Committee On Finance
Max Baucus, Ranking Member

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Statement of U.S. Senator Max Baucus
Hearing on Fiscal Year 2005 Health and Human Services Budget

"Thank you, Mr. Chairman. And welcome Secretary Thompson. We are pleased to have you here today. It has become somewhat of a tradition – that the budget hearing is the first hearing of the year in the Finance Committee to address health care and welfare issues. And so I look forward to this chance to exchange ideas and lay out the year's health care agenda.

Last year was a very busy year in health care. Congress passed a Medicare bill, and I was proud to be a part of that effort. The bill that passed is not a perfect bill, as I've stated many times before. But it is a good first step, and it does not undermine the traditional Medicare program, as some have claimed. I would never – could never – support a bill that I thought undermined the traditional Medicare fee-for-service program.

But, as I mentioned, the bill has shortcomings. And Congress has a responsibility to continue ironing out any flaws and address issues that arise as implementation moves forward. While I do not support undermining major elements of the bill that was signed into law last December, I believe there are several areas where improvements can be made.

For example, I remain concerned about low-income beneficiaries who may pay more once the new benefit starts than they do under current law, and I worry about the impact of formularies and how accessible the appeals process will be to particularly vulnerable beneficiaries. Funding for states in the early years of the benefit may not be sufficient. It was not my intention that states would pay more for drug spending for dual eligibles than they currently spend.

I also believe that the non-interference language has raised a lot of red flags regarding drug pricing practices. It was not our intent to create a government price control system, but it may be inappropriate to tie the government's hands so explicitly. And, perhaps most significantly, the so-called "true out-of-pocket" provides disincentives for employers, private plans and Medigap to cover spending in the gap, or doughnut, and may need to be revisited.

Of course, these changes need to be weighed against budget constraints and other priorities in Congress. I look forward to working with my colleagues in a bipartisan manner to make improvements to the bill as issues are identified that should, and could, be addressed this year and in the future.

Mr. Secretary, I would be remiss to move on to another subject without also raising the issue of the administration's estimate of the Medicare bill. While Congress relies on the CBO for its official estimates, we also rely on the independent career actuaries at CMS for their views

and analyses. The actuaries' cost estimates were never supplied to the Congress – certainly not to me or my staff – until Monday, despite your claims to the contrary.

It would be disingenuous of me to claim that the higher score is my biggest concern. No, what concerns me most is the degree to which our access to the CMS career actuaries has been restricted by this administration. In clear violation of the 1997 report language in the Balanced Budget Act. A thorough exploration of competing assumptions – for example, in the area of private plan participation – can inform the Congress as we move forward to make improvements to the bill.

I agree with Senators Daschle, Conrad and Graham, that the Finance Committee should hold a hearing on this issue. And I call on CBO and the administration to open up their books to independent review and examination. So the public can take an honest look at their estimation techniques and methodologies.

Turning now to Medicaid. I was disappointed to see that the administration is, once again, advancing an agenda that includes capped allotments for state Medicaid programs. Ironically, hard caps on Medicaid spending will reduce the flexibility of the program, not increase it. And it is this flexibility, that, over time has allowed a swift response to economic recessions, high rates of uninsurance, epidemics, disasters like 9/11, and dramatic treatment innovations.

But while I oppose the block grant policy, I appreciate a legislative approach to Medicaid reform rather than simply imposing caps through an aggressive use of the section 1115 waiver authority. The waiver authority was designed to allow demonstrations and experimentation – not whole scale reform of an entitlement program.

A couple of points on TANF, which could see floor action very soon – or, in any event, must be extended before the end of March. My views on TANF reauthorization are well known. I was an early supporter of welfare reform, and I believe the program has worked. But while we need to get a bill done this year, I cannot lend support to legislation that would force my home state of Montana to scrap its successful welfare-to-work strategy and struggle to meet an array of new, unfunded mandates. Welfare means continuing our investment in critical programs to support working families – like child care, education and training, transitional health care. And, for my state, continued assistance and flexibility for Native American tribes.

I have been critical of the administration's marriage promotion initiatives. And abstinence-only initiatives. My criticism is two-fold. First, I am concerned about government intrusion into our personal and private decisions, and I worry about making sure families are safe from domestic violence. But I am also critical because I believe that these dollars are better spent on work supports like child care.

In addition to our continued work on existing programs in the Finance Committee's jurisdiction, I am pleased that new issues are on the agenda this year – or newly returned to the agenda after a brief hiatus.

Rising health care costs and the uninsured. Health insurance premiums are increasing by double digits again this year, and the number of Americans without health insurance is on the rise. Uncompensated care will cost health providers more than $35 billion this year, and the cost of our health care system affects the ability of U.S. companies to compete abroad. For all of these reasons, I am pleased that health coverage has again moved to the forefront of the agenda this year.

So what are we going to do about the uninsured? Several proposals on the table offer incremental solutions. I have proposed tax credits to help small businesses provide or continue to offer health insurance for their workers. Senator Kennedy and Senator Snowe have proposed expanding the CHIP program to cover parents of eligible children. The Chairman has proposed helping families of children with disabilities through the Family Opportunity Act. And the Chairman and I have also proposed to expand the TAA health care tax credit to the unemployed. I hope that the Committee will consider these and other incremental options on the table. These approaches make more sense to me than an individual tax credit for low-income populations. I am not convinced that the administration's tax credit proposal will provide much help.

I am also pleased that quality is part of the agenda this year. My most recent brush with the health care system brought home the importance of access to excellent care. The doctors and nurses who took care of me at the Mayo Clinic in Arizona were some of the best I've ever encountered. But not all Americans receive that kind of excellent care today. Reports from the Institute of Medicine have documented serious problems in patient safety and health care quality. And one study recently showed that, on average, patients receive recommended care only about half the time.

I am pleased to see that the administration's budget contains support for Quality Improvement Organizations. In Montana, these Q-I-Os have teamed up with local critical access hospitals to explore how to measure and enhance quality of care in small rural facilities. In the coming year, I plan to develop ways to support quality improvement initiatives throughout the health care system, and I hope I can count on the administration's support.

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

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