COMMITTEE ON FINANCE
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**Hearing Statement of Senator Max Baucus (D-Mont.)**
**Regarding Ways to Improve Care for "Dually-Eligible" Beneficiaries**
*As prepared for delivery*

President Harry Truman once said, "Difficulties are a challenge to men of determination."

On July 30, 1965, President Lyndon Johnson signed monumental legislation creating both Medicare and Medicaid. At long last, the United States had met the challenge of guaranteeing health insurance to elderly and low-income Americans. The bill-signing ceremony took place in Independence, Missouri. The first Medicare card was given to the nation's first beneficiary, the 81 year-old former President, Harry S. Truman.

Nearly 50 years later, Medicare and Medicaid continue to provide vital health services to more than 100 million Americans. Nine million of these individuals are part of a subgroup enrolled in both Medicare and Medicaid. These dually-eligible beneficiaries, called "duals," present unique challenges that were hard to imagine back in 1965.

These folks eligible for both Medicare and Medicaid are often thought of as one single group. They are not. People who become eligible for both Medicare and Medicaid do so for many different reasons. A low-income individual who just turned 65 may qualify. A 26-year-old with a disability may be considered dually-eligible. An 80-year-old who needs long term care could qualify.

All pose very unique, individual challenges. These challenges are often complicated because Medicare and Medicaid do not always work well together.

Some rules are written by the states; others by the federal government. Acute care is paid for by Medicare. Long term care is paid for by Medicaid.

Incentives become misaligned, there's too much red tape across both programs, and these vulnerable Americans are lost in the middle. As a result, some of these folks receive poor health care, and we have the data that proves this.

Half have three or more chronic conditions. More than half have a mental impairment. As a consequence of their poorer health status, dually-eligible beneficiaries are more than twice as likely as other beneficiaries to die during any given year.

The government also spends disproportionately high amounts on this population. While 18 percent of Medicare beneficiaries are dually-eligible, they account for 31 percent of Medicare spending. Fifteen percent of Medicaid beneficiaries are duals, but they account for 39 percent of total Medicaid spending. Last year, states and the federal government spent nearly $300 billion on care for people who qualify for both Medicare and Medicaid.

The non-partisan Congressional Budget Office tells us that 40 percent of the long term growth in federal health care programs is due to the growth in health care costs. But 60 percent can be linked to the aging of population. In fact, 10,000 Americans will turn 65 each day over the next two decades.

We cannot stop the aging of America, but we can work to lower health care costs.

Streamlining Medicare and Medicaid so they work better together will pay dividends. It will improve the health of vulnerable Americans, and increasing efficiency will also save the federal government money.

How are we going to increase efficiency? First, we need to rework our payment models so providers, states and the federal government have incentives to work towards the same goal. We need to remove incentives for providers to game the system. Everyone should be rewarded for lower costs as well as held accountable for poor or unnecessary care.

Second, we need to coordinate care so that doctors, hospitals and other providers are working together as a team. Dually-eligible folks often have multiple chronic diseases, requiring multiple doctors. If providers don't communicate, they can deliver unnecessary care. This leads to increased costs and can harm patients.

Third, we need to get rid of conflicting rules and cut red tape in the areas where Medicare and Medicaid interact. For instance, when a dual needs a wheelchair, Medicare and Medicaid have two very different rules. These rules are complicated and at times delay needed care.

Accomplishing these goals will go a long way in improving care and saving money.

Our witnesses are here today to discuss efforts to streamline these two programs. Last year, Melanie Bella, the director of the office at CMS responsible for dually-eligible beneficiaries, testified before the Finance Committee. She outlined CMS's plans for a demonstration project where states would test new ways to provide health care to duals.

Today, the Committee looks forward to an update on these efforts from Director Bella and three states participating in the demonstration project: Washington, Arizona and Ohio. As these demonstrations move forward, we need to keep in mind three key principles.

One, the focus can't be on cost cutting alone. We must focus on streamlining Medicare and Medicaid in a smart way to improve how care is delivered. If we do this right, duals will be healthier and the programs will save money.

Two, we must maintain or strengthen the protections beneficiaries enjoy today. Let me repeat that: We must maintain or strengthen the protections beneficiaries enjoy today.

Three, we need to rigorously evaluate the projects to learn what worked and what didn't.

So let us focus on these principles. Let us streamline these programs and improve care for these vulnerable Americans. And as President Truman advised, if we act with determination, these difficulties will only be challenges to solve.

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