter Olympics in Utah. You said that implementation of this bill is the Olympics for this Administration. I could not agree more.

The 2003 Medicare bill is the largest expansion of Medicare since its enactment in 1965. And proper implementation of the new law will determine my level of continued support for it. Medicaid now surpasses Medicare in terms of number of beneficiaries enrolled and total spending. It has come under fire in recent years, especially from this Administration, as being

too costly, too tolerant of fraud, and too inflexible. Medicaid costs are growing. But mostly from an increase in enrollment and the same health care cost inflation that affects every insurance plan. In fact, Medicaid growth is lower on a per capita basis, than both Medicare and private insurance. We also hear that Medicaid is Cadillac coverage compared to the private sector. But keep in mind that unlike most private insurance, Medicaid covers long term care.

On fraud and abuse, CMS said last week that – based on solid, reliable data – \$119 million in total Medicaid spending was attributable to fraud in 2003. That is less than seven hundredths of a percent of total Medicaid spending. If I scored 99.93% on an exam, I'd hardly think of it as a crisis. The Administration believes that other program fraud and abuse exists, of course, and I am sure that is the case. But identifiable, calculable fraud is limited to \$119 million. That is a far cry from the \$20 billion cut in Medicaid that the Administration proposed in its 2005 budget last year. If forced to make cuts in Medicaid this year, we should all realize that it is unrealistic and misleading to say that we are simply cutting fraud and closing loopholes.

Regarding proposed Medicaid reforms, my views on the Administration's proposal to cap allotments are well known. Administrator Leavitt, I know that you understand my objections to this approach, because you opposed caps on federal Medicaid spending as Governor of Utah. Ironically, hard caps on federal Medicaid spending will reduce flexibility, not increase it. And it is this flexibility that has allowed a swift response to recessions, epidemics, disasters like 9/11, and dramatic treatment innovations.

I have also raised concerns about the Administration's use of 1115 waiver authority, designed to allow states to experiment and innovate in their Medicaid programs. I am all for innovation, and I am sympathetic to States' desire to experiment with novel approaches to cover the uninsured. But we must not undermine Medicaid in the process. And I do not believe that the 1115 waiver authority allows wholesale reform of Medicaid. The nonpartisan Government Accountability Office (GAO) agrees with my assessment. The GAO has identified key areas where this Administration has overstepped its statutory bounds in granting waivers. I expect the Administration to follow the law, and that has not been happening in the area of Medicaid waivers.

A couple of points on TANF which Congress has tried to reauthorize for the past three years. And which must be extended – yet again – before the end of March. I was an early supporter of welfare reform. And it has worked. Because it has worked, we should reauthorize TANF as soon as possible.

In my view, that means continuing our investments to support working families – through child care, education and training, transitional health care. And in Montana, TANF reauthorization also means continued assistance and flexibility for American Indian tribes. Montana had a successful welfare-to-work strategy. We should recognize that success. In other words, TANF reauthorization shouldn't be about "fixing a program that ain't broke."

Finally, I hope we can work together to address rising health care costs and the uninsured. The U.S. health system is the most expensive in the world – by far. We learned last week that spending on health care in the U.S. reached \$1.7 trillion in 2003 – or \$5,670 per person. And yet, 45 million Americans lack health insurance.

And our health care system affects the ability of U.S. companies to compete abroad. Also last week, GM announced that it was cutting about 8,000 jobs, in part because of rising health costs. In fact, I should note here that Medicaid enrollment increased by 7.5 million between 2001 and 2003 – in part because of the downturn in the economy, and in part due to

losses in employer-sponsored health coverage. If not for Medicaid, the uninsured rate would be even higher than it is now. So what can we do about the uninsured and rising health care costs?

On the uninsured, every major poll suggests that covering the uninsured should be at the top of the Congressional agenda. Yet, this issue always seems to take a back seat to other priorities.

I think we *can* make progress in this area. Maybe not sweeping reform, but we can address the problem incrementally. Starting with areas of general agreement. I believe that there is a consensus that we ought to start by covering low-income children and the poorest adults below 100 percent of poverty. I hope, Administrator Leavitt, that you will keep working on this issue, as I also pledge to do.

On rising health costs, we should continue to work on improving health quality. Americans receive appropriate, high-quality health care services only about half of the time. An estimated 270 people die each day in America as a result of medical errors. These numbers should shock us into action. We can take important steps this year to improve health care quality. I hope I can count on the Administration's support in that regard.

Before I close, I want to thank you, very much, for coming out to visit Libby, Montana as EPA Administrator. It meant a lot to me and to the people of Libby, who have suffered a great deal due to asbestos sickness. I hope that you will return to Montana in your capacity as HHS Secretary.

Mr. Leavitt, thank you for your continued service to our country. You come here with a great reputation. Not just as a Governor. Not just as an administrator. Not just as a political leader. But as someone who's creative. Who can think outside the box. And who can work with folks from all perspectives.

I look forward to working with you again this year, along with Chairman Grassley and my colleagues on the Finance Committee.