S. HRG. 111–1080

NOMINATIONS OF MICHAEL C. CAMUÑEZ, CHARLES P. BLAHOUS III, AND ROBERT D. REISCHAUER

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

ON THE

NOMINATIONS OF

MICHAEL C. CAMUÑEZ, TO BE AN ASSISTANT SECRETARY OF COMMERCE, DEPARTMENT OF COMMERCE; CHARLES P. BLAHOUS III, TO BE A MEMBER OF THE BOARD OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST FUND, THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND, THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, AND THE FEDERAL DISABILITY INSURANCE TRUST FUND; AND ROBERT D. REISCHAUER, TO BE A MEMBER OF THE BOARD OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST FUND, THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND, THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, AND THE FEDERAL DISABILITY INSURANCE TRUST FUND

JULY 29, 2010

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THURSDAY, JULY 29, 2010

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:16 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Conrad, Grassley, Bunning, and Roberts.

Also present: Democratic Staff: Bill Dauster, Deputy Staff Director and General Counsel; Alan Cohen, Senior Budget Analyst; Tom Klouda, Professional Staff Member, Social Security; Mary Baker, Detailee; and Ayesha Khanna, International Trade Counsel. Republican Staff: Stephen Schaefer, Chief International Trade Counsel; Nick Wyatt, Tax and Nomination Professional Staff Member; and Steve Robinson, Chief Social Security Advisor.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The hearing will come to order.

The distinguished former Senator and former chairman of this committee, the Senator from Kentucky, Henry Clay, said that, "Government is a trust, and the officers of the government are trustees; and both the trust and the trustees are created for the benefit of the people."

The three witnesses before the Finance Committee today have been nominated by President Obama to fulfill two goals. First, they must earn the trust of the American people, and, second, they must strive to benefit those people they serve.

Our first witness is Michael Camuñez. President Obama nominated Mr. Camuñez to be the Assistant Secretary of Commerce for Market Access and Compliance.

Welcome, Mr. Camuñez.

Mr. Camuñez, you have spent years working on behalf of American individuals, communities, and businesses. During the Clinton administration, you worked for the office that helped establish AmeriCorps. Not only did you serve our country by helping to implement this program, but you cleared a path so hundreds of thousands could serve.

As a partner in a large law firm, you spent many years advising American and other companies on how to do business in foreign countries, and resolving international disputes, and you most recently served as a senior adviser to President Obama.

Now, you have a new task before you. You must earn the trust of the American people anew. You must work with American companies to remove foreign barriers to U.S. trade and investment. You must be vigilant in enforcing the trade obligations undertaken by our trading partners.

You must strive to create new jobs by implementing the President's National Export Initiative and increasing U.S. exports. And you must assure that the NEI achieves real, measurable results. That is why I asked Commerce, USDA, and USTR for a report every 6 months on the results of the NEI, and I look forward to receiving the first report this September.

Your burden is large, but so are the potential benefits to American businesses and workers.

Our second and third witnesses are Charles Blahous and Robert Reischauer. President Obama has nominated them to be public trustees on the boards of trustees for the Social Security and Medicare Trust Funds.

On August 14, our Nation will celebrate the 75th anniversary of the Social Security Act. This year, the Social Security Trust Funds will pay out more than $700 billion to retired workers and their dependents, disabled workers and their dependents, and survivors of deceased workers.

Social Security has been a critical program. It has provided economic security to generations of Americans. In fact, were there no Social Security enacted, about one-half of all seniors would today be living in poverty.

It is a true cornerstone of the American economy. The Office of the Public Trustees has been vacant since the release of the 2007 trustees' report on May 1, 2007. So it is important that we act expeditiously on these nominations.

Both of these nominees are very familiar to this committee. Dr. Blahous was a staffer for Senator Judd Gregg and Senator Alan Simpson in the late 1980s and 1990s. Dr. Reischauer was a former director of the Congressional Budget Office from 1989 to 1995.

I must say, this committee has dealt extensively with the Congressional Budget Office.

Dr. Blahous and Dr. Reischauer, both of you have spent years working for the public interest, but you too have new tasks before you, and you too must earn the public's trust anew.

As public trustees, you will be responsible only to the public. You play an important role in the development of the annual trustees' reports for Social Security and Medicare. These reports tell the public the financial condition of the Social Security and Medicare trust funds.

In carrying out these tasks, you carry large burdens, but the potential benefits are crucial, obviously, for the American people.

I would like to welcome all three of you. I look forward to hearing from each of you as we proceed with this hearing, and I wish you the very, very best luck. It just seems that every year, times are a little more difficult than the preceding year, and problems are a little more complex than the preceding year.

I will not say that you are all adding new meaning to the term "masochism," but I am saying that you sure have a lot of work cut out for yourselves, and I compliment you in your willingness to take on these very difficult jobs.

We will begin with you, Mr. Camuñez.

Excuse me. Senator Grassley?

OPENING STATEMENT OF HON. CHUCK GRASSLEY, A U.S. SENATOR FROM IOWA

Senator GRASSLEY. I am not going to repeat what I have in my statement that Senator Baucus has said about each of your qualifications to serve in the positions you have been appointed to. I would make a couple of comments other than that, though, and one would be on the position of public trustees being created in 1983 to provide greater public accountability to the annual Social Security and Medicare trustees' report.

This position is intended to bring new ideas and fresh perspective about economic and demographic assumptions and methods used in the trustees' report. The credibility of the public trustees requires their active and independent involvement throughout the process of producing these annual reports. The knowledge and experience of both nominees deserve the full consideration of this committee as we determine their ability to fully and effectively participate in the process.

Then one other point I will make. There is another issue that will be discussed in this hearing, and that issue goes to the value nominees who appear before the committee and members of this committee place on the provision of true, accurate, and complete information to the committee by presidential nominees.

A situation arose and was disclosed to the full committee yesterday, where it appears that contradictory information was provided by an individual on the committee questionnaire versus what the nominee told bipartisan committee staff during a meeting that is routine for all nominees.

The decision to disclose this issue to the full committee was a bipartisan decision made by both the chairman and this Senator. I cannot speak for the chairman or any other members, but I plan to explore this issue in questions of the nominee.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Gregg, let me ask you your schedule. It is your choice. You can introduce your nominee now or——

Senator GREGG. I would appreciate that, Mr. Chairman.

The CHAIRMAN. Whatever you want to do.

STATEMENT OF HON. JUDD GREGG, A U.S. SENATOR FROM NEW HAMPSHIRE

Senator GREGG. Thank you, Mr. Chairman. I appreciate the courtesy of the committee and the ranking member.

I am here today to speak on behalf of Chuck Blahous, but I also want to join with the chairman in expressing my appreciation for the extraordinary efforts of Dr. Reischauer in his years of service to the country as the head of the CBO.

And I cannot think of two nominees who are better, stronger, and more capable to take on the job of the public trustee of the Social Security Trust than these two individuals. They are both uniquely talented, and I congratulate the President for his decision in choosing these two individuals.

I just wanted to speak briefly about Chuck Blahous. I had the chance to work with him. He was in charge of my staff, relative to legislative activities, for many years. He, while working for me, wrote this book—he alleged he worked for me while he wrote this book, “Reforming Social Security,” which is an excellent book that gets into the depths of Social Security.

He has been a Social Security expert, or expert on the process of the system of how we try to improve Social Security, for many, many years, and he has been an extraordinarily constructive player here in the Senate, especially on that issue, both when he worked for Alan Simpson and when he worked for myself.

I think that we are getting an incredibly talented individual here—two talented individuals in Robert Reischauer and in Chuck Blahous, and we are very fortunate to have these type of people being willing to serve.

I thank the committee for its courtesy, and I thank the chairman for your courtesy.

The CHAIRMAN. Thank you very much.

Senator Conrad, do you want to introduce——

Senator CONRAD. Please, if I could.

The CHAIRMAN. Yes.

OPENING STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. I thank the chairman very much. I thank Senator Gregg for being here for Chuck. Senator Gregg and I have a close working relationship on the Budget Committee, and I share his high regard for both of these nominees. They really are exceptional, both of them.

I am here to introduce Bob Reischauer and to strongly support his nomination to be one of the two public trustees of the Social Security and Medicare Trust Funds. He is absolutely an outstanding selection for this position.

I think the members of this committee know very well that he is one of the Nation's leading experts on Social Security and Medicare. Few know more about these programs and their importance to the American people than Bob does. And few people know more about the steps that will be needed to ensure that Social Security and Medicare remain strong and viable for future generations.

Bob Reischauer is someone who not only understands the most detailed elements of these programs, but, just as important, he understands how they affect real people.

Bob's resume is extraordinarily impressive. He is currently serving as president of the highly respected Urban Institute. He also served as a senior fellow in the economic studies program at the Brookings Institution.

We remember Bob in his service as head of the CBO, and in that position, he served with great distinction. He headed CBO from 1989 to 1995. He is widely recognized as one of the best directors of CBO ever.

During the health care reform debate of the 1990s, he was willing to make the tough calls and tell the tough truths, even when it was not popular and even when it was not comfortable to do so. He exemplified CBO's high standard of independence that remains strong today.

He holds an undergraduate degree from Harvard, and a Ph.D. in economics and a master's in international affairs from Columbia. He has written extensively on the Federal budget, health care reform, Social Security, and Medicare. He served as vice chair of the Medicare Payment Advisory Commission and as chair of the National Academy of Social Insurance's project on restructuring Medicare for the long term.

Simply put, I do not think there is anyone better qualified to serve as a public trustee of Social Security and Medicare than Bob Reischauer. I strongly support his nomination and urge the committee and the Senate to act expeditiously on his nomination.

And, if the chairman would just permit, I would just like to say I also have high regard for Chuck Blahous, who has served with distinction with both Senator Gregg and Senator Simpson.

He enjoys a stellar reputation among our staffs, as does Bob Reischauer. We are very fortunate, as Senator Gregg said, to have people of this character and this quality willing to serve in these very demanding positions.

I thank the chair and thank the committee.

The CHAIRMAN. Thank you, Senator. I think we all agree that these are stellar people, but now that you have spoken, their standards have been raised a little higher. So we expect even more from the nominees.

I will begin first with Michael Camuñez. Why don't you begin first?

Michael has been nominated for Assistant Secretary of Commerce for Market Access Compliance.

STATEMENT OF MICHAEL C. CAMUÑEZ, NOMINATED TO BE AN ASSISTANT SECRETARY OF COMMERCE, DEPARTMENT OF COMMERCE, WASHINGTON, DC

Mr. CAMUÑEZ. Thank you, Chairman Baucus, Ranking Member Grassley, and members of the committee. It is a distinct privilege to be here with you today as President Obama's nominee to be the Assistant Secretary of Commerce for Market Access and Compliance.

I am deeply grateful for the privilege I have had to serve the President these last 20 months at the White House, and I am honored and humbled by the confidence that he has again placed in me.

I would also like to thank both Commerce Secretary Gary Locke and Under Secretary Francisco Sanchez for their leadership and support of my nomination.

I have never felt more excited about the opportunity to serve my country than I do today. My passion for public service was instilled in me by my late mother, Mary Agnes, who, as a single parent, raised me to believe in myself, have a heart for others, and a desire to serve my community and my country. I want to thank her publicly for her love and her extraordinary example.

I also want to thank other members of my family, including, above all, my partner of 11 years, Steven Means, who is here with me today, for his tireless support and encouragement and acknowledging the tremendous blessing that he has been in my life.

I have many others, Senators, to recognize for their love and support, including my family and friends back home in California and my many friends and colleagues who are here with me today. There are too many to name, but I would like to express to them all that I am extremely grateful for their support and encouragement.

Senators, if I am confirmed, I will have the great privilege of leading the talented men and women who comprise the Market Access and Compliance Division of the Department of Commerce.

MAC, as it is known, plays a mission-critical role in supporting the Department's work in at least two respects. First, it is the chief advocate for U.S. companies and businesses abroad that encounter barriers to trade that keep them from competing fully and fairly in international markets. Second, MAC ensures that our trading partners meet their obligations and commitments under an array of bilateral and multilateral trade agreements and protocols that govern the flow of commerce internationally.

As the President has said, realizing the benefits of free trade means enforcing those agreements so our trading partners play by the rules.

If confirmed, Senators, I will be guided by three basic priorities in my leadership of MAC. First, I will ensure that MAC's work is prioritized and focused to support the goals of the President's National Export Initiative, which he launched in his State of the Union Address this past January. If confirmed, I will work to ensure that MAC's efforts are strategically focused to identify, address, and resolve those non-tariff barriers in existing and emerging markets that will increase U.S. exports and, by extension, U.S. jobs.

Second, if confirmed, I will ensure that MAC will help lead the effort to expand U.S. market share in targeted priority jurisdictions, like China, Brazil, and India, and, equally important, in other key emerging markets. Specifically, if confirmed as assistant secretary, I will co-chair the Next Tier Countries Working Group that is part of the NEI that will lead and develop new commercial engagement strategies for six priority emerging markets that have the greatest promise for increased U.S. exports, especially in high-growth sectors.

Third, if confirmed, I will work to deepen and expand MAC's efforts to facilitate dialogue and collaboration with the private sector to ensure that MAC is a critical ally in advancing U.S. commercial interests abroad. I will also ensure that MAC works hard to address the unique needs of small and medium-sized enterprises, since small business, as you know, is a major driver of economic growth and is, to date, severely underrepresented among U.S. exporters.

Because the economic and strategic challenges the country faces are great, MAC's agenda must be multidimensional and interdisciplinary, working closely in an integrated fashion within the Department of Commerce and across numerous Federal agencies with shared responsibilities.

I feel especially motivated to tackle this important challenge, in part, because I have spent a good part of my professional career working with and representing U.S. companies on similar issues and challenges.

As a partner in a leading international law firm, I have counseled companies on an array of issues, including especially the challenges and risks of doing business abroad in foreign markets.

In addition, as a special assistant to the President and later, most recently, as special counsel to the President, I have had the great privilege of working with many of the leaders who, if I am confirmed, will be my partners in addressing these myriad issues on behalf of the United States.

In conclusion, Mr. Chairman, I would like to thank you and this committee for the opportunity to be here today and for the great privilege of being considered by this body for this important position of trust and responsibility.

If confirmed, I look forward to working closely with you and your staff to restore the American economy and rebuild American jobs by aggressively promoting a balanced and reinvigorated trade agenda.

Thank you very much.

[The prepared statement of Mr. Camuñez appears in the appendix.]

The CHAIRMAN. Dr. Blahous?

STATEMENT OF DR. CHARLES P. BLAHOUS III, NOMINATED TO BE A MEMBER OF THE BOARD OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST FUND, THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND, THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, AND THE FEDERAL DISABILITY INSURANCE TRUST FUND, WASHINGTON, DC

Dr. BLAHOUS. Thank you, Mr. Chairman, Senator Grassley, and members of the committee. Thank you for the very kind introduction and the very warm welcome.

Obviously, I am tremendously honored to be here, nominated to serve as one of the two public trustees of the Social Security and Medicare programs.

As you noted, Mr. Chairman, in my personal case, this proceeding is especially humbling, because I served here in the Senate as staff for 11 years, most recently with Senator Gregg—before him, with Senator Simpson—and there were times when I was on that side of that dais facing this way. I certainly never imagined that one day I would be facing the committee from this side of the table and in this context. So this is very humbling, indeed.

I would like to begin by thanking Senator Gregg for the very warm words of introduction and for his support throughout my professional career. I learned a tremendous amount from Senator Gregg over the years. I think it is fair to say that I would not be sitting here today if it were not for his tutelage and the example that he provided in public service.

I would like to thank President Obama, as well, for the great honor of placing my nomination before the Senate. I also want to thank the Minority Leader, Senator McConnell, for the trust he placed in me in putting my name forward for consideration for this position.

Finally, but certainly not least, I would like to thank my wife, Jill, and my daughter, Juliana. Unfortunately, they could not be here today, but they are with me in spirit, and they have given me constant support and have sacrificed a lot for my career in public service, and I have been very fortunate and very blessed to always have my family with me with each new challenge.

Mr. Chairman, the Social Security and Medicare programs are perhaps the most important domestic programs the Federal Government has ever established. As you noted in your introduction, they are vital to the economic security of millions of Americans today and in the future, and the trustees play an indispensable role, in my view, in equipping the Congress and the administration with the information that policymakers require to enable these vital programs to function as they desire.

I have been given many opportunities over the years—as staff, first in the Senate and, later, staff within the White House—to learn a lot more about how these important programs function and the fiscal challenges facing them.

I staffed Senator Simpson in his work with the Kerrey-Danforth Commission on Entitlement and Tax Reform. Later, I staffed Senator Gregg when he co-chaired the National Commission on Retirement Policy. And in 2001, I served President Bush as the Executive Director of his bipartisan Social Security Commission.

All together, this means I suffered through three bipartisan commissions in less than a decade. But the experiences were very fruitful. They certainly provided me with many opportunities to gain a deeper understanding of the finances of these programs, and I also feel that they gave me very important experience and practice in working with the combined analyses and insights of wonderful teams of bipartisan and nonpartisan scorekeepers and analysts; and, in particular, I have been very fortunate over the years to learn a lot from the very able nonpartisan staff who served in the Social Security Administration.

Mr. Chairman, as you indicated in your remarks, the trustees' primary role is to provide the best available fiscal information and, thus, provide for the appropriate accountability to the public, and to policymakers as well.

These trustees' positions were created as part of the comprehensive Social Security Amendments of 1983. And, if you go back and read what people said at the time, there were frequent references made to this need for external review of the projections.

Basically, there was a recommendation from the Greenspan Commission, later followed by the Congress, to establish these positions to provide for the appropriate external bipartisan review of the finances.

Now, obviously, forecasting is an imperfect science. None of us has a crystal ball. But I do believe that the trustees' work to date has been consistent with these ideals of accountability and objectivity, and it has operated within the finer traditions of public service.

Were I to receive the honor of being confirmed by the Senate, the process would be joined by someone who is a long-time believer in its propriety and its importance and quality.

Every year, the trustees make projections that are based on a variety of assumptions—assumptions having to do with trends in fertility, longevity, worker productivity, price inflation, real wage growth, all with different variables that bear upon the Social Security and Medicare projections—and public confidence in these projections rests, in large part, on whether these projections and assumptions are regarded as reasonable and objective.

To assist them in achieving this ideal, the trustees have traditionally drawn from a broad variety of expert sources—first and foremost, the offices of the Social Security Actuary and the CMS Medicare Actuary. There are periodic technical panels that have been convened by the Social Security Advisory Board to advise the trustees on assumptions and methods, and there is also a process of a fairly routine ad hoc consultation with analysts at other scorekeeping agencies, such as the Congressional Budget Office.

Now, obviously, no such process can claim perfection, and there is no basis for claiming that the projections are perfect. But my observations over the years have given me a very enduring abiding respect for the ethic by which the trustees' work has always been conducted.

The projection methodology should, obviously, be subject to continual review and improvement and refinement, and certainly criticism and debate. But I believe the ethic of the process has served the public very well and that it reflects enormous credit upon Congress for having established it.

If I were confirmed, I would look forward to contributing, to the best of my ability, to the trustees' process and to maintaining public confidence in these vital reviews of Social Security and Medicare finances.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Blahous appears in the appendix.]

The CHAIRMAN. Thank you very much.

Dr. Reischauer?

STATEMENT OF DR. ROBERT D. REISCHAUER, NOMINATED TO BE A MEMBER OF THE BOARD OF TRUSTEES OF THE FEDERAL HOSPITAL INSURANCE TRUST FUND, THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND, THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND, AND THE FEDERAL DISABILITY INSURANCE TRUST FUND, WASHINGTON, DC

Dr. REISCHAUER. Mr. Chairman, Senator Grassley, members of the committee——

The CHAIRMAN. It is a little weak there, Bob. I do not know if you have it on.

Dr. REISCHAUER. The light is on.

The CHAIRMAN. Now I can hear you, too. Thank you.

Dr. REISCHAUER. Mr. Chairman, Senator Grassley, members of the committee, I am honored to have been nominated by the President to be one of the two public trustees, and I appreciate your willingness to review my qualifications for that position.

I also want to thank Senator Conrad, as well as the chairman and the ranking member for the kind words at the beginning of this hearing.

As you know only too well, Social Security and Medicare are vital elements of the Nation's social and economic fabric, providing essential financial support and access to medical care to millions of people.

Not surprisingly, these programs are very popular, representing, as they do, components of an intergenerational compact that binds together those of different ages, economic circumstances, and social situations. Social Security and Medicare are also two of the government's largest programs, and so they are very important to the economy, and they loom large in our Federal budget.

Given their importance, it is critical that the financial and operational integrity of Social Security and Medicare be unimpeachable. It is also essential that the public retains trust in these programs and their continuity and has a balanced understanding of the challenges that lie ahead.

While little recognized, the public trustees bear important fiduciary responsibilities for the two programs. On behalf of the public, the two trustees must help assure that the methods, assumptions, and data used to estimate the short, intermediate, and long-term financial and operational positions of the programs are objective and the best possible.

Trustees also have an obligation to help communicate in a balanced and intelligible way to the average program participant the current status and the future prospects for these programs.

Let me just review some aspects of my professional experience that bear on my suitability for these responsibilities. I have spent the last 4 decades as an economist and a policy analyst, focused on social policy, the Federal budget, and health care. Much of my research, writing, and speaking has dealt with the Social Security and Medicare programs.

With Henry Aaron, I wrote a book called "Countdown to Reform" back in the late 1990s. That was revised in 2001. And, during the efforts to reform Social Security in the late 1990s, I participated in numerous forums and was invited to meet with many members of Congress and committees to discuss various options.

In January of 1999, I was one of the two resource experts that was invited to participate in the Blair House Social Security Summit meeting between the President and the congressional leadership.

I am a founding member of the National Academy of Social Insurance, which is an organization that promotes understanding of Social Security and Medicare and other social insurance programs and how they contribute to economic security and a vibrant economy.

As Senator Conrad mentioned, I served 9 years as the Chair of the National Academy's Restructuring Medicare for the Long-Term project. I am a member of the Institute of Medicine and have served on four of its panels.

I served for 9 years on the Medicare Payment Advisory Commission, 7 of those as the Vice Chair, and I was a member of the Medicare Competitive Pricing Advisory Committee, which Congress chartered to explore ways that competitive bidding might be used to set Medicare payments to private plans.

My entire professional career, including my years as Director of CBO and president of the Urban Institute, has been dedicated to providing policymakers, the public, and the media with objective, high quality, nonpartisan analysis on options for dealing with the challenges facing the Nation, including those facing Social Security and Medicare.

I realize that the position of public trustee does not involve policymaking nor advising, but as this review indicates, I am intimately familiar with the technical detail of these two programs and how they fit into the larger policy picture.

Thus, I have the ability, I think, to carry out the fiduciary, methodological, and technical responsibilities of a public trustee and, if confirmed, will carry out these duties with the seriousness they demand.

Thank you.

[The prepared statement of Dr. Reischauer appears in the appendix.]

The CHAIRMAN. Thank you, Dr. Reischauer.

I have three standard questions which I am obligated to ask all nominees, and I will ask all three, then I will just go down the row here and have each of you indicate your answer.

First, is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. Camuñez?

Mr. CAMUÑEZ. No, sir.

Dr. BLAHOUS. No, sir.

Dr. REISCHAUER. No.

The CHAIRMAN. Thank you. Second, do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. CAMUÑEZ. No, sir.

Dr. BLAHOUS. No, sir.

Dr. REISCHAUER. No.

The CHAIRMAN. Thank you. Third, do you agree, without reservation, to respond to any reasonable summons to appear and testify before any duly constituted committee of Congress, if you are confirmed?

Mr. CAMUÑEZ. Yes, sir.

Dr. BLAHOUS. Yes.

Dr. REISCHAUER. Yes.

The CHAIRMAN. I forgot to ask. Do any of you want to introduce family? Mr. Camuñez, do you have family here with you?

Mr. CAMUÑEZ. I do, Senator, and I appreciate that opportunity.

The CHAIRMAN. Introduce them, please.

Mr. CAMUÑEZ. I will. I am joined today, actually, by my partner of 11 years, Steven Means, who is here with me, and I have a lot of extended family in the room, including Nancy Rubin and others who are too many to name. But I appreciate the opportunity to acknowledge them. And I know that, after the fact, there will be many members of my family in California who were not able to be here, including my younger sister, Melissa, and brother-in-law, Jordan, and others, my niece, Mila, whom I want to acknowledge and thank publicly for their love and support, and I know they wish they could be here. And I appreciate the opportunity to publicly thank them and acknowledge them, Senator.

The CHAIRMAN. You bet.

Dr. Blahous, you mentioned your family is not here, but I give you the opportunity to say anything more about them, if you want.

Dr. BLAHOUS. Well, I have been very fortunate to be supported by a wonderful family, my parents, my sisters, certainly, my wife and daughter, and I appreciate the opportunity to thank them publicly.

The CHAIRMAN. You bet.

Dr. Reischauer?

Dr. REISCHAUER. My family is thousands of miles away at this point, but as anybody working on Capitol Hill, as I did, knows, a lot of one's success depends on a very understanding family, which I have had.

The CHAIRMAN. First, a couple of questions for you, Mr. Camuñez. I appreciated your statement that you are going to make sure that MAC plays a key role in working with small and medium-sized American business.

Could you expand on that just a little bit? What do you have in mind?

Mr. CAMUÑEZ. Well, Senator, thank you. First of all, I want to express that, coming from California, where small business is a major driver of the California economy, which, as you know, is one of the largest—if it were an independent economy, it would be one of the largest economies on the planet—I have a keen appreciation for how important small business is to the U.S. economic recovery. When you consider the fact that only 1 percent of companies generally are exporting, and, of those, a very tiny percentage are small and medium-sized enterprises, there is enormous opportunity to grow the economy through small business exports.

It is a major priority for the International Trade Administration, of which MAC is a part, and for the Foreign Commercial Service.

One of the things that I would like to do, if I am confirmed, Senator, is follow the lead that Ambassador Kirk set over at the U.S. Trade Rep's office and do an assessment of what resources we do have and that we are deploying to support small and medium-sized enterprises.

As you undoubtedly know, there will be an important SME ministerial as part of the APEC conference in Big Sky, MT. If I am confirmed, I will have the privilege of co-chairing that, convening in your home State.

And through forums like that and other opportunities, through bilateral exchanges and multilateral dialogues, I want to make sure that we are always looking out for the interests of small business.

I also think it is important that we understand that oftentimes small business does not have the same resources that large corporations do, and this is especially important in the area of innovation and the protection of intellectual property rights.

So I want to continue to encourage and pursue initiatives in Market Access and Compliance and ITA generally that help small businesses understand how to protect their intellectual property so that they can compete on a level playing field abroad.

There are many other things to be done, Senator, but those are a few of the initiatives I would like to pursue, if confirmed.

The CHAIRMAN. I appreciate that. Small business just does not get the support generally that I think it deserves, and I urge you to be even more aggressive than you otherwise might be to help in that regard.

Mr. CAMUÑEZ. Will do, Senator.

The CHAIRMAN. Second, I have asked Secretary Locke, Secretary Vilsack, and Ambassador Kirk to come up with measurable results in achieving the President's objective of doubling exports in the next 5 years. They said they would do that.

As I mentioned in my comments, the first report is due in September. So you can help your boss by helping him get that data.

Mr. CAMUÑEZ. If confirmed, Senator, I look forward to that.

The CHAIRMAN. So we can stay on track.

Let me ask the other two of you here. What do you see your role as public trustees—how does that differ from the roles the other trustees have who are not public trustees? I would like to ask each of you if you see any difference.

Dr. BLAHOUS. Well, I would just say I think there are certainly some duties that all the trustees have in common. It is a collective responsibility of the trustees to review the assumptions that the Social Security and Medicare actuaries have put together and generally determine whether or not they believe them to be the most reasonable, most objective assumptions that could be used in putting together the reports.

I do think there is a bit of a distinction with the public trustees simply because of the history of the trustee's positions. The public trustees, I think, bear an additional responsibility to the public in a number of respects.

One is, they are basically the outside pair of eyes. The reason they were added in 1983 was largely because there had been a concern about whether or not the projections in any way were being shaded or reflective of the near-term needs of elected officials.

In the 1970s and 1980s, there had been a couple of times when projections for the program had unraveled relatively quickly, because they were perceived as being too rosy after the fact. And one of the things that happened with the 1983 reforms is, they said, let us put the program on a long-term footing, on a stable long-term footing, but also have an extra pair of eyes looking at these projections and making sure that they really are the best available projections.

The CHAIRMAN. Dr. Reischauer, do you have a comment on that question?

Dr. REISCHAUER. I regard this as an objective perspective provided by two individuals who are not part and parcel of the administration. We also will serve as conduits for individuals at universities who might not have ties with the actuary's office or with the other trustees to feed in suggestions.

There are official advisory commissions which try to gather this kind of information, but they are not always capable of absorbing the breadth of views that are out there.

I think several of you mentioned that it is important for the public to have trust in these programs and in the integrity of the estimates that are being provided, and the public trustees can help in that process.

The CHAIRMAN. My time has expired here, but I'd like to make one observation. With our Nation's large deficits, publicly held deficits, and with the establishment of the Deficit Commission, many people think that the answer to reducing the deficits is not only in the revenue side, but on the spending side and entitlement side, and you are going to be called on, I am sure, many, many times to provide at least analysis of various different alternative ways to address that.

I appreciate that you are not supposed to be in a policy position or advisory position, but you are certainly both extremely knowledgeable of those programs, and I suspect that we will be talking to each other in many, many ways.

I am a member of that commission, and it is daunting as to how we are going to get our deficits under control in a way that does not stifle economic growth, in a way that does not impede our coming out of this recession right now, too.

So, thank you for your service.

Senator Grassley?

Senator GRASSLEY. Dr. Reischauer, the Senate Finance Committee has a statement of information requested of nominees. One of the questions we ask is, "Have you paid all Federal, State, local, and other taxes when due (including extensions) for each of the past 10 years? If not, provide detail."

Part of your response to this question reads, "In 2009, I discovered that, due to an oversight by me, I failed to report rent income from a farm my wife and I purchased in Canada in 2004. I filed amended Federal and State returns for 2004 through 2008 and paid the tax due. Although I believe that the various expenses associated with ownership of the farm actually exceeded the rental income in each of those 3 years, I chose not to calculate these expenses when I filed my amended returns."

During a meeting with the Finance Committee bipartisan nominations staff, you apparently stated that the decision not to report this farm income in the first place was deliberate. Furthermore, you apparently stated that you regretted informing the White House of this situation, as the White House then encouraged you to file the amended tax returns to report the farm income.

Is your statement on the nominee questionnaire inaccurate, or are the comments you made to the bipartisan committee staff inaccurate, or is there another explanation for the discrepancy?

Dr. REISCHAUER. This whole issue was completely—I did not face this issue until I was asked by the White House to consider this position and I raised this with them.

I, at that point, had—this was a very complicated situation in the sense that, in 2004 I bought this farm, which was adjacent to my parents-in-law's cottage. The Province of Prince Edward Island has very strict limits on land ownership, and part of the deal for having us able to buy more than 5 acres of land—this is 100 acres—was that the land be kept in agricultural or natural production.

There was an informal agreement between the previous owner and the land farmer to grow soybeans and potatoes on the land. I had sort of no perception of this at all and had no idea when I bought the land whether this was going to continue or not.

As I said, this is a very informal economy up there. It is the kind of situation in which the individual leasing the land hands my wife a check in the supermarket line, which she deposits in a Canadian bank.

I do my taxes. I take out Turbo Tax. I look at what I did last year and do it—never even thought about this until this issue came up. And the White House, appropriately, suggested that I should take account of this.

To give you some idea of what is involved here, in the last year that this arrangement—I have ceased to do this—existed, I received $800 Canadian for leasing the land. The agricultural equipment goes down a common driveway and ruins it in the spring, and I have to pay for road repair, which cost me $1,260 that year.

I have to have the fields that are fallow Bush Hogged, and that costs $300 or $400. And I have the forest trimmed around these fields and some fence repairs. So my guess is the costs associated with doing this are 2 to 3 times what the income is.

When I was having this discussion, I thought it is not really appropriate to have—and this is a mistake on my part—appropriate to have my U.S. taxes reduced because of this basically summer home.

But as I said, as the Senator pointed out, I subsequently amended my tax returns. I chose not to take any of the expenses that were associated with this and paid it as if there were no expenses.

Senator GRASSLEY. Here is what I will do. I was going to have a lot of other questions, but I am going to review what you just told us and the extent to which my questions have not all been answered, I will ask for answers in writing.

Dr. REISCHAUER. I will be glad to answer them.

Senator GRASSLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bunning?

Senator BUNNING. Thank you.

Dr. Reischauer, let me get this straight. You have a Ph.D. in economics, correct? You were director of the Congressional Budget Office from 1989 to 1995. You want a job where you would be a trustee for trillions in debt obligations that are financed by payroll taxes. That is the current job that you have been nominated for.

Did you not understand your basic responsibility under the law to report income on all of your tax returns?

Dr. REISCHAUER. I certainly understand the obligation, Senator.

Senator BUNNING. You claim you thought you did not have to report the income because you had expenses that would cancel out your tax liability or generate a loss. But how would you know this for certain without writing down the income you earned on the tax return, adding up the expenses, and deducting them?

Did you just guess at the totals?

Dr. REISCHAUER. No. We are talking about three or four elements here, and I just went through them.

Senator BUNNING. Yes, but how did you come about not knowing exactly what you had as income and what you had as expenses? I mean, I do not have a Ph.D., and I am responsible. So I give it to somebody who knows what the heck they are doing with taxes.

Dr. REISCHAUER. Well, as I said, this—I did not think about this until a year ago in the spring, number one. Number two, when I did, at that point, it is not hard to add $400 and $200 and $1,200 and figure out——

Senator BUNNING. I understand.

Mr. REISCHAUER [continuing]. whether they are greater than $800, the sum is greater than $800.

Senator BUNNING. Then you did not keep an accurate record of all expenses connected with renting out the farm. And would you be willing to share those records, if you have any, with the committee?

Dr. REISCHAUER. This is rural Canada and——

Senator BUNNING. No, no, no. You—you are the person responsible, not rural Canada.

Dr. REISCHAUER. No. What I was going to say is virtually all of these transactions occur between me or my wife, and lobster fishermen——

Senator BUNNING. Sir, did you file——

Mr. REISCHAUER [continuing]. Who work for cash.

Senator BUNNING. Did you file a U.S. tax return——

Dr. REISCHAUER. Yes.

Senator BUNNING [continuing]. In those years?

Dr. REISCHAUER. Yes.

Senator BUNNING. All right. That is what I wanted to find out. If you truly thought that you did not have to report the rental income, then why did you believe you had to inform the White House about your failure to report it?

Dr. REISCHAUER. The White House, I think, is careful under all administrations to ask questions about all sorts of aspects of one's financial and other interactions, and we were going through hundreds of questions, and this one came up.

Senator BUNNING. All right. Then why did you tell the Finance Committee staff in your meeting with them that you were sorry you told the White House about your failure to report the income?

Dr. REISCHAUER. Well, I do not recall my exact words in that sense.

Senator BUNNING. Well, they have it recorded. I would not be——

Dr. REISCHAUER. No, no. I am not——

Senator BUNNING. I would not be asking unless there was a bipartisan staff report.

Dr. REISCHAUER. Well, once again, if I had put together the full expenses and income and filed that way, I would have gotten a refund.

Senator BUNNING. That is fine.

Dr. REISCHAUER. Well, no, excuse me. This takes a whole lot of time to do. It is very complicated.

Senator BUNNING. Every American has to do it.

Dr. REISCHAUER. I do it.

Senator BUNNING. But you did not do it.

Dr. REISCHAUER. I admit that I did not do it, and I should have done it, but what I am saying is I spent the better part of several days—

Senator BUNNING. I have one more question, and I want to get it in, because it is very important. On your questionnaire, you describe your failure to report your income as an oversight that you did not discover until 2009. But in your discussions with the committee staff, you described it as a deliberate choice you made when you filled out your tax returns. Those are your words.

Did anyone connected with the White House coach you to describe your failure to file as an oversight on your questionnaire instead of a deliberate choice to not report the income?

Dr. REISCHAUER. I have not discussed this after the very beginning with anybody in the White House.

Senator BUNNING. Well, I am sure you understand that, if you knowingly gave false or incomplete information on your questionnaire, you could be guilty of perjury. Did anyone connected with the White House coach you to change your story back to the original version in the questionnaire rather than the version you told the committee staff?

Dr. REISCHAUER. No.

Senator BUNNING. Did you fail to report the income because you did not want to go through the extra work of deducting the expenses and figuring out the loss? And if so, can we expect, in your new job, you will choose to neglect other Federal duties because they are too much work?

Dr. REISCHAUER. No, I would not.

Senator BUNNING. Thank you.

The CHAIRMAN. Senator Roberts?

Senator ROBERTS. How are you feeling there now, sort of like a porcupine during that amorous period with another porcupine or something? I do not know.

Chairman Baucus, Senator Grassley, I thank you for holding this hearing to review the pending nominations, and this is a great illustration, just demonstrated, of why the vetting process by the Senate committees plays a very critical role in the review of individuals nominated to serve the public.

And thank you all for your statements, and all very articulate and extremely pertinent, in my personal view. As has been very obvious here, we have discussed or we have had meaningful dialogue of Dr. Reischauer's discrepancies that have arose during review of his tax records.

And my colleagues have asked him or will ask in writing the relevant questions to better understand the misrepresentation that was uncovered during the vetting process.

I have to say that I do appreciate your attendance, number one, Dr. Reischauer, and your candor, number two. And I appreciate the statements by Senator Conrad and Senator Gregg.

It occurs to me that you are like every farmer whom I have ever talked to, whom I am privileged to represent, in that you are complaining about the fact that you lost 3 times as much money as you brought in. That is just part of being a farmer. So, welcome to agriculture.

I also want to let you know that your earlier work, when you ran the CBO in fine fashion—and we were discussing an earlier attempt at so-called health care reform. We had public hearings, and one was in Kansas City. We got Bob Dole to come to Kansas City. Even got Senator Clinton to come to Kansas City. Then we went way out to Ulysses, KS. There was a place that held 1,000 people, and we had 2,000 people in attendance, along with a lot of doctors and a lot of health care people in the rural health care delivery system out there, and instead of saying, "giddy-up," they said, "whoa," and it was a very good hearing.

And one cowboy stood up—one rancher stood up and said, "Wait a minute." He says, "If we are going to do all this, who is going to pay for it, and how do I get care from Wyoming," which was one of the areas that they thought would be the center, "when I am from Kansas?" et cetera, et cetera.

And then he quoted you. So you do have a fan in a cowboy somewhere in Ulysses, KS, America. And it is not easy to sit here today to respond to the questions that are asked, but here you are, and here are the other nominees, as well. But that is not always the case with nominees.

Mr. Chairman, it was my expectation—we talked about this—that this committee would be routinely granted the same courtesy of a hearing in regard to Dr. Donald Berwick. That has been talked about a lot. I do think it is germane. And his recent appointment to head the Centers for Medicare and Medicaid Services—what he does affects you.

As administrator, he will be in charge of implementing the most sweeping changes to our Nation's health care system ever. CMS is charged with finding nearly half a trillion dollars in cuts, as required through the health care reform bill. I do not know how we are going to do that, but then that is up to him and up to us to try to have appropriate oversight.

And all that we know about Dr. Berwick is from his public statements. The one in particular that has received a lot of attention, he expressed his, quote, "love"—he fell in love with the British national health care system.

I know a lot of things I could fall in love with, but that would probably be the last one. At any rate, it is a system which rations care to patients in order to contain costs. And wouldn't you know that David Cameron is now indicating that they are going to move away from that.

They have 150 so-called units that control whether you get in the hospital, what kind of care you have, and when you get out, if you get out, and et cetera, et cetera. And he wants to restore that decision-making back to patients and doctors. I thought that was a rather unique statement.

So it is incumbent on us, I think, to know more about what his views are, and we need to know how Dr. Berwick will implement the major changes.

And here we have a situation that is very unique. It is a paradox of enormous irony. What is happening is that other Senators are asking these pertinent questions on the floor of the Senate as opposed to us asking the questions here in the committee.

And I would quote Dr. Barrasso in his second opinion commentary. He said, "I found it interesting that, for somebody at a nonprofit charitable organization, that the benefit of health care from retirement until death, along with his salary that he earned, his compensation in 2008"—I am talking about Dr. Berwick, not any of you—"was $2.3 million," at a nonprofit charitable organization. I think it is reasonable for people to ask the question, "Where does the $12 million in contributions come from? Where are the grants? How did it come in? What impact are those people going to have?"

Dr. Berwick has said that he would recuse himself in regards to any contribution made from any other health care organization that contributed to his nonprofit.

What I know, and it is not very much what I know, that is quite a number of people involved in health care today, and I do not know if he would have to recuse himself on virtually every question that would come up.

I also know that Senator Grassley, who is not here and he cannot respond to this, and the chairman is not here, for obvious reasons—and so, consequently, Senator Grassley is composing a letter to Dr. Berwick, with Dr. Berwick's approval, to get in contact with his CFO and know and learn of who contributed to his nonprofit, which is a considerable amount of money, and then we can determine from that where we go.

But we are not going to do it in this committee. And yet, that was our constitutional responsibility. So I guess we are going to do it from the floor with Dr. Barrasso and other Senators.

That is not the way to do this. I am not trying to rock the boat. I am trying to stay in it and at least say that the boat ought to be directed in some fashion to determine how on earth we are going to answer these questions.

I know the chairman has been kind enough to tell me that he is going to have Dr. Berwick up to explain how on earth he is going to cut half a trillion dollars out of CMS and still run it and how he is going to enforce it, and you are going to be interested in his testimony, as well.

But the point is that that will, in turn, become his confirmation hearing for some of us who want to have these questions answered. And then we really will not get into the issue at hand unless we schedule about three hearings, and we ought to do that before we leave for this session of Congress. Maybe we will do it in a lame duck.

I am not happy with this at all, and I think we have avoided the constitutional responsibility on Dr. Berwick, which, in fact, determines—what he says is going to determine on how you figure out your job responsibilities.

Thank you for being here. And I am about 2 minutes and 30 seconds over time, but that is about average for me.

I yield back. Are you the chairman now?

Senator BUNNING [presiding]. Well, I am ahead of you, that is all I know.

Senator ROBERTS. Well, I know that, but I do not know. It appears you're the man.

Senator BUNNING. Well, we have a vote coming up on the floor of the U.S. Senate. So I would suggest that we recess until the vote is held, and we will be back.

Thank you.

The CHAIRMAN [presiding]. Thanks to all the witnesses very, very much. I was briefed on what happened when I was out, which clearly is some indication of some of the challenges that we face going forward, especially health care.

I will continue to work with you, and I know the committee will. And if there is any way you need assistance from us, we are willing to provide it, because this is all teamwork, obviously, helping establish a strong Social Security Administration, as well as Medicare Trust Fund. And your work, too, Mr. Camuñez, at Commerce is critically important.

So thank you very, very much for your desire to serve. I think the most noble human endeavor is service, and you clearly want to serve, and I thank you for it.

The committee is adjourned.

[Whereupon, at 11:15 a.m., the hearing was concluded.]

APPENDIX

Additional Material Submitted for the Record

Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding Commerce, and Social Security and Medicare Trustee Nominees

Henry Clay said: "Government is a trust, and the officers of the government are trustees; and both the trust and the trustees are created for the benefit of the people."

The three witnesses before the Finance Committee today have been nominated by President Obama to fulfill two goals. First, they must earn the trust of the American people.

And second, they must strive to benefit those people they serve.

Our first witness is Michael Camunez. President Obama nominated Mr. Camunez to be the Assistant Secretary of Commerce for Market Access and Compliance.

Mr. Camunez, you have spent years working on behalf of American individuals, communities, and businesses.

During the Clinton Administration, you worked for the office that helped establish AmeriCorps. Not only did you serve our country by helping to implement this program, but you cleared a path so hundreds of thousands could serve.

As a partner at a large law firm, you spent many years advising American and other companies on how to do business in foreign countries, and resolving international disputes. And you most recently served as a Senior Advisor to President Obama.

But now you have a new task before you. And you must earn the trust of the American people anew. You must work with American companies to remove foreign barriers to U.S. trade and investment. You must be vigilant in enforcing the trade obligations undertaken by our trading partners.

You must strive to create new jobs by implementing the President's National Export Initiative and increasing U.S. exports. And you must ensure that the NEI achieves real, measurable results. That is why I asked Commerce, USDA, and USTR for a report every six months on the results of the NEI. And I look forward to receiving the first report in September.

Your burden is large. But so are the potential benefits to American businesses and workers.

Our second and third witnesses are Charles Blahous and Robert Reischauer. President Obama has nominated them to be the public trustees on the Boards of Trustees for the Social Security and Medicare Trust Funds.

On August 14th, our Nation will celebrate the 75th anniversary of the Social Security Act. This year, the Social Security Trust funds will pay out more than $700 billion to retired workers and their dependents, disabled workers and their dependents, and survivors of deceased workers.

Social Security has been a critical program. It has provided economic security to generations of Americans. It is a true cornerstone of the American economy.

The office of the public trustees has been vacant since the release of the 2007 Trustees Reports on May 1, 2007. So it's important that we act expeditiously on these nominations.

Both of these nominees are familiar to this Committee. Mr. Blahous was a staffer for Senator Judd Gregg and Senator Alan Simpson in the late 80s and 90s. And Mr. Reischauer was the former director of the Congressional Budget Office from 1989 to 1995.

Mr. Blahous and Mr. Reischauer, both of you have spent years working for the public interest. But you, too, have new tasks before you. And you, too, must earn the public's trust anew.

As public trustees, you will be responsible only to the public. You play an important role in development of the annual Trustees' Reports for Social Security and Medicare. These reports tell the public the financial condition of the Social Security and Medicare Trust Funds.

In carrying out these tasks, you carry large burdens. But the potential benefits are crucial for the American people.

I would like to welcome all three of you here today. And I look forward to hearing from each of you as we proceed through this hearing.

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Opening Statement of Charles P. Blahous

Nominee to be Member of the Boards of Trustees of the Federal Hospital Insurance Trust Fund, the Federal Supplementary Medical Insurance Trust Fund, the Federal Old Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund

U.S. Senate Committee on Finance

July 29, 2010

Thank you, Mr. Chairman, Senator Grassley, and members of the Committee. It is a great honor to be nominated to serve as one of the two public trustees for Social Security and Medicare. In my case, this proceeding is particularly humbling, having served here in the Senate as staff for eleven years – most recently for Senator Judd Gregg and before him for Senator Alan Simpson. I certainly never imagined that one day I would be facing the Senate Finance Committee from this side of the table and in this context.

I would like to begin by thanking Senator Gregg for introducing me today, and for his support throughout my professional career. The many things I learned from Senator Gregg, and the guidance and example he provided to me, have been instrumental in my being here today.

I would like to thank President Obama for the great honor of placing my nomination before the Senate.

I would like to thank Senate Minority Leader McConnell for the trust he placed in me in putting my name forward for this important position.

I would also like to thank my wife Jill and my daughter Juliana, who unfortunately could not be here today, for their constant support and many sacrifices for my career in public service. I have been very fortunate to have my family always by my side with each new challenge.

The Social Security and Medicare programs are perhaps the most important domestic programs the Federal government has ever established. Their fiscal soundness is central to the economic security of millions of Americans today and in the future. The Social Security and Medicare trustees play an indispensable role in equipping the Congress and the Administration with the information required to enable these vital programs to function as desired.

Having served as staff first in the Senate and later in the White House, I have been given many opportunities to study these programs and the fiscal challenges facing them. When Senator Simpson was appointed in 1993 to the bipartisan Commission on Entitlement and Tax Reform, I was required to learn Social Security and Medicare financing to perform his staff work there. When I later worked for Senator Gregg, I staffed his co-chairmanship of the National Commission on Retirement Policy, bringing me deeper into these issues. In 2001, I served as Executive Director for President Bush's Commission to Strengthen Social Security. This meant that I had served as staff on three bipartisan commissions in less than a decade.

Each of these bipartisan commission experiences not only provided me with progressively deeper understanding of the fiscal challenges facing Social Security and Medicare, but also provided me with valuable experience in utilizing the combined insights of bipartisan teams of analysts. In that work, I was fortunate to learn much from the able non-partisan career staff who serve our various scorekeeping agencies, in particular the Social Security Administration.

The Social Security and Medicare trustees' primary role is to provide the best available fiscal information and thus provide for appropriate accountability to policy makers and to the broader public. The public trustees' positions were created as a part of the comprehensive Social Security reforms of 1983, to maintain public confidence that these important programs' finances were being persistently reviewed by bipartisan outside observers.

While forecasting is an imperfect science, and none of us possesses a crystal ball, I believe that the trustees' work to date has been consistent with the ideals of accountability and objectivity, and has operated within the finer traditions of public service. Were I to receive the honor of being confirmed by the Senate, the trustees' process would be joined by a longtime believer in its propriety and quality.

Each year, the trustees must make assumptions about trends in fertility, longevity, worker productivity, price inflation (specifically in the case of Medicare, health care cost inflation), immigration, real wage growth, and other relevant variables, both in the long-term and in the short-term. Public confidence in the trustees' projections rests in large part on whether these assumptions are regarded as reasonable and objective.

To assist in realizing this ideal, the trustees' process draws from various expert sources both inside and outside – including the career staff of the offices of the Social Security Actuary and CMS Medicare Actuary, technical panels periodically convened by the Social Security Advisory Board, other analysts such as those at the Congressional Budget Office, and many others.

While no such process can ever claim to achieve perfect results, my observations over the years have given me an abiding respect for the ethic by which the trustees' work is conducted. The trustees' projection methodology should continually be subject to review and improvement – but the ethic of the projection process has in my judgment served the public well, and reflects enormous credit upon Congress for having established it.

If confirmed, I would look forward to contributing to the best of my ability to the trustees' process, and to maintaining public confidence in these vital reviews of Social Security and Medicare program finances.

Thank you.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. <u>BIOGRAPHICAL INFORMATION</u>

1. Name: (Include any former names used.)

Charles Paul Blahous III ("Chuck")

2. Position to which nominated:

Member of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund

Member of the Board of Trustees of the Federal Hospital Insurance Trust Fund

Member of the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund

3. Date of nomination:

October 15, 2009

4. Address: (List current residence, office, and mailing addresses.)

Both personal and business correspondence should be sent to the home address.

Affiliated with:

5. Date and place of birth:

September 12, 1963
Alexandria, VA

6. Marital status: (Include maiden name of wife or husband's name.)

7. Names and ages of children:

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

Ph.D., University of California/Berkeley (1985-89), 1989 (chemistry)
AB, Princeton University (1981-85), AB (chemistry), 1985
Graduated Hampton High School, Allison Park, PA, 1981

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

1/09-Present

Senior Fellow, Hudson Institute
1015 15th Street NW, 6th floor
Washington, DC 20005

2/09- Present

Senior Advisor, Palisades Capital
1050 K Street NW, Suite 300
Washington, DC 20001

3/09-Present

Advisor, PriceWaterhouseCoopers
300 Madison Avenue
New York, NY 10017

8/09-Present

Southern Utah University
Eccles Scholar and Leavitt Fellow

School of Business
351 W. University Blvd.
Cedar City, UT 84720

12/07-1/09

Deputy Director of the National Economic Council
Executive Office of the President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20502

2/01-12/07

Special Assistant to the President for Economic Policy
Executive Office of the President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20502

6/00-2/01

Executive Director
Alliance for Worker Retirement Security
1331 Pennsylvania Avenue NW
Washington DC 20004

10/96-6/00

Policy Director, U.S. Senator Judd Gregg
393 Russell Senate Office Building
Washington, DC 20510

8/94-10/96

Legislative Director, U.S. Senator Alan Simpson
Dirksen Senate Office Building
Washington, DC 20510

10/90-8/94

Legislative Assistant, U.S. Senator Alan Simpson
Dirksen Senate Office Building
Washington, DC 20510

9/89-9/90

Congressional Science Fellow (sponsored by the American Physical Society)
Office of U.S. Senator Alan Simpson
Dirksen Senate Office Building
Washington, DC 20510

1987-89

Research Assistant
Center for Computational Chemistry
University of Georgia
Athens, GA
(I was a doctoral student at Univ. of California/Berkeley during this time; I completed my Cal doctorate off-campus at Georgia, paid there as a research assistant.)

1985-87

Teaching/Research Assistant
Graduate School of Chemistry
University of California/Berkeley
Berkeley, CA 94720

Summer 1985

Summer Assistant
PPG Industries
Springdale, PA

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

While serving as a Special Assistant for Economic Policy for President Bush, I also served as the Executive Director of the President's Commission to Strengthen Social Security (May 2001 - January 2002.)

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Senior Fellow, Hudson Institute (1/09-Present)
Senior Advisor, Palisades Capital (2/09-Present)
Advisor, PriceWaterhouse Coopers (3/09-Present)
Eccles Scholar and Leavitt Fellow, Southern Utah University (8/09-Present)

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

National Academy of Social Insurance (2003-Present)

American Association for the Advancement of Science
American Chemical Society
American Physical Society

(I do not have precise dates of membership in the scientific societies but have made inquiries with each society. I believe that each membership began circa 1989, and expired a few years afterward.)

Society for American Baseball Research (1987-2001)

U.S. Chess Federation (1991-2003)

13. Political affiliations and activities:

a. List all public offices for which you have been a candidate.

None.

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

I belonged to the Alexandria Republican City Committee until approximately 9-10 years ago. There I served on a "shadow committee" for budget and fiscal affairs.

c. **Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 10 years.**

$250 to Bush for President 2/23/00.

14. **Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)**

2001 Distinguished Service Award (White House)
~~Congressional Science Fellow 1989-90 (American Physical Society)~~
1985 McKay Prize in Physical Chemistry (Princeton University)
Mahan Memorial Teaching Award (Univ. of California/Berkeley)
National Merit Scholarship (received 1981)

15. **Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)**

Books

- *Reforming Social Security: For Ourselves and Our Posterity,* Praeger Publishers, 2000
- *Social Security: The Unfinished Work* (being edited)

Articles

- "Social Security and Work," *National Affairs* (in press)
- "CBO's Prediction of Impending Social Security Deficits: What Does it Mean?," *Self-Directed Investor,* October 9, 2009
- "What Drop in Benefits? The Phony Social Security COLA Controversy," *Washington Post,* August 25, 2009
- "Plan Still $820 Billion Above the Target," *Politico* , July 29, 2009
- (with Scott Nystrom) "Save the Date: Social Security Will Go Broke," *Forbes,* July 29, 2009
- "Revisiting Health Care Reform and Fiscal Restraint," *Self-Directed Investor,* July 24, 2009
- "CBO Explodes the Health Care Myth," Hudson Institute, June 30, 2009
- "Don't Look Now, but There Goes the Social Security Surplus," *Self-Directed Investor* , May 22, 2009
- (with Brad Belt) "Spare Taxpayers the Bill for Detroit's Pensions," *Financial Times* , May 21, 2009
- "The Worsening Social Security Outlook: A Guide to the 2009 Trustees' Report," Hudson Institute, May 13, 2009
- "Social Security Myths," *National Review,* May 4, 2009
- "A Funny Thing Happened to the Budget Baseline," Hudson Institute, March 2, 2009
- "Social Security Fix Demands Honest Numbers," Bloomberg.com, February 27, 2009

- "The 1983 Social Security Reforms: Real and Misremembered Lessons for Today's Leaders," Hudson Institute, February 20, 2009
- "Shelter for Our Social Security," *Washington Post*, November 6, 2000, p. A35
- w/Sen. Judd Gregg, "Confronting an Aging World," *Washington Quarterly*, 23:3, pp. 213-224
- "The Virtual Hall of Fame," (as Randy St. Loup), *The 1999 Big Bad Baseball Annual*, Masters Press
- "The Should-Have-Hit-500 Club," *Baseball Research Journal*, 1998
- with Senator Judd Gregg, "Mobilizing the Marketplace to Renew American Productivity," *Harvard Journal of Legislation*, Winter, 1998
- "Larsen's Perfect Game: If Not Larsen, Who?," *Baseball Research Journal*, 1995
- "The DiMaggio Streak: How Unlikely Was It?," *Baseball Research Journal*, 1994
- "Olerud Chases Same Guy, Different Record," *USA Today Baseball Weekly*, 1993
- "The Thoughts of Youth," *Washington Post Book World*, October 21, 1990
- with Yates BF, Xie YM and Schaefer HF, "Symmetry-Breaking in the N02 Sigma Radical," *Journal of Chemical Physics*, v. 93 (#11), 1990
- with Xie YM and Schaefer HF, "The Infrared Spectrum of Trimethylenemethane," *Journal of Chemical Physics*, v. 92 (#2), 1990
- with Schaefer HF, "(NH)6: The Amino-Analogue of Cyclohexane," *Theochem-Journal of Molecular Structure*, v. 59, 1989
- with Xie YM, Davy RD, Yamaguchi Y and Schaefer HF, "NO2 Radical Spectroscopy," *Journal of Chemical Physics*, v. 135 (#2), 1989
- with Schaefer HF, "Geometrical Structure and Vibrational Frequencies for the Oxygen Analogue of Hexasulfur," *Journal of Physical Chemistry*, v. 92 (#4), 1988

Reports (authored by a commission that I served as staff):

- with President's Commission to Strengthen Social Security, *Strengthening Social Security and Creating Personal Wealth for All Americans*, Final Report of the President's Commission, December 2001
- with the President's Commission to Strengthen Social Security, *Interim Report of the President's Commission*, August 2001

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with **two** copies of each formal speech.)

Most of the following appearances involved narrations of powerpoint presentations rather than reading from formal text.

- "Demographics, Recession Economics and the Growth of Government," Southern Utah University, September 24, 2009
- "The 2009 Social Security Trustees' Report," Congressional staff briefing, May 15, 2009
- "Do We Need a SAFE Commission?," American Enterprise Institute, April 29, 2009
- "Federal Economic Policy: Short-term Stimulus and Long-Term Stabilization," U.S. Pensions Summit, Boca Raton, FL, April 21, 2009

- "Social Security: The Unfinished Work," NewAmerica Foundation, April 7, 2009
- "A Stacked Deck," Atlanta Lawyers' Chapter, Federalist Society, March 19, 2009
- "Population Aging and Federal Economic Policy," Colorado Benefit Summit, Mar. 10, 2009
- "Supporting an Aging Society: the Flight from Responsibility," University of Illinois, October 15, 2008
- "The Greatest Threat to Social Security: Inaction," Wellesley College, October 10, 2008
- "Have the Social Security Trustees Been Too Conservative?," American Enterprise Institute (AEI), September 7, 2007
- "Why Social Security Reform Is Very Much Alive," AEI, February 6, 2006

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

I would summarize my qualifications as consisting of the necessary substantive expertise, process expertise, and longstanding commitment to the Trustees' process.

I believe that my professional history documents my substantive expertise. I served as the Executive Director of the President's Social Security Commission, and have more than 15 years of experience in examining (and writing about) the fiscal issues facing Social Security. I am well familiar with the substance of the Social Security Trustees' projections, both presently and historically. For several years I have been briefing policy makers on the evolving projections of the Trustees, and have grown well familiar with the history of their methodology and projection assumptions. With eleven years of experience working in the Senate, and eight more in the White House, I have seen Social Security finances from both the legislative and administrative perspectives. I also covered Medicare and other health care issues during my tenures as Deputy Director of the NEC and Policy Director for Senator Gregg. The Trustees' role in Medicare -- one of making fiscal projections -- is more appropriate to my professional background than would be a post involving health care policy development.

I believe that I am similarly qualified with respect to process expertise. I am familiar with and have great respect for the Trustees' process as established in law. I believe I have an unusually long record of bipartisan and non-partisan work in an issue area where similar track records are rare. When serving in the Senate, first for Senator Simpson and later for Senator Gregg, I worked with roughly equal numbers of bill co-sponsors from each side of the aisle, and became practiced in reconciling competing perspectives on Social Security finances. I have worked on several bipartisan commissions, including as Senator Simpson's liaison to the Kerrey-Danforth Entitlement Commission, staffing the 1998 NCRP Commission for Senator Gregg, and serving the President's 2001 Social Security

Commission. I also know and have good relationships with some of the key career staff who serve the Trustees' process. In sum, I have an extensive record of bipartisan collaboration in Social Security analysis.

Finally, I believe that my longstanding commitment to the Trustees process is also a qualification. I have an enduring respect for the Trustees process and for its statutory basis. I have frequently engaged in public defenses of the Trustees' projection record, even as the Trustees themselves have felt more constrained from doing so. As my publications show, I believe that the Trustees have an impressive projection history, despite their being the occasional targets of criticisms. Were I honored with confirmation as a Trustee, the process would be joined by a longtime believer in the Trustees' work and process.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

No. A public Trustee position, while a great honor, is an unpaid position and I would need to continue my current employment. As noted in my ethics agreement, if confirmed, I plan to continue my current positions as a Senior Fellow with Hudson Institute, a Senior Advisor to Palisades Capital, an advisor to PriceWaterhouseCoopers and, an Eccles Scholar and Leavitt Fellow with Southern Utah University.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

Yes, please see above.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

I have accepted invitations to speak at Princeton University (next April, $2500 honorarium) and the Mississippi Federalist Society (this November, $1000 honorarium). I have also submitted an article to *National Affairs* journal that I expect to be published, for which I expect to be paid $2000.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

None.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

When, during 2000-01, I was the Executive Director of the Alliance for Worker Retirement Security, I led a coalition advocating comprehensive Social Security reforms but we did not endorse a specific bill toward that end.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with **two** copies of any trust or other agreements.)

I have none. Should a potential conflict arise, I would consult with the SSA's designated agency ethics official and resolve the conflict in accordance with the applicable executive orders, regulations, and statutes.

5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

Not applicable at this time. Should a potential conflict arise, I would consult with the SSA's designated agency ethics official and resolve the conflict in accordance with the applicable executive orders, regulations, and statutes.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

   Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. <u>LEGAL AND OTHER MATTERS</u>

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

No.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

I was a plaintiff in a small claims court action. When I first moved to the area in 1989, I and my then-spouse paid what we believed to be a refundable security deposit on a rental apartment. We had decided to rent another place but our deposit was not returned, and we went to small claims court to retrieve it. Our claim was denied. I believe the issue was resolved in 1990.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

None beyond my statement of qualifications and longstanding dedication to the Trustees' process, as described above.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

Yes.

Charles P. Blahous
Responses to Questions for the Record
U.S. Senate Committee on Finance
August 2, 2010

Chairman Baucus

Q1: What do you think is the role of the Public Trustee?

A1: The Public Trustee positions were established in law pursuant to a recommendation of the National Commission on Social Security Reform of 1981-83. That commission had opined that "increasing the membership of the Board of Trustees . . . by including two individuals from outside the Executive Branch, on a bi-partisan basis, would be desirable from the standpoint of confidence in the integrity of the trust funds." The commission further stated that the addition of public trustees would "help to assure that the demographic and economic assumptions for the cost estimates of the future operations of the program would continue to be developed in an objective manner." Accordingly, the trustees bear a duty to further and to substantiate public confidence in the financial projections for Social Security and Medicare. In practice, this typically involves periodic re-evaluations of the assumptions and methodologies employed in prior trustees' reports, as well as of updates and modifications suggested by participants in the projection process. The trustees collectively are responsible for ensuring that the assumptions and methodologies employed in their annual reports result in the best available financial projections. In the past, the public trustees specifically have worked to explain to the public the salient issues surrounding program financing, and also to improve the readability of the annual reports. I further believe that the public trustees bear an especial responsibility to help ensure that the projection process itself remains above the fray of the often vigorous policy debates surrounding the Social Security and Medicare programs.

Q2: During your careers, you have both acted as advocates for various policy proposals regarding Social Security and Medicare. How difficult do you think it will be to put those views aside and be an objective public trustee?

A2: It will not intrinsically be difficult, but it is an obligation requiring consistent attention. The public trustees' efforts to produce objective estimates are supported by a number of factors. One is that the trustees' reports have historically focused on factual projections of current law and/or current policies, as opposed to evaluations of alternative policy proposals. Another is that the public trustees' work is supported by the work of many bipartisan and non-partisan bodies with established track records for objective analysis, notably the respective offices of the Social Security and Medicare Actuaries. Finally, there is the template of the trustees' report format itself, which has traditionally reflected a basic continuity from year to year even while incorporating annual changes. Although a large number of individuals with a broad variety of policy views have served as trustees, it is possible to read several prior trustees' reports without discerning the policy opinions of those who drafted them. The trustees' collective efforts to objectively characterize program finances will be furthered by upholding this tradition.

Senator Grassley

Q1. The first Social Security trustees' report was issued in 1941; and the first Medicare trustees' report was issued in 1966. The 1983 Social Security Amendments provided for the appointment of two public trustees who signed their first report in 1985. Despite all of the changes in methods and assumptions, the basic picture has remained virtually the same for over thirty years. The retirement of the baby-boomers and the rising cost of health care will result in Social Security and Medicare deficits as far as the eye can see. As public trustees, how would you increase public awareness of the challenges we face and opportunities we have to address these looming deficits?

A1. As a trustee, I would look for opportunities to improve the state of public education with respect to Social Security and Medicare finances. The most obvious such occasion is the release of the trustees' report itself, which provides a recurring opportunity to explain financing issues through the press to the public. Second, the public trustees have in the past often collaborated on a separate message to accompany the main report, with the express purpose of highlighting issues warranting public clarification. Third, I would be interested in working with my fellow trustees as a group, as well as separately with my fellow public trustee, to generate both speaking and writing opportunities to explain these issues. Beyond this, I see an individual responsibility for a public trustee to write periodically about program financing, and thereby further public understanding of the trustees' projections.

Q2. The Social Security Advisory Board periodically appoints a technical panel to review the methods and assumptions of the Social Security actuaries. The latest panel is about to get underway. As public trustees, you will have an opportunity to participate in this process. Have you reviewed the previous technical panel reports, and do you have any thoughts on how to improve the development and presentation of the Social Security trustees' report?

A2. I have read the 2007, 2003 and 1999 reports of the technical panels on assumptions and methods. Although these periodic technical panel recommendations are not dispositive with respect to subsequent trustees' projection methods, individual recommendations of these panels have been reflected in subsequent reports. Examples include some of the 2007 panel's opinions with respect to refining immigration projections, and previous panels' recommendations to add probabilistic analyses to the annual trustees' reports. I am not coming to the trustee process with firm predispositions as to whether any particular method of analysis should be added to, or subtracted from, the trustees' reports. That being said, I do have a number of thoughts that I would be interested in exploring with the other trustees, in areas ranging from clarifications of the degree of certainty in the projections, to program interactions with the larger federal budget, to the relationship between scheduled benefits and pre-retirement wage income, among others.

Q3. The Social Security and Medicare trustees' reports were delayed this year due to the enactment of the health care bill. These reports, which are expected in the next week or two, will reflect the impact of the health care bill on Social Security and Medicare. Obviously, neither you nor I have seen these reports, but I want to raise one potential concern. When the Medicare actuary scored the health care bill earlier this year, he stated that the score did not include any price effects. In other words, even though the bill was expected to increase the demand for health care, medical prices were not projected to rise

in response to the higher demand. Assuming they have not incorporated a price effect into the latest trustees' report, can I have your assurance that in your role as public trustee you will specifically address this issue in future trustees' reports?

A3. While I cannot commit the other trustees to include a specific issue in future trustees' reports, I agree that this is an important projection issue, and would be pleased to explore it with the assistance of the Medicare actuary's office.

Senator Rockefeller

Q1: Mr. Reischauer and Mr. Blahous, research out of Dartmouth shows great variation between hospitals in what is spent on care during the last year of life, but no evidence of better outcomes or satisfaction with greater spending. You may be aware that in the New Yorker magazine this week, Dr. Atul Gawande published an extremely moving and honest story on end-of-life care. He raises the following fundamental question: "how we can build a health-care system that will actually help dying patients achieve what's most important to them at the end of their lives." Gawande presents important research, such as one study of 4,493 Medicare patients with either terminal cancer or congestive heart failure that found that hospice care actually seemed to extend survival for some patients, compared to non-hospice care. According to a palliative care specialist quoted in the article, it is critical for providers to make time to learn what is most important to their patients under the circumstances. I have worked to promote advance care planning between patients and their physicians, including advance directives, so physicians know what their patients want at the end of life.

Mr. Reischauer and Mr. Blahous: What do you think are some of the most important components of quality end-of-life care, and what are some of the things the health care system can do to improve it?

A1: Few decisions are more wrenching for American families than those associated with end-of-life care. Beyond the financial implications, the question of how we treat those who are in the final stages of life speaks to our most fundamental values. As this is also a broader health care policy concern, it affects the work of the Medicare trustees. From the perspective of the trustees' duties, the issue is significant through its impact upon the financing of federal programs insuring health services for those in the final years of life. As the trustees monitor program financing, they should maintain an eye on the ways in which such services are organized and provided to beneficiaries. As a trustee, I would hope to work with the Medicare Actuary's office to examine the best available data that tell us whether beneficiaries are receiving care in the most effective manner in the final years of their lives, as well as what this information means for Medicare program operations.

Q2: Several of my colleagues this week introduced a bill to repeal the Independent Payment Advisory Board. Ironically, they are calling this a "government takeover" of health care when in fact the Board does the opposite – for the first time it puts important policy decisions about Medicare back in the hands of doctors and experts, instead of

government officials. Importantly, the health care law explicitly prohibits IPAB from reducing benefits to seniors and persons with disabilities in the Medicare program. What's more, the Congressional Budget Office has stated that IPAB will reduce the deficit by $28 billion – not even counting additional savings if we eliminated the special carve-out for hospitals. Therefore, this is the only mechanism we currently have to get politics out of health care, bring Medicare into the 21st Century, and put doctors and other experts back in charge of health care decision-making all without reducing benefits for Medicare beneficiaries?

Mr. Reischauer and Mr. Blahous: Do you think it is important to the future of the Medicare program that we support and even strengthen this independent advisory body, for example by eliminating the special carve-out for certain providers like hospitals?

A2: This issue involves both important process considerations as well as substantive ones. As your question notes, past legislative trade-offs (presumably involving some political as well as other considerations) have occasionally interfered with Medicare savings materializing as previously anticipated. The establishment of IPAB shifts some decision-making responsibility and authority away from the normal legislative process, in an effort to ensure that savings envisioned in recent health care legislation fully materialize. This shift of authority has both proponents and critics; I am not coming to the table with a particular predisposition as to what constitutes the best process for realizing savings goals going forward. Having said that, and looking beyond these process considerations, I can state my agreement with one important premise of your question -- that Medicare's future fiscal health depends upon substantial additional savings being legislated, beyond provisions enacted in recent law.

Q3: One of my greatest concerns with our current health care system is how we provide care to individuals who are dually eligible for Medicare and Medicaid. Most dual enrollees are very low-income individuals with substantial health needs: 77% have annual income below $10,000 and over half are in fair or poor health, twice the rate among others in Medicare. Currently, the care for dual eligibles is poorly coordinated between Medicare and Medicaid – leaving one of the country's sickest populations terribly vulnerable. The health reform law created, for the first time, an office within CMS to harmonize policies and coordinate care for dually eligible beneficiaries. This is extremely important because not only is it an area where we can improve the quality of care, it is also an area where we can reduce inefficiencies in the Medicare and Medicaid programs.

Mr. Reischauer and Mr. Blahous: If you are confirmed, how do you intend to focus on improving quality and coordination of health care for the dual eligibles, particularly as it relates to the sustainability of the Medicare program?

A3: As your question notes, this is an issue involving some of the most vulnerable in our society – twice vulnerable because of income limitations on the one hand and substantial health needs on the other. To the extent that there is poor coordination between the Medicare and Medicaid programs, the adverse effects will be felt by many individuals already facing considerable hardships. The benefits that Medicare and Medicaid provide to dual eligibles embody an important element of Medicare projections conducted by the trustees. Through their broader projection duties, the trustees carry an implicit responsibility to monitor the progress realized in improving the efficiency of inter-program coordination as well as progress in cost containment, both of which bear upon updated projections for Medicare costs. If the new CMS office is successful in improving the efficiency of Medicare/Medicaid's combined treatment of dual eligibles, this should be reflected in the updated data in future trustees' reports. (Similarly, if by contrast other events transpire that push the costs of caring for the dual eligible population above current projections, future trustees' reports should identify and disclose this trend to policy makers.)

<u>Senator Cornyn</u>

Q1: Historically, Social Security and Medicare Trustee reports have projected the future solvency of the trust funds without exploring the on and off budget federal budget balances. However, after passage of the Patient Protection and Affordable Care Act many have expressed interest in how its cuts to the Medicare program, which were used to partially offset new direct spending obligations, would affect the Medicare Trust Fund. As you know, both the Congressional Budget Office and the Office of the Actuary at the Center for Medicare and Medicaid Services have noted that the Medicare cuts cannot be used both to extend the solvency of the Trust Fund and partially offset new spending. In December of 2009 CBO wrote, 'The key point is that the savings to the HI trust fund under the PPACA would be received by the government only once, so they cannot be set aside to pay for future Medicare spending and, at the same time, pay for current spending on other parts of the legislation or on other programs.' As a new public Trustee, how would you propose to address this issue of "double counting" both in the Trustees' reports and from a unified budget perspective?

A1: As your question notes, previous trustees' reports have tended to take a trust-fund-centered view of financing, with less attention to these programs' interactions with the federal budget as a whole. This has been particularly so in the case of past Social Security reports. Though past supplemental statements of the public trustees have occasionally discussed program finances from a unified budget standpoint, this has been less true in the Social Security trustees' report itself. Past Medicare reports have by contrast delved somewhat into unified budget issues, primarily because Part B and Part D solvency each depend explicitly upon significant transfers of revenues from the general budget accounts. The Social Security and Medicare programs' interactions with policy decisions elsewhere in the federal budget have long been a subject of analysis and debate among policy experts, but these issues drew greater public attention during the debate earlier this year over financing of comprehensive health care legislation. Although I cannot commit my fellow trustees to a particular method of presenting these issues, I do believe that these interactions are becoming an increasingly important concern as these programs place additional pressure on the general budget, and are thus worthy of greater attention in future reports.

Statement of Michael C. Camuñez

Nominee for Assistant Secretary of Commerce for Market Access and Compliance

U.S. Department of Commerce

Nomination Hearing before the Senate Finance Committee

July 29, 2010

Thank you, Chairman Baucus, Ranking Member Grassley and members of the Committee. It is a distinct privilege to be here with you today as President Obama's nominee to be the Assistant Secretary of Commerce for Market Access and Compliance. I am deeply grateful for the privilege I have had to serve the President these last 20 months at the White House, and I am honored and humbled by the confidence he has again placed in me. I would also like to thank both Secretary Gary Locke and Under Secretary Francisco Sanchez for their leadership and support of my nomination.

I have never felt more excited about the opportunity to serve my country than I do today. My passion for public service was instilled in me by my late mother, Mary Agnes, who as a single parent raised me to believe in myself, have a heart for others, and a desire to serve my community and my country. I want to thank her publicly for her love and her extraordinary example. I also want to thank other members of my family, including above all my partner of eleven years, Steven Means, who is here, for his tireless support and encouragement, acknowledging the tremendous blessing he has been in my life. I have many others to recognize for their love and support, including my family back home in California, and my many friends and colleagues who are here with me today, who are too many to name, but to whom I am immensely grateful for their support.

If I am confirmed, I will have the great privilege of leading the talented men and women who comprise the Market Access and Compliance division of the Department of Commerce. "MAC," as it is known, plays a mission critical role in supporting the Department's work in at least two respects: first, it is the chief advocate for U.S. companies that encounter barriers to trade that keep them from competing fully and fairly in international markets. Second, MAC also plays a critical role in ensuring that our trading partners meet their obligations and commitments under an array of bilateral and multilateral trade agreements and protocols that govern the flow of commerce internationally. As the President has said, realizing the benefits of free trade "means enforcing those agreements so our trading partners play by the rules."

If confirmed, I will be guided by three basic priorities in my leadership of MAC:

First, I will ensure that MAC's work is prioritized and focused to strategically support the goals of the President's National Export Initiative. In his State of the Union Address this past January, President Obama described the significant challenges the country faces with an economy rocked by severe recession and unemployment approaching historic highs. The President made clear that strengthening the economy and putting Americans back to work is a top priority for the Administration. Among the many job creation strategies the President identified was the announcement of the National Export Initiative and the goal of doubling exports over the next five years. An aggressive export promotion strategy will not only drive job creation, but it can help ensure that U.S. industry remains globally competitive.

If confirmed, I will work to ensure that MAC's efforts are strategically focused, in coordination with other U.S. government agencies, to identify, address and resolve those non-tariff barriers in existing and emerging markets that will yield the most tangible results in terms of a net increase in U.S. exports and, by extension, U.S. jobs. With the NEI, MAC will also heighten its trade compliance and enforcement efforts through an expansion of compliance and enforcement officers in critical markets.

Second, if confirmed I will ensure that MAC will help lead the effort to expand U.S. market share in targeted, priority jurisdictions like China, Brazil and India and, equally important, in other key emerging markets. Specifically, MAC will co-chair the "Next Tier Countries Working Group" that will lead and develop new commercial engagement strategies for six priority emerging markets that have the greatest promise for increased U.S. exports, especially in high growth sectors.

Third, if confirmed I will work to deepen and expand MAC's efforts to facilitate dialogue and collaboration with the private sector to ensure that MAC is a critical ally in advancing U.S. commercial interests abroad. The expansion of these dialogues, such as the Americas Competitiveness Forum in the Western Hemisphere, gives U.S. and foreign industry a critical voice in identifying common challenges that hinder competition and trade to the detriment of all nations. If confirmed, I will also ensure that MAC works hard to address the unique needs of small- and medium-sized enterprises, since small business is a major driver of economic growth and is, to date, severely underrepresented among U.S. exporters.

Because the economic and strategic challenges the country faces are great, MAC's agenda must be multidimensional and interdisciplinary, working closely in an integrated fashion within Commerce and across numerous federal agencies with shared responsibilities. I feel especially motivated to tackle this important challenge, in part because I have spent a good part of my professional career working with and representing U.S. companies on similar issues. As a partner in a leading international law firm with offices and clients in countries around the world, I have counseled companies on an array of issues, including especially the challenges and risks of doing business abroad in foreign markets. In addition, as a Special Assistant to the President and, later, as Special Counsel to the President, I have had the great privilege of working with many of the leaders who, if I am confirmed, will be my partners in addressing these myriad issues on behalf of the United States' commercial interests. I believe these relationships will greatly facilitate the kind of interagency collaboration that the President and Secretary Locke have called for in the National Export Initiative.

In conclusion, Mr. Chairman, I would like to thank you and this Committee for the opportunity to be here today, and for the great privilege of being considered by this body for this important position of trust and responsibility. If confirmed, I look forward to working closely with you and your staff to restore the American economy and rebuild American jobs by aggressively promoting a balanced and reinvigorated trade agenda.

Thank you.

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SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE
MICHAEL C. CAMUÑEZ

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.)

   Michael C. Camuñez

2. Position to which nominated:

   Assistant Secretary for Market Access and Compliance, International Trade Administration, U.S. Department of Commerce

3. Date of nomination:

   March 2, 2010

4. Address: (List current residence, office, and mailing addresses.)

   Residence & Mailing:

   Office:

5. Date and place of birth:

   Las Cruces, New Mexico, USA
   March 12, 1969

6. Marital status: (Include maiden name of wife or husband's name.)

7. Names and ages of children:

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

   Harvard College, A.B. 1991. Attended 1987 to 1991.
   Stanford Law School, J.D. 1998. Attended 1995 to 1998.

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

   <u>The White House (Washington, DC)</u>
   Special Counsel to the President, Office of the White House Counsel
   (Sept. 2009 to present)

   Special Assistant to the President for Presidential Personnel
   (Feb. 2009 to present)

   <u>O'Melveny & Myers LLP (Los Angeles, CA)</u>
   Partner
   (Feb. 1, 2006 to Jan. 31, 2009)

   Counsel
   (Feb. 1, 2004 to Jan. 31, 2006)

   Associate
   (Sept. 1998 to Jan. 31, 2004)

   Summer Associate
   (June to Aug, 1997)

   <u>Kimble, McMichael & Upton (Fresno, CA)</u>
   Summer Associate
   (June to Aug, 1996)

   <u>Hogares Juveniles, A.C.</u> (Merida, Yucatan, Mexico)
   (NGO orphanage)

Full-time Volunteer
(Jan. 1995 to Aug. 1995)

Corporation for National Service (Washington, DC)
Senior Policy Advisor
(Apr. 1993 to Jan. 1995)

Commission on National & Community Service (Washington, DC)
Program Officer & Director, National Service Demonstration Program
(Dec. 1991 to Apr. 1993)

O'Melveny & Myers LLP (Washington, DC)
Paralegal
(Jul. 1991 to Dec. 1991)

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

Obama-Biden Presidential Transition
Deputy Transition Leader for the Labor & Education Agency Review Team.
(November 2008-January 2009)

Los Angeles City Ethics Commission
Commissioner (2007 to 2009). Member of the five-person Charter Commission charged with overseeing and enforcing all city ethics, contracting, conflict of interest, campaign finance and lobbying laws and regulations. Appointed by the President of the Los Angeles City Council and unanimously confirmed by the City Council.

"CaliforniaVolunteers" Public Service Commission (Office of the Governor)
Chairman (2006, 2007) and member of the bi-partisan Board of Commissioners (2002-2007) of California's public service commission.

Presidential Working Group on Welfare Reform (Clinton Administration)
(1993-1994)

LA City Attorney-Elect Rockard J. Delgadillo Transition Team (June-Nov. 2001)

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation,

company, firm, partnership, other business enterprise, or educational or other institution.)

O'Melveny & Myers LLP (Equity Partner, 2006-2009)

Co-Trustee, Camuñez Means Revocable Living Trust, dated Dec. 21, 2007

Non-Profit Boards:

Mexican American Bar Foundation (President (2007-2009); Trustee (2005-2009))
Board of Visitors, Stanford Law School (2006-present)

Haas Center for Public Service, Stanford University (Member, National Advisory Board: 2005-2008)

Youth Service California (Director, 2000-2003)

Democratic Leadership for the 21st Century (LA) (Director, 2000-2004)

Literacy Network of Greater Los Angeles (Director, 2005-2006)

Lambda Legal National Leadership Council (2008)

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

    Member, Pacific Council On International Policy (2005 to present)

    Member, Chancery Club of Los Angeles (2006 to present)

    Member, Los Angeles County, California State and American Bar Associations (1998 to present)

    Member, Mexican American Bar Association (2007 to present)

13. Political affiliations and activities:

    a. List all public offices for which you have been a candidate.

       None.

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

I was appointed as an At Large Delegate for California to the 2000 Democratic National Convention. I have volunteered time to support candidates for local office in Los Angeles, but never in an official capacity. I was a volunteer member of the Gore 2000 Finance Committee in 1999-2000 and the Obama-Biden Presidential Transition Team from November 2008 to January 2010.

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 10 years.

Please see Attachment 1.

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Harvard College, A.B. conferred *Cum Laude* in General Studies (1991)

Recipient of the Harvard Alumni Association's *Aloian Memorial Scholarship* for exemplary student leadership (1991)

Recipient of the *Hilmer Oehlmann, Jr. Prize* for Excellence in Research and Legal Writing, Stanford Law School (1995)

Stanford Law School, J.D. conferred *with distinction* (top 15%) (1998)

Recipient of the *O'Melveny & Myers Values Award* for outstanding firm citizenship and leadership (2004)

Recipient of the *Angel Award* by California Lawyer for outstanding *pro bono* service (2006)

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

Co-author and contributing editor to *Foreign Corrupt Practice Act Handbook—Sixth Edition (2009),* published by O'Melveny & Myers LLP and provided as a service to OMM clients.

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with two copies of each formal speech.)

    None.

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

    I believe that I will bring three principle strengths and qualifications to my role as Assistant Secretary of Commerce, if confirmed. First, as a former partner at a leading international law firm, I have extensive and comprehensive experience working with and counseling a range of clients, including leading corporations, on matters concerning regulatory compliance, litigation and the risks associated with doing business overseas. I have worked closely with companies doing business in Latin America, Asia and Europe and have an understanding of many of the challenges they face in these business environments. I believe this experience gives me a strong foundation to lead the work for which the Market Access & Compliance (MAC) division of the International Trade Administration is responsible.

    Second, through my work in the administration to date, I have strong and broad working relationships with many of the individuals and agencies who will be key counterparts at the White House, the Office of the U.S. Trade Representative, the Export-Import Bank, and the State Department and who share responsibility for achieving the MAC's twin goals of broadening market access for U.S. goods and services and ensuring compliance with existing trade agreements. If confirmed, I believe I would be in a very strong position to work effectively with my counterparts throughout the administration to achieve these broad administration-wide goals, including the President's priorities related to the National Export Initiative.

    Third, if confirmed, I believe I will bring strong, demonstrated interpersonal skills and leadership qualities that will enable me to be personally effective in those aspects of the position that will require culturally competent commercial diplomacy as well as with respect to leading and managing the distinguished career professionals who comprise MAC.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

   Yes.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

   No.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

   No.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

   Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

   In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Commerce's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or

acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Commerce's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

   None.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with **two** copies of any trust or other agreements.)

   In connection with the nomination process, I have consulted with the Office of Government Ethics and the Department of Commerce's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

5. **Two** copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

   Copies have been sent to the Committee.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

   Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

N/A.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

   No.

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

   No.

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   No.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

   No.

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   None.

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

   Yes.

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

   Yes to the full extent permitted by law.

QUESTIONS FOR THE RECORD

Michael Camuñez
Nominee for
Assistant Secretary of Commerce for Market Access and Compliance

Questions from Chairman Baucus

Question 1:
I support the goals of the President's National Export Initiative. Doubling US. exports in the next 5 years will create more American jobs and help our economy recover faster. But, as with all of our export promotion initiatives, it is important to measure performance and deliver real results. It must be defined by the size of the exports it generates and the number of jobs it creates. It must, in short, be defined by results, rather than process. If confirmed, what benchmarks will you put in place to measure the performance of your efforts? How will you ensure the President's National Export Initiative delivers real results?

Response 1:
Like you, I strongly believe that establishing metrics to ensure we can accurately measure our progress toward achieving the goals of the National Export Initiative is important. I do believe that our overall measurement of export value and jobs created needs to be supplemented by metrics to account for the specialized roles that each agency plays in the overall efforts of the federal government. I also believe we should attempt to develop appropriate methods for capturing and describing the value-added work that MAC and ITA does that is not readily quantifiable.

The structure and the content of the NEI report to the President are being developed through the Trade Promotion Coordinating Committee (TPCC). The report will include work by the TPCC Data & Analytics Working Group (co-chaired by representatives from Commerce and USTR) on establishing and coordinating data, metrics, and benchmarks across the TPCC agencies to measure the federal government's overall progress towards the ultimate goal of doubling exports in 5 years and supporting several million new jobs.

ITA's Market Access and Compliance has an important role to play in supporting the National Export Initiative, specifically by addressing market access barriers. If confirmed as Assistant Secretary for Market Access and Compliance, I would be focused on ensuring that we increase the number of potential unfair trade practices identified and the number of market access cases resolved successfully.

Question 2:
Market Access and Compliance works with American companies to address foreign barriers to US. exports and investment. As we seek to increase jobs through exports, this task takes on a new importance. MAC can play a key role in working with small- and medium-sized American

businesses to address their market access concerns. I would like to see MAC aggressively reaching out to small- and medium-sized American businesses to ensure their issues are being addressed. If confirmed, what steps will you take to improve MAC's outreach to these companies?

Response 2:
If confirmed, I will ensure that MAC works hard to address the unique needs of small- and medium-sized enterprises (SMEs), since small business is a major driver of economic growth and is, to date, severely underrepresented among U.S. exporters. Half of America works for SMEs, and 65 percent of new jobs are currently coming from SMEs. I will work hard to continue ensuring open markets abroad for SME exports.

I also hope to bolster the ITA Trade Agreements Compliance Program, which MAC administers. This program provides a number of self-help tools on its website that are designed to be particularly useful to SMEs. The Program's "Report a Barrier Hotline" and the Compliance Liaison initiative allow MAC's Trade Compliance Center to gather information from the business community, Congress, and other organizations about market access barriers. Using the Program's team approach to engage all relevant ITA units makes it unnecessary for U.S. companies, especially SMEs with limited resources, to "shop around" the government for assistance in combating foreign trade barriers.

If confirmed, I will also look forward to helping lead U.S. government involvement in the APEC SME Working Group and the annual SME Ministerial Meeting that will take place in May in Big Sky, Montana in conjunction with the APEC Trade Ministerial Meeting. MAC is actively involved in activities this year and planning initiatives during the U.S. APEC host year in 2011 to assist SMEs. I hope to engage private sector SMEs to a greater degree than in the past to help identify and address barriers to increased SME exports to the Asia-Pacific region. I will also seek other opportunities to engage these issues through existing bilateral and multilateral dialogues to address market access concerns affecting SMEs in other important markets.

Question 3:
Market Access and Compliance has a good understanding of persistent barriers that face US. companies abroad. In addition to using this information for its own trade compliance efforts, MAC should coordinate with other divisions within the Department of Commerce. For example, together MAC and the Commercial Service can better equip US. exporters to deal with persistent market access barriers in foreign markets. If confirmed, how do you plan to better coordinate with other divisions within the Commerce Department?

Response 3:
I am a strong supporter of strengthening collaboration within the Department of Commerce to enable MAC and other units to leverage each other's strengths. Insisting on good internal coordination for identifying and attacking foreign trade barriers to aid in our goal of increasing exports will be a top priority for me at the Department. If confirmed, one of my first tasks will be to set the right tone at the top by collaborating fully with my colleagues who lead MAC's sister agencies in ITA to ensure that we are working closely together, under the leadership of the Under Secretary and Secretary, to fully coordinate our efforts. I will also ensure that there are an

adequate number of good training programs available to help better integrate these missions. ITA uses a team approach, led by experts from MAC, and including specialists from Manufacturing and Services and the Commercial Service, in assisting U.S. exporters and investors in gaining market access on fair terms, and I will ensure that the proper incentives and technological tools are in place to strengthen this important team work. I intend also to examine ways that our outreach efforts to U.S. suppliers, especially SMEs, can be better coordinated.

Questions from Ranking Member Grassley

Question 1:
Mr. Camuñez, have you had an opportunity to review the organizational structure of the Office of Market Access and Compliance? If so, do you have any reaction to how resources within the Office are allocated? For example, does the current makeup of subunits within the Office continue to make sense? It appears to me that the Office of Market Access and Compliance continues to be an underutilized resource, and I'm beginning to question whether the structure of the Office is a factor in that underutilization. Therefore, if you are confirmed, I would ask that you consider this question in further detail and report back to this Committee on the results of your review in 6 months time—will you commit to doing that if confirmed?

Response 1:
I have had briefings on the current structure of the MAC office and its subunits and its priorities. Currently, the Office is organized into 4 regional units with desk officers covering all countries who work on reducing and eliminating market access barriers, and another unit that administers the Trade Agreements Compliance program.

I have not had an opportunity to fully delve into how the resources are deployed by subunits.

However, if confirmed, I will certainly look deeply and carefully at how the Office is structured and its priorities. I am willing to make any changes that are necessary in organization or resource deployment that Under Secretary Sanchez and I believe are necessary to efficiently deliver services to businesses facing trade barriers and to effectively deliver value to the American taxpayer.

I would welcome the opportunity to discuss with you any ideas that you may have as well, and will certainly report to the Committee the results of my review within 6 months.

Question 2:
Mr. Camuñez, have you had an opportunity to review the operation and objectives of the Good Governance Program administered by the Office of Market Access and Compliance? I understand that this program is modest in scope, and that the Office requested about $1 million in the FY11 budget from the President's National Export Initiative for the program. It seems to me that, in light of your background and familiarity with the Foreign Corrupt Practices Act, this program would be of interest to you given its focus on promoting strong business ethics and clean supply chain practices. If you are confirmed, I would ask that you review the operation and

objectives of this program, as well as future plans for this program, and provide a status report to this Committee in 6 months time—will you commit to doing that if confirmed?

Response 2:
Creating an open global economic environment in which U.S. firms can compete and win is a top priority for me, and I am very familiar with the corrosive effects corruption has on overseas business environments. I am generally aware of the business ethics, governance, and anti-corruption work done by MAC and its partner agencies, and if confirmed I will be very interested in learning more, including how these efforts might be expanded.

I will provide a status report as requested by the Committee.

As I understand it, the request for $1 million in the President's FY 2011 budget will further MAC efforts to foster a barrier-free global trading system in three areas: anti-corruption, good governance/business ethics, and preempting potential trade barriers through bilateral cooperation.

If confirmed, I believe MAC should focus its anti-corruption and business ethics activities on countries critical to the success of the President's National Export Initiative and target the most significant market access barriers related to unethical commercial practices, such as those found in some procurement and customs systems. However, I have not yet had an opportunity to fully assess the situation but will do so if confirmed and will, as promised, report back to you within 6 months.

Question 3:
Mr. Camuñez, you state in your testimony that if confirmed your first priority will be the President's National Export Initiative. I must note my concerns with respect to the National Export Initiative. The President announced this initiative in his State of the Union address in January, then he budgeted for the initiative in February, and only then did he direct agencies to report back in 6 months on how they would spend funds under the initiative. That type of top-down mandate for bureaucracies to find ways to spend taxpayer money strikes me as a recipe for wasteful spending. If confirmed, how will you ensure that monies spent by the Office of Market Access and Compliance on the President's National Export Initiative will not be wasted?

If you are confirmed, I would ask that you report back periodically to this Committee on the purpose, extent, and result of expenditures made pursuant to the President's National Export Initiative, i.e., every 6 months—will you commit to doing that if confirmed?

Response 3:
President Obama's FY11 budget request included a proposed $6.65 million increase for ITA's Office of Market Access and Compliance as well as the details of how MAC intends to deploy these resources. As part of my commitment to helping U.S. companies address market barriers, I am committed to maximizing all of our resources so that we can best achieve those results. If confirmed, I will leverage these existing resources to support export promotion in a more efficient and targeted fashion. More importantly, I will closely measure how funding is utilized

during the first fiscal year of the NEI to ensure that we know how to use the least amount of funding to achieve the same or greater results during subsequent fiscal years.

I would be pleased to report back periodically to this Committee on the purpose, extent, and result of expenditures made within MAC pursuant to the President's National Export Initiative. I also look forward to the opportunity to work with the other units within ITA and with the TPCC partner agencies in developing MAC's contribution to the 180-day report to the President and the National Export Strategy annual report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Foreign Affairs of the House of Representatives.

Questions from Senator Rockefeller

Question 1:
Mr. Camuñez, if confirmed you will be responsible for identifying trade barriers and ensuring our trading partners fully meet their obligations under our trade agreements. Essentially, your job will be to see that there is a level playing field so that American companies and workers are not at a disadvantage in the global economy. Now it almost goes without saying that small businesses are the backbone of our economy. Small businesses are often the primary engine for community revitalization and the engine for economic growth on both the local and the national level. And as I am sure you know, the President set a goal of doubling US. exports over the next 5 years to support 2 million new jobs. Can you tell me how, if confirmed, you would work to identify trade barriers and eliminate them for the benefit of small businesses in West Virginia and the whole of America as part of the President's effort to double exports?

Response 1:
If confirmed, I will work to bolster the ITA Trade Agreements Compliance Program, administered by MAC's Trade Compliance Center (TCC) and involving all business units in ITA and Office of General Counsel. This program focuses MAC's efforts and resources on systematically monitoring, investigating and ensuring foreign compliance with over 270 international trade agreements. This service, which is designed to be particularly helpful to small- and medium-sized enterprises (SMEs), provides companies with a one-stop "trade complaint center" that makes it easy for firms from West Virginia and across America to get the U.S. Government to focus on reducing or eliminating the foreign trade barriers that obstruct their market access abroad. The program conducts many activities each year to reach out to businesses of all sizes.

As I understand it, ITA staff is currently working on 286 trade barriers where agreements are in place to assist in gaining market access. In. FY2009, approximately 28 percent of the cases that were investigated (61 out of 215 cases) were on behalf of SMEs.

Question 2:
Mr. Camuñez, if confirmed, you will be responsible for identifying trade barriers and ensuring our trading partners fully meet their obligations under our trade agreements. Essentially, your job will be to see that there is a level playing field so that American companies and workers are

not at a disadvantage in the global economy. Market compliance is about jobs and the economic insecurity that touches people in their living rooms and at their kitchen tables. Enforcing our trade agreements and laws affects how my constituents provide for their families and build for the future. As I'm sure you know, one of my interests is in preserving steel-making in the Ohio Valley. Now I firmly believe that improving our economic relationship with China will benefit our economy, but part of that relationship must include enforcement of both domestic and international trade obligations. Can you tell me how, if confirmed, you would push our trading partners such as China to comply with their international obligations?

Response 2:
If confirmed, I will work closely with my colleagues throughout Commerce, ITA, and USTR to ensure that all of our trading partners, including China, comply with their international obligations. The Commerce Department will continue to actively engage China through multiple, important fora such as the U.S.-China Joint Commission on Commerce and Trade (JCCT) to address bilateral trade issues. The Commerce Department is also currently working to address broad range of specific trade barriers in China brought to us by U.S. industry. I believe dialogue is always the preferred approach, but in areas where progress is lacking, I would not hesitate to work through the interagency process to make full and effective use of available WTO mechanisms, including the dispute settlement mechanism.

Additionally, although not within the Assistant Secretary for MAC's direct area of responsibility, I would support the Import Administration's efforts to vigorously enforce our domestic trade laws and to ensure China complies with its international obligations. MAC is also working, in cooperation with our interagency colleagues, to expand market opportunities for U.S. exports in China by pushing it to finish its accession to the WTO Agreement on Government Procurement and, once it accedes, to ensure it honors its obligations.

Opening Statement of Senator Chuck Grassley
Committee on Finance Nomination Hearing
Thursday, July 29, 2010

First I want to welcome Michael Camuñez, who has been nominated to be the Assistant Secretary of Commerce for Market Access and Compliance. Mr. Camuñez has an impressive resume, having attended Harvard University as an undergraduate and later Stanford Law School. In private practice, Mr. Camuñez rose to become a partner at the international law firm of O'Melveny & Myers. In that capacity, Mr. Camuñez was a co-author and contributing editor to the sixth edition of the Foreign Corrupt Practice Act Handbook published by O'Melveny & Myers in 2009. I appreciate the evident seriousness with which Mr. Camuñez is approaching the responsibilities of the position for which he has been nominated, and I look forward to his testimony today.

Next we will hear from Dr. Blahous and Dr. Reischauer, who have both been nominated to serve as public trustees to the Social Security and Medicare programs. This is an important position and both nominees have extensive past experience with these issue. The position of public trustee was created in 1983 to provide greater public accountability to the annual Social Security and Medicare trustees' reports. This position is intended to bring new ideas and fresh perspectives about economic and demographic assumptions and methods used in the trustees' reports.

The credibility of the public trustees requires their active and independent involvement throughout the process of producing these annual reports. The knowledge and experience of both nominees deserve the full consideration of this Committee as we determine their ability to fully and effectively participate in this process.

Dr. Blahous has served as a key Social Security advisor in the both the Senate and the White House. He has served as Executive Director of the President's Commission to Strengthen Social Security; and is now a senior fellow at the Hudson Institute. He has written extensively on Social Security.

Dr. Reischauer has served as Director of the Congressional Budget Office; senior fellow at the Brookings Institute; and vice chair of the Medicare Payment Advisory Commission. He currently serves as President of the Urban Institute. He has also written extensively on Social Security and Medicare.

Unfortunately, there is another issue that will be discussed in this hearing, and that issue goes to the value nominees who appear before this committee, and members of this committee, place on the provision of true, accurate, and complete information to the committee by presidential nominees.

A situation arose, and was disclosed to the full committee yesterday, where it appears that contradictory information was provided by an individual on the committee questionnaire versus what the nominee told bipartisan committee staff during a meeting that is routine for all nominees. The decision to disclose this issue to the full committee was a bipartisan decision made by both the chairman and myself. I'm can't speak for the chairman or any other members, but I plan to explore this issue in my questions to the nominees.

Nomination to be Public Trustee of Social Security and Medicare

Statement of Robert D. Reischauer

Committee on Finance
United States Senate
July 29, 2010

Mr. Chairman and members of the Committee, I am honored to have been nominated by the President to be one of the two public trustees of Social Security and Medicare, and I appreciate your willingness to review my qualifications for the position.

As you know very well, Social Security and Medicare are vital elements of the nation's social and economic fabric, providing essential financial support and access to medical care for millions of elderly and disabled persons and families of deceased workers. Not surprisingly, these programs are very popular, representing, as they do, part of an intergenerational social compact that binds together those of different ages, economic circumstances, and social situations. Social Security and Medicare, as two of the federal government's largest programs, are also important to the nation's economy and loom large in the federal budget. Given their importance in all these ways, it is critical that the financial and operational integrity of Social Security and Medicare be unimpeachable. It is also essential that the public retains trust in the programs' continuity and has a balanced understanding of the challenges ahead.

While little recognized, the public trustees of Social Security and Medicare bear important fiduciary responsibilities for these two programs. On behalf of the public, the two trustees must help assure that the methods, assumptions, and data used to estimate the short-, intermediate-, and long-term financial and operational positions of the programs are objective and are the best possible. Trustees also have an obligation to help communicate, in a balanced and intelligible way to the average program participant, the current status of and future prospects for the programs.

With that as background, let me review some aspects of my professional experience that bear on my suitability to carry out the responsibilities of a public trustee of Social Security and Medicare. I have spent the past four decades as an economist and policy analyst focused on social policy, the federal budget, and health care. Much of my research, writing, and speaking has dealt with the Social Security and Medicare programs. With Henry Aaron, I am the author of *Countdown to Reform: The Great Social Security Debate* (1998, revised 2001). During the efforts to reform Social Security in the late 1990s, I participated in numerous forums and was invited to meet with many members of Congress and Committees to discuss options. In January 1999, I was one of only two resource experts invited to participate in the Blair House Social Security Summit meeting of the Congressional Leadership and President Clinton.

I am one of the founding members of the National Academy of Social Insurance (NASI), which promotes understanding of how social insurance programs like Social Security and Medicare contribute to economic security and a vibrant economy. I served for nine years as the Chair of NASI's Restructuring Medicare for the Long-Term project and am a co-editor with Judy Lave and Stuart Butler of the NASI volume *Medicare: Preparing for the Challenges of the 21st Century* (1998). I am a member of the Institute of Medicine and have served on four IOM Committees.

I served for nine years on the Medicare Payment Advisory Committee, seven of those as Vice Chair. I was a member of the Medicare Competitive Pricing Advisory Committee, which Congress chartered to explore ways competitive bidding might be used to set Medicare payments to private plans.

My entire professional career, including my years as the Director of the Congressional Budget Office and President of the Urban Institute, has been dedicated to providing policy makers, the public, and the media with objective, high quality, nonpartisan analysis of and options for dealing with the challenges facing the nation, including those of Social Security and Medicare. I realize that the position of public trustee does not involve policy making or advising, but as this review indicates I am intimately familiar with the technical details of these two programs and how they fit into the larger policy picture. Thus, I have the ability to carry out the fiduciary, methodological, and technical responsibilities of a public trustee. If confirmed, I will carry out these duties with the seriousness and skill they deserve.

Thank you.

SENATE FINANCE COMMITTEE
STATEMENT OF INFORMATION REQUESTED OF NOMINEE

A. BIOGRAPHICAL INFORMATION

1. Name: (Include any former names used.) Robert D. Reischauer

2. Position to which nominated: Public Trustee, Social Security & Medicare

3. Date of nomination: 10-15-09

4. Address: (List current residence, office, and mailing addresses.)

   HOME:

   WORK:

5. Date and place of birth: January 18, 1941, Boston, MA

6. Marital status: (Include maiden name of wife or husband's name.)

7. Names and ages of children:

8. Education: (List secondary and higher education institutions, dates attended, degree received, and date degree granted.)

   Brown and Nichols-Buckingham School September 1955-June 1959, HS graduate 1959

Harvard College, 1959-1963, A.B. cum laude June 1963

Columbia University, School of International Affairs, 1963-1965, M.I.A. 1966 (Latin American Studies)

Columbia University, Department of Economics, 1965-1970, Ph.D. 1971

9. Employment record: (List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.)

The Urban Institute, President, February 2000 to present

The Brookings Institution, Senior Fellow, March 1995 through January 2000

Congressional Budget Office, Director, March 1989 to March 1995

The Brookings Institution, Senior Fellow, February 1986 to March 1989

The Urban Institute, Senior Vice President, February 1981 to February 1986

Congressional Budget Office, Deputy Director, 1979-1981; Assistant Director for Human Resources and Community Development, 1977-1979; Special Assistant to the Director, 1975-1977

The Brookings Institution, Economic Studies Program, Research Associate, 1970-1975

Columbia University, Department of Economics, Preceptor (College Department), 1969-1970; Teaching Assistant (Graduate Department), 1968-1969

The RAND Corporation, New York City, RAND Institute, Consultant, 1968-1969

Harvard University, The Center for Studies in Education and Development, Consultant on Education and Planning in Central America, 1965

10. Government experience: (List any advisory, consultative, honorary, or other part-time service or positions with Federal, State or local governments, other than those listed above.)

Member, Medicare Payment Advisory Commission, May 2000 to May 2009 (Vice Chair, May 2001 to May 2008)

Panel of Economic Advisers, Congressional Budget Office, 1995 to 2007

Panel of Health Advisers, Congressional Budget Office, 2007 to present

Member, Medicare Competitive Pricing Advisory Committee, 1997 to 2001

11. Business relationships: (List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.)

Fellow of Harvard College (Member of the Corporation), 2002 to present. Member, Joint Committee on Inspection, 2002 to present; chair, 2008-present; Chair, Corporation Committee on Shareholder Responsibility, 2004 to present

Board of Overseers, Harvard University, 1996 to 2002; Vice Chair 2001-2002; Executive Committee 1998-2002; Standing Committee on Social Sciences 1996-2002 (Chair 1998-2002); Chair Sp. Committee of Higher Education Costs 1998-2000; Subcommittee on Visitation 1998-2002 (Chair 1999-2002); Institutional Policy Committee 1996-2002

Trustee Robert D. Reischauer GST Trust 1990 (1990 - present)

AcademyHealth, Washington, DC, Director, 2002 to present; Chair Finance Committee 2008-present

Center on Budget and Policy Priorities, Washington, DC, Director, 1987-1989, and 1995 to present

Manpower Demonstration Research Corporation, New York, Director, 1995 to 2000, Chair 1998-2000

Mathematica Policy Research, Inc., Princeton, NJ, Director, 1987-1989

P/PV (Public Private Ventures), Director, Philadelphia, PA, 1985-1989

The Academy of Political Science, New York, Director, 1995 to present

The Committee for a Responsible Federal Budget, DC, Director, 1995 to present

12. Memberships: (List all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations.)

Advisory Board, The Japan Society of Boston, Inc., 2003 to present

National Institute for Health Care Management, Advisory Board, 1996 to present

The Japan-America Student Conference, Washington, DC, Director, 1999 to 2004

Elected Member, Institute of Medicine, 1999 to present.

Member, Committee on the Roles of Academic Health Centers in the 21st Century, 2001-2003.

Member, Committee on Redesigning Health Insurance Performance Measures, Payment and Performance Improvement Programs, 2004 to 2006; Co-Chair, Subcommittee on Pay for Performance, 2005 to 2006

Member, Committee on Health Insurance Status and Its Consequences, 2008-2009

Member, Committee on the Future of Nursing, 2009 to present

Elected Member, National Academy of Public Administration, 1980 to present

Member, Committee on the Fiscal Future of the United States: Analysis and Policy Options; a joint project of The National Academies and the National Academy of Public Administration, 2008-present

Founding Member, National Academy of Social Insurance, 1986 to present

Chair, National Advisory Committee, The Robert Wood Johnson Foundation's Changes in Health Care Financing and Organization (HFCO) Initiative, 2000 to present

Member, Advisory Board, The Health Industry Forum, 2005 to present

Member, Advisory Board, RAND Global Pharmaceutical Project, 2006

Member, Independent Task Force on Immigration and America's Future, 2005 to 2006.

Member, Advisory Council, The Hamilton Project, 2006 to present

Member, American Economic Association 1970-present

Member, Association for Public Policy Analysis and Management 1980- present

Member, American Society for Public Administration 1980- present

Chairman, Restructuring Medicare for the Long-Term Project, National Academy of Social Insurance, 1995 to 2004

Advisory Board, Joint Committee on Taxation, 1995 to 1999

Commission on Behavioral and Social Sciences and Education, National Research Council, National Academy of Science, 1996 to 1999

Committee for Economic Development, Research Advisory Board, 1996 to 1999

Advisory Committee of the Center for the Study of the States, The Nelson A. Rockefeller Institute of Government, 1990 to 1998

Vice President of the Association for Public Policy Analysis and Management, 1984 to 1985

Practitioner Advisory Board, Graduate Program in Public Affairs and Administration, Columbia University, 1979 to 1984

Editorial Board, Public Budgeting and Finance, 1980 to present

Editorial Board, Health Affairs, 1996 to 2003

Editorial Board, Public Administration Review, 1990 to 2002

Editorial Advisory Board, Political Science Quarterly, 1973 to 1995

Associate Editor, Journal of International Affairs, 1964 to 1965

13. Political affiliations and activities:

a. List all public offices for which you have been a candidate.

None.

b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

None.

c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 10 years.

Judy Feder for Congress 2007-8	$1,500
Judy Feder for Congress 2005-6	$1,050

14. Honors and Awards: (List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement.)

Washington Academy of Sciences' Distinguished Career in Science Award. 2009

John F. Kennedy Fellow to New Zealand, 1999

Fellow, National Association of Business Economists, 1996

Morris & Edna Zale Award for Distinction in Scholarship and Public Service, Stanford University Public Policy Program, 1995

Maxwell Spirit of Public Service Award from the Maxwell School of Citizenship and Public Affairs, Syracuse University, 1994

National Distinguished Service Award from the American Association for Budget and Program Analysts, 1994

Doctor of Laws, Wheaton College, 1994

S. Kenneth Howard Award, Section on Budgeting and Financial Management of the American Society for Public Administration, October 1993

Brandeis University, Heller School Award for Leadership in Human Services, October 1989

Ohio State University, School of Public Policy and Management Award for Outstanding Public Service, June 1989

15. Published writings: (List the titles, publishers, and dates of all books, articles, reports, or other published materials you have written.)

See Attachment A

16. Speeches: (List all formal speeches you have delivered during the past five years which are on topics relevant to the position for which you have been nominated. Provide the Committee with **two** copies of each formal speech.)

I give dozens of formal and informal talks a year. I do not keep a list of these talks and use very crude notes which I discard after the presentations.

17. Qualifications: (State what, in your opinion, qualifies you to serve in the position to which you have been nominated.)

For several decades, I have studied, written and spoken about, and been consulted by policy makers, the media and experts about the problems facing the Social Security and Medicare programs and the ways to address these problems. I served for nine years on the Medicare Payment Advisory Commission. During seven of those years I was the Vice Chair of the Commission. I am a founding member of the National Academy of Social Insurance. From 1995 though 2004, I chaired the Academy's "Restructuring Medicare for the Long Term" panel and was an ex-officio member of many of that panel's study groups. I am the coauthor, with Henry Aaron, of a book on Social Security reform. I was a participant in President Clinton's White House conference on Social Security and was the sole outside expert invited by the democrats (Professor Marty Feldstein being the expert invited by the Republicans) to participate in the final conference discussion which was the closed Blair House session with the President and the Congressional leadership.

B. <u>FUTURE EMPLOYMENT RELATIONSHIPS</u>

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

As noted in my ethics agreement, if confirmed, I plan to continue my position as president of the Urban Institute.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

   Yes—see above.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

   No

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? If not, explain.

   Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

   In connection with the nomination process, I have consulted with the Office of Government Ethics and the Social security Administration's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

   In connection with the nomination process, I have consulted with the Office of Government Ethics and the Social security Administration's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal government need not be listed.

   None

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Provide the Committee with **two** copies of any trust or other agreements.)

   In connection with the nomination process, I have consulted with the Office of Government Ethics and the Social security Administration's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance the terms of an ethics agreement that I have entered into with the Department's designated agency ethics official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.

6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

   Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (e.g., March to December 1995), and the number of hours spent on the representation.

D. LEGAL AND OTHER MATTERS

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

   No

2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.

   No

3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   In 2007, I was a defendant in a suit arising from a traffic accident. My insurance company handled the matter and settled with the plaintiff for $1,600.

4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.

   No

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   None

E. TESTIFYING BEFORE CONGRESS

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?

   Yes

2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?

   Yes

Responses of Robert D. Reischauer to the Questions for the Record Submitted by Chairman Baucus, Senator Grassley and Senator Rockefeller

Senate Finance Committee Hearing of Thursday, July 29, 2010
to Consider the Nomination of the Michael Camuñez to be the Assistant Secretary of Commerce for Market Access and Compliance; and Charles P. Blahous and Robert D. Reischauer to be the two public Trustees of the Board of Trustees of the Social Security and Medicare Trust Funds.

Questions for the Record from Senator Baucus.

Question 1. What do you think is the role of the Public Trustee?

Answer 1. On behalf of taxpayers and program participants, the public trustees exercise fiduciary responsibility for these two programs. They should assure that the methods, assumptions, and data used to estimate the short-, intermediate-, and long-term financial and operational positions of the programs are objective and are the best possible. Along with the programs' actuaries and advisory panels they should make sure that new thinking and analysis by knowledgeable non-government experts are fairly evaluated for the contributions they might make to the preparation of the annual Trustees Reports. The trustees also have an obligation to assure that the current status of and future outlook for the programs are communicated, in a balanced and intelligible way, to program participants.

Question 2. During your careers, you have both acted as advocates for various policy proposals regarding Social Security and Medicare. How difficult do you think it will be to put those views aside and be an objective public trustee?

Answer 2. During the more than six years I served as the director of the Congressional Budget Office, I demonstrated my ability to distance my own policy preference from the objective and balanced evaluation of policy options. On the various Institute of Medicine and other committees and commissions on which I have served either as chair or a member, I have earned a reputation as someone who has not pushed his own policy agenda but rather has stressed the need for balanced and objective consideration of different perspectives realizing that values and judgment play critical roles in choosing appropriate policy.

Question 3. Mr. Reischauer, on November 17th of last year, you and 22 other prominent economists – including two Nobel laureates and former members of the Bush and Clinton administrations – wrote a letter to President Obama to "to stress the potential benefits of health reform for our nation's fiscal health, and the importance of those features of the bill that can help keep health care costs under control."

> **Your letter remains relevant because making health care more affordable for all Americans is a key goal of the new health reform law. In the letter, you and your colleagues point to <u>four</u> elements you viewed as critical to slowing the growth in health costs:**
>
> 1. **Deficit neutrality;**

2. **An excise tax on high-cost insurance plans;**

3. **An independent payment advisory Board tasked with proposing further policies that will improve quality and contain costs; and**

4. **Delivery system reforms, such as funding patient-centered comparative effectiveness research and reducing unnecessary hospital readmissions.**

As you know, the health reform legislation that President Obama signed into law included all four of these elements. The independent Board and the delivery system reforms are designed to first improve sustainability and quality-of-care in the Medicare program, for which you are nominated to be a Trustee.

My question is this: Given you and your colleagues support for these elements of health care reform, what do you view as the most important opportunities – and challenges – facing the Obama Administration as it begins to implement these portions of the new law?

In particular, what do you think CMS must do to ensure that the delivery system reforms have their intended effect within Medicare, and eventually throughout the rest of the health system?

Answer 3. The PPACA authorizes a number of important pilots, demonstration programs and other initiatives designed to test changes in payment policy and delivery system structures that hold out the promise of moderating the growth in costs and improving quality. In the past, smaller efforts of this sort have taken an inordinate amount of time to produce usable results and at times the results have not been incorporated into policy. It is essential that CMS, the Administration and the Congress provide a very high priority, adequate funding and sufficient staff resources to move these efforts forward at the most rapid pace consistent with obtaining reliable results. Once evidence from these initiatives is available, it is important that the findings be used to change policy.

Engaging the provider community and insurers in these initiatives at an early stage and keeping them involved as active partners in the efforts is critically important if these initiatives are to realize their full potential to transform the entire health care sector as will be necessary if cost growth is to be moderated.

The major challenge facing the Administration and Congress will be to stay the course. While some fine tuning is inevitable, policy makers must resist efforts to weaken the requirements of the PPACA unless there is convincing evidence that an equivalent outcome can be achieved with less disruption.

Questions for the Record from Senator Chuck Grassley

These questions pertain to the discrepancy between your written Finance Committee questionnaire and statements you made to bipartisan Finance Committee nominations staff concerning rental income from a farm in Canada.

Question 1. Did you know that you were required to report your farm income on your U.S tax returns at any time during the five years you declined to do so?

Answer 1. No. In 2004, I bought a farm adjacent to my parent-in-law's summer cottage on Prince Edward Island, Canada for a summer home. The Province restricts the amount of waterfront land that can be owned by non-islanders. As part of the agreement waiving these restrictions, the Province required me to keep the land in agricultural production or in a natural state, and so I inadvertently became a "farmer." I "inherited" the previous owner's informal agreement with a local farmer who cropped some of the land. At that time I had no idea how much the lease payment amounted to, when it was paid or whether I would receive anything during the first year. I had no contact with farmer who was cropping the fields. At the same time I began incurring various expenses (see Answer 6) associated with the farm. Incorrectly, I thought of the financial consequences of this arrangement as the net expense of having a summer home which, since I did not rent my house out, had no tax consequences.

Question 2. Please describe the process by which the White House discovered that you had neglected to report your farm income and came to encourage you to file amended returns. Would you have filed amended returns were you not being considered for a Presidential nomination?

Answer 2. As part of the vetting process, I mentioned that I received lease payments and had associated expenses from the farm in Canada. It was suggested to me that these payments might be income for tax purposes. I looked into the matter, and I determined that I had made an error and should amend my tax returns to report the payments. I promptly filed amended federal and state returns for the years 2004-8.

Had this not been suggested to me, I would, most likely, have continued to think of the income and expenses associated with the farm as the net expenses of having a summer home rather than, as I should have, as the loss/profit from an investment. After 2008 I no longer receive lease payments..

Question 3. Do you think it is acceptable for taxpayers to decide not to report certain income on their tax returns if they believe that their overall tax liability will not be affected?

Answer 3. No.

Question 4. Should people be encouraged or allowed to "fudge" their tax returns where small sums of money are involved?

Answer 4. No.

Question 5. How important is it to be complete and accurate when filing a tax return, or when responding to a request for information from Congress?

Answer 5. It is vital to the integrity of our system and for compliance that individuals complete their tax returns completely and accurately. It is also critical that Congress receive complete and accurate information from nominees whose qualification the Senate is reviewing in the confirmation process if this safeguard is to be effective.

Question 6. Did you document the various expenses related to ownership of the farm as you incurred them?

Answer 6. No. The expenses were related to hiring local individuals who repaired the ½ mile long dirt driveway that I share with others that is chewed up by farm machinery getting to my fields each spring when the road is wet, bush hogged the fields that are not planted in crops, trimmed the trees that encroach onto the fields, and repaired fences. There were no written receipts, and I paid these individuals in cash, according to their preference.

Question 7. Could you have verified and/or documented that your expenses equaled or exceeded the rental income you received from the farm at the time each year when you should have reported the income on your tax returns?

Answer 7. No. As the previous answer indicates, these were cash transactions without receipts but they were so few in number that I had no difficulty reaching that conclusion to my satisfaction, which I realize is not sufficient for IRS purposes.

Question 8. The first Social Security trustees' report was issued in 1941; and the first Medicare trustees' report was issued in 1966.
The 1983 Social Security Amendments provided for the appointment of two public trustees who signed their first report in 1985.
Despite all of the changes in methods and assumptions, the basic picture has remained virtually the same for over thirty years. The retirement of the baby-boomers and the rising cost of health care will result in Social Security and Medicare deficits as far as the eye can see.
As public trustees, how would you increase public awareness of the challenges we face and opportunities we have to address these looming deficits?

Answer 8. If confirmed, I will do my best to increase public awareness of the challenges faced by Social Security and Medicare. This might include, participating in forums, giving talks, appearing on television, discussing on radio and writing about these issue as I have done in the past. When wearing my Public Trustee hat I will scrupulously avoid advocating for specific policies but rather will discuss the nature of the problems, available options for their solution and the necessity for doing something sooner rather than later. My track record as director of the Congressional Budget Office as well as my experience as a member or chair of various committees indicates my ability to communicate effectively to the broad public in an objective, non partisan manner on complex policy matters.

Question 9. The Social Security Advisory Board periodically appoints a technical panel to review the methods and assumptions of the Social Security actuaries. The latest panel is about to get underway. As public trustees, you will have an opportunity to participate in this process.
Have you reviewed the previous technical panel reports, and do you have any thoughts on how to improve the development and presentation of the Social Security trustees' report?

Answer 9. I read the previous reports when they were issued and I look forward to participating in the process, if confirmed. The Trustees Reports are comprehensive, sophisticated presentations of the short-, intermediate- and long-run conditions of the trust funds. However, they are probably incomprehensible to the vast majority of program participants. While SSA provides some summary documents and other organizations make an effort to translate the reports into brief, intelligible communications, I believe the trustees should explore the possibility of issuing supplementary documents of varying lengths aimed at broad audiences.

Question 10. The Social Security and Medicare trustees' reports were delayed this year due to the enactment of the health care bill. These reports, which are expected in the next week or two, will reflect the impact of the health care bill on Social Security and Medicare. Obviously, neither you nor I have seen these reports, but I want to raise one potential concern. When the Medicare actuary scored the health care bill earlier this year, he stated that the score did not include any price effects. In other words, even though the bill was expected to increase the demand for health care, medical prices were not projected to rise in response to the higher demand.
Assuming they have not incorporated a price effect into the latest trustees' report, can I have your assurance that in your role as public trustee you will specifically address this issue in future trustees' reports?

Answer 10. During the health reform debate, I too was very concerned about the impact of increased demand on unit prices and discussed this issue with the estimators at both CBO and OACT. Appropriately, neither group was too forthcoming about their detailed assumptions and methodologies. You have my assurance that this important issue is one that I will focus attention on, if confirmed.

Questions for the Record from Senator from Senator Jay Rockefeller

Question 1. Mr. Reischauer and Mr. Blahous, research out of Dartmouth shows great variation between hospitals in what is spent on care during the last year of life, but no evidence of better outcomes or satisfaction with greater spending. You may be aware that in the New Yorker magazine this week, Dr. Atul Gawande published an extremely moving and honest story on end-of-life care. He raises the following fundamental question: "how we can build a health-care system that will actually help dying patients achieve what's most important to them at the end of their lives." Gawande presents important research, such as one study of 4,493 Medicare patients with either terminal cancer or congestive heart failure that found that hospice care actually seemed to <u>extend</u> survival for some patients, compared to non-hospice care. According to a palliative care specialist quoted in the article, it is critical for providers to <u>make time to learn</u> what is most important to their patients under the circumstances. I have worked to promote advance care planning between patients and their physicians, including advance directives, so physicians know what their patients want at the end of life.

Mr. Reischauer and Mr. Blahous: What do you think are some of the most important components of quality end-of-life care, and what are some of the things the health care system can do to improve it?

Answer 1. The public needs to gain a better understanding of the issues surrounding and options for end-of-life care, and medical professionals need to have more and better training dealing with patients who are near the end of life.

The most important component of quality end-of-life care is to have individuals think, before there is a need, about how they would like to be cared for if they face various types of terminal conditions and discuss their preferences with their family and physician. They need accessible and accurate data on age-specific survival rates and complications for different conditions with various co-morbidities under different treatments.

As Dr. Gawande's article makes clear from the La Crosse WI example, it is possible to raise the level of understanding and preparedness of an entire community through voluntary measures that encourage people to think about their personal preferences with respect to end-of-life care and discuss these matters more openly with family members before there is a need to execute on them.

Dr. Gawande is an articulate, sensitive, people-centered general surgeon. Yet, by his own admission, he is not always very good at communicating with patients with terminal conditions about their prospects and the consequences of various treatment options. The Administration might consider requiring that medical schools and institutions that receive IME and GME payments institute required courses that provide training in such communications to physicians and other relevant medical professionals.

Question 2. Several of my colleagues this week introduced a bill to repeal the Independent Payment Advisory Board. Ironically, they are calling this a "government takeover" of health care when in fact the Board does the opposite – for the first time it puts important policy decisions about Medicare back in the hands of doctors and experts, instead of government officials. Importantly, the health care law explicitly prohibits IPAB from reducing benefits to seniors and persons with disabilities in the Medicare program. What's more, the Congressional Budget Office has stated that IPAB will reduce the deficit by $28 billion – not even counting additional savings if we eliminated the special carve-out for hospitals. Therefore, this is the only mechanism we currently have to get politics out of health care, bring Medicare into the 21st Century, and put doctors and other experts back in charge of health care decision-making all without reducing benefits for Medicare beneficiaries?

Mr. Reischauer and Mr. Blahous: Do you think it is important to the future of the Medicare program that we support and even strengthen this independent advisory body, for example by eliminating the special carve-out for certain providers like hospitals?

Answer 2. There is no question that the IPAB is a critical component of health reform and, if we ever hope to moderate the growth of health costs, one that should not be weakened without adopting an equal or more effective substitute. The creation of the IPAB should encourage the Congress and future administrations to adopt policies that hold cost growth down below the thresholds that trigger IPAB action. Even if this is the case, the IPAB should generate innovative proposals for Congress to consider.

Question 3. One of my greatest concerns with our current health care system is how we provide care to individuals who are dually eligible for Medicare and Medicaid. Most dual enrollees are very low-income individuals with substantial health needs: 77% have annual income below $10,000 and over half are in fair or poor health, twice the rate among others in Medicare. Currently, the care for dual eligibles is poorly coordinated between Medicare and Medicaid – leaving one of the country's sickest populations terribly vulnerable. The health reform law created, for the first time, an office within CMS to harmonize policies and coordinate care for dually eligible beneficiaries. This is extremely important because not only is it an area where we can improve the quality of care, it is also an area where we can reduce inefficiencies in the Medicare and Medicaid programs.

Mr. Reischauer and Mr. Blahous: If you are confirmed, how do you intend to focus on improving quality and coordination of health care for the dual eligibles, particularly as it relates to the sustainability of the Medicare program?

Answer 3. The often conflicting financial incentives of the Medicare and Medicaid programs and the paucity of appropriate integrated care delivery systems can increase the costs of and reduce the quality of care received by dual eligibles. Different structures, ones that can combine the two funding streams and provide coordinate care, are needed to overcome the problems but this is not an easy task because of the diversity of needs among the dual eligible population and the right beneficiaries have to select providers of their choice.

Public Trustees do not have responsibility for beneficiary policy but, if confirmed, I would explore the possibility of having the Office of the Actuary examine the impacts of alternative structures for dual beneficiaries on spending and the Trust Funds.

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