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**Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding Rising Costs in Medicare and Medicaid**

Eleanor Roosevelt once said, "One's philosophy is not best expressed in words; it is expressed in the choices one makes...and the choices we make are ultimately our responsibility."

Today the Finance Committee holds its fourth hearing examining the choices surrounding the budget and reducing the federal deficit. This morning we focus on our health care choices, specifically Medicare and Medicaid.

According to the Congressional Budget Office, 20 years ago, Medicare and Medicaid represented nearly 12.6 percent of total federal spending. By 2035, that number is expected to grow to about 33 percent, almost triple. For the continued health of Medicare and Medicaid – and the health of our budget – we must address this growth.

What is causing these two programs to grow so fast? The most significant contributor is rising health care costs.

For the past several decades, health care has been inefficient. Too often, physicians didn't coordinate care, seniors bounced between hospitals and nursing homes without being properly treated, and preventive services were underutilized. As a result, health care costs skyrocketed.

Another factor is our aging population. Nearly 80 million Americans are part of the "baby boom" generation and this year, they start to become eligible for Medicare. As a result, enrollment in Medicare will accelerate. In fact, 9,000 "boomers" turn 65 every day.

To slow the growth of Medicare and Medicaid, we have two choices: curb the growth of health care costs or shift the burden onto an aging population.

Health reform represents the first of these two choices. The new law reins in costs and makes our health care system more efficient. Reform begins to change how Medicare pays for health care. Instead of paying based on the number of services, Medicare now rewards doctors and hospitals for health care that delivers real results for patients.

It pays for quality versus quantity, and by investing in prevention, health reform saves money and saves lives. The health reform law also saves millions of taxpayer dollars by rooting out fraud and ending costly overpayments to private health insurance companies.

Thanks to these reforms, the health reform law resulted in the most significant deficit reduction in more than a decade. According to the non-partisan Congressional Budget Office, or CBO, health reform will reduce the deficit by \$210 billion in the next ten years, and by more than one trillion dollars in the decade that follows.

The House budget, on the other hand, makes the second choice. That budget ignores rising health care costs. Instead, it places the burden squarely onto the shoulders of seniors.

First, the House budget eliminates benefits seniors count on to pay for medicine they need. It re-opens the Medicare Part D coverage gap, known as the donut hole, which health reform finally closed. Eliminating this coverage would force seniors to pay more for the prescription medicines they need.

Second, the House budget would cut more than \$700 billion from nursing homes and other Medicaid services. States would be handed a block grant to run their programs with zero accountability. There would be no guarantee of nursing home access or other care for those who need it the most.

Finally, as the Wall Street Journal noted, the House Budget would “end Medicare as we know it.”

The House budget would end Medicare’s guaranteed benefits.

Instead, it would provide seniors with a voucher to purchase private insurance. Under this system, private insurance companies would be able to charge more based on a person’s age. And the voucher wouldn’t come close to meeting seniors’ needs.

According to CBO, “most elderly people would pay more for their health care than they would pay under the current Medicare system.”

How much more? The CBO estimates that under the House budget, the average 65 year-old would have to pay \$12,000 a year out of their own pocket just to receive the same benefits Medicare offers today.

It is clear that the health reform law and the House budget offer two distinct choices. Health reform makes our health care system more efficient and reduces costs. The House budget shifts costs to seniors and states.

So let us make the right choices as we work to reduce the deficit. Let us work together to protect seniors and reduce health care costs. Let us continue to improve our health care system to make it more efficient. Let us make the choices that reflect America’s priorities. And, to heed Eleanor Roosevelt’s advice, let us be responsible for the choices we make.

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