



Committee On Finance

Max Baucus, Ranking Member

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Statement of U.S. Senator Max Baucus Hearing on the Fiscal Year 2006 Department of Health and Human Services Budget

“Thank you, Secretary Leavitt. I realize your preference was to testify on the Department of Health and Human Services (HHS) budget in early March rather than mid-February. Thank you for accommodating us.

Before I begin, I’d like to address – briefly – an issue that’s been in the news a lot lately. That is, the issue of the cost estimates for the Medicare drug benefit. There has been a lot of speculation that the numbers have changed. That the estimated cost of the benefit has gone way up. And that HHS is engaged in some sort of cover-up operation again this year.

Mind you, I remain deeply troubled that the administration withheld cost estimates from Congress during negotiations on the Medicare bill. And I am bothered that Centers for Medicare and Medicaid Services’ (CMS) chief actuary was ordered to do so to keep his job. That was the wrong way to start implementation of this landmark bill. But regarding the latest controversy, I don’t see any. I’ve looked at the numbers, and my staff has analyzed the new estimates. The main story is that instead of counting eight years of drug benefits, we’re now counting ten.

Now, there might be more changes taking place behind the numbers. Changes in enrolment, in retiree coverage, in cost per beneficiary enrolled in Part D. I am still looking into the causes for these shifts. But the overall cost estimate is essentially the same as the one calculated by CMS in 2003.

I appreciate the concerns of my colleagues who were surprised by the numbers and who argue for revisiting the 2003 drug bill. But let’s keep in mind that we all knew covering prescription drugs for the Medicare population would be expensive. But we decided that it is critically important to provide drug benefits to the elderly and disabled. And that Medicare without a drug benefit made no sense. I’ll also note that cost estimates for the various bills debated ranged from around \$300 billion to \$800 billion. Again, we knew it would be expensive.

I still have many questions and concerns about the implementation of the bill. As I have stated before, I remain a strong supporter of this bill – as long as it is implemented as Congress intended. But for now, I believe that the controversy over the latest estimates is, at best, overblown.

Let me turn now to what I think is the most important topic of this hearing – the administration’s proposal to cut Medicaid by \$60 billion. We all want to make Medicaid more efficient. And we all want to root out fraud and abuse in Medicaid. I am willing to consider

improvements to Medicaid. I am open to talking about the need for more state flexibility. And I am open to talking about better accountability.

But I don't believe it's wise to cut Medicaid for the sake of meeting an arbitrary budget number. And I question whether these cuts should be labeled 'program integrity' without a better understanding of what states are doing, whether those activities are truly abusive, and what impact these cuts will have on the people who depend on Medicaid. To do so is just plain reckless.

Yes, Medicaid costs are growing. But that's mostly due to an increase in enrollment and the same health care cost inflation that affects every insurance plan. From 2001 to 2003, during the last recession, Medicaid added seven and a half million people to its rolls, 7.5 million who would likely be uninsured if not for Medicaid. This says to me that Medicaid is doing its job – growing to meet the need when times are tough. And even though Medicaid costs are increasing, just as in Medicare and the private sector, Medicaid growth is actually lower on a per-person basis. A recent study showed that Medicaid cost growth was 6.1 percent, compared to 12.1 percent for private coverage.

Another important factor in Medicaid spending – Medicaid picks up the tab for what Medicare should be covering. More than forty percent of all Medicaid spending goes to pay for long-term care, prescription drugs, other coverage and cost sharing for dual eligibles. Forty percent of the costs, even though these beneficiaries only make up about fourteen percent of all Medicaid enrollees.

The bottom line is this. 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. 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. Medicaid is too important to too many people. And program cuts or funding caps will have a real impact on real people.

And speaking of real people, I want to thank you again, Secretary Leavitt, for visiting Libby, Montana last year as the Environment Protection Agency (EPA) Administrator. They appreciate it, and so do I. But as you know, Libby still faces some serious health issues. I hope you will work with me to improve upon what we've already achieved in Libby.

Mr. Secretary, thank you for coming this morning, and thank you for your continued service. I look forward to working with you this year, along with Chairman Grassley and my colleagues on the Finance Committee.”

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