

Van Hollen Opening Statement at Hearing on Strengthening Health and Retirement Security

**Washington, D.C.
February 28, 2012**

“Thank you, Mr. Chairman. I especially want to thank our two witnesses for their many years of dedicated public service as federal employees. Thank you for joining us today. I look forward to your testimony on the important topic of how best to strengthen our health and retirement security programs.

“This Committee has done a lot of work over the years to investigate the significant long-term budgetary challenges stemming from the growing costs of Social Security, Medicare, and Medicaid. We know that the aging of the population plays a role, as do fast-growing health care costs. I think we can all agree that more needs to be done to restrain the rate of health care cost growth – not only to put the federal budget on a sustainable path, but also to make quality health care more affordable for all Americans and to improve our economic competitiveness.

“The question is not whether to address these issues, but how? The long-term budgetary challenges of our health and retirement security programs do not exist in a vacuum. They are part of a larger debate that gets to some fundamental questions for our society: Which mix of revenue and spending policies will best fulfill our twin goals of economic vitality and meeting the health and retirement security needs of an aging population? When it comes to deficit reduction and putting the federal budget on a sustainable path, who should bear the burden?

“I believe strongly that we must address these challenges using a responsible, balanced approach. We need to have shared responsibility as we move forward.

“President Obama’s budget gets us off to a good start. Under the President’s budget, the deficit declines as a share of the economy and the debt stabilizes as a percentage of the economy over the next decade. The President reaches these targets with policy choices that balance the need to make wise investments to spur job growth in the near term and provide security for the middle class with the need to put the budget on a fiscally sustainable path. The President’s plan adopts the cuts to discretionary spending included in the Budget Control Act. It saves over \$600 billion in mandatory spending, including changes aimed at improving the efficiency of Medicare and Medicaid spending. But it also eliminates special interest tax breaks for corporations and the wealthiest Americans. It asks our highest earners to return to the same tax rate that was in place during the Clinton Administration, when the economy was booming. In short, the President’s budget takes a balanced approach.

“It is this balance that our Republican colleagues object to. The overwhelming majority of our Republican colleagues have signed a pledge saying they won’t close one special interest tax loophole or ask millionaires to pay a cent more for deficit reduction. And because they don’t want millionaires to pay more, they put the entire burden of reducing short-term deficits as well as long-term debt on the backs of middle-income taxpayers and seniors. Indeed, if last year’s budget is any indication, the Republican plan will slash our investments in education, science

and research, and infrastructure – key drivers of innovation and economic growth. And it will force seniors on Medicare to absorb the rapidly rising costs of health care, while slashing Medicaid assistance to low-income and disabled individuals by over \$700 billion. I would remind my colleagues that the median income of seniors on Medicare is under \$22,000.

“There is a key difference between the Republican and Democratic approaches to Medicare. The Republican approach would end the Medicare guarantee of a package of benefits specified in law, and replace it with a voucher for the purchase of private insurance that would fail to keep pace with health care costs over time. Future beneficiaries would either have to pay thousands more dollars out of their own pockets on premiums for a plan that provides the current Medicare benefit package, or else buy plans that may leave them significantly underinsured.

“We have no reason to believe that unfettered market competition will result in affordable, acceptable coverage for seniors. Prior to the creation of Medicare in 1965, almost half of all American senior citizens had no health insurance. And health costs were rising steadily back then. And yet, the market didn’t respond to the cost constraints faced by seniors and develop an affordable insurance product that provided them adequate protection. Insurers didn’t rush to cover individuals over 65 years old. Since 1965, we have had several experiments with private competition within Medicare, through the Medicare Advantage program and its predecessors. And what we found is that in many areas of the country, private plans simply could not compete with traditional Medicare unless we paid them more than traditional Medicare.

“I firmly believe that converting Medicare into a voucher system that doesn’t keep pace with health care costs is a huge mistake for our seniors. We cannot solve our budget challenge simply by unloading the costs and financial risk associated with health care onto elderly and disabled individuals. The goal of reform should be to reduce cost growth within the health system, while protecting the essential benefits that Medicare covers. The Affordable Care Act laid a solid foundation, through measures such as more bundling of payments, penalizing unnecessary hospital admissions, and giving physicians and other health care providers incentives to organize themselves differently so they can provide high quality, coordinated, efficient care. These kinds of reforms change Medicare to reward value and quality of care instead of quantity of care. But there is plenty more that can be done.

“For example, we need to improve the coordination of care for individuals who are eligible for both Medicare and Medicaid. These individuals account for 37 percent of combined Medicare and Medicaid costs, even though they represent only roughly 1 in 10 of the combined Medicare and Medicaid beneficiary population. They are more likely to live with multiple chronic conditions, and are three times more likely to be disabled.

“It is no surprise that these individuals make up a large share of Medicare and Medicaid spending, because they are, in general, sicker. However, some of these extra costs result from misaligned incentives between Medicare and Medicaid and a lack of coordination between the two. For example, nursing homes often can benefit financially by offloading certain costs onto hospitals. This is bad for the budget and it undermines the well-being of a vulnerable population. The Affordable Care Act begins to address these problems, but there may be further actions that Congress can take to give a boost to these reform efforts.

“We are open to other ideas that address specific sources of wasteful spending. What we are not open to is simply transferring all of those costs to seniors on Medicare without dealing with the underlying costs driving the entire health care system, of which Medicare is a very important part.

“Social Security’s financial outlook also deserves our attention. It is not a major factor in our current deficit, but it does have a long-term shortfall that will need to be addressed. I believe we ought to address it well before we face a crisis and we ought to do so in a bipartisan and balanced manner.

“I would also like to take a moment to clarify incorrect claims that were continually made by my colleagues on the other side of the aisle about the extension of the payroll tax cut to 160 million working Americans. In their opposition to this tax cut, they claimed it would reduce the amount in the Social Security Trust Fund. That is simply not true. As Mr. Goss has said before, the law is set up to make sure the Social Security Trust Fund is held completely harmless.

“So thank you again, Mr. Foster and Mr. Goss, for your testimony today. As we work to put our house in fiscal order over the long-term, we must ensure that our social safety nets are not shredded in the process. Your insight into these programs is key as we debate these important issues.”