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ISI-SG Cowen Health Policy Conference

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Mitchell Staffer

Senator Max Baucus
Remarks to the ISI-SG Cowen Health Policy Conference
Willard Hotel
July 9, 2003

Thank you very much for the invitation to speak here today. I'd like to thank Tom Gallagher for that great introduction. I've enjoyed working with Tom over the years – and receiving his daily e-mail reports, the ISI Morning Political Report and the ISI Daily Economic Report. He's a great font of knowledge! Thanks Tom.

The timing of your conference couldn't be better. You're here right on the heels of the Senate passage of landmark Medicare prescription drug and reform legislation. Indeed, as we've all heard proclaimed in recent weeks, the Medicare bills passed by both the Senate and House represent the most significant health care policy achievement in the last generation.

As ranking member of the Senate Finance Committee, I've enjoyed playing a prominent role in this milestone legislation. Some might say I was fortunate to be in the right place at the right time.

But I don't place all the credit in the hands of fate. Credit should be shared broadly. To paraphrase President Kennedy, "Success has many fathers – ~~on both sides of the aisle.~~" Early proponents of prescription drug legislation, like Senators Kennedy and Rockefeller. And President Clinton, who proposed a far-reaching Medicare reform bill in 1999.

Senator Graham, whose bill became the standard-bearer for Senate Democrats. And of course, Senator Breaux and Representative Thomas, who co-chaired the bipartisan Medicare reform commission.

Now that we are nearing final passage, a great deal of recognition must go to the Finance Committee Chairman, Senator Chuck Grassley.

That the evenly-divided Senate was able to pass a Medicare bill with an overwhelming bipartisan vote of 76 to 21 is remarkable, and it's a testament to his leadership and perseverance.

Throughout our years of working together on the Committee, Senator Grassley and I have developed a strong working relationship. He's the type of person who looks beyond politics and remains focused on accomplishing legislation that helps our country.

It's that attitude with which Senator Grassley moved the bill through the Committee in a fair and open manner, and has continued to shepherd the bill through the legislative process.

I am confident he will carry that same attitude and approach into conference – so that we will ultimately pass a bill that is the best product for our seniors, for taxpayers, and for our country.

And again, Senator Kennedy also deserves great credit. He's always been a leader in health care issues. And he recognized early on the opportunity this Medicare legislation presented to help seniors and people with disabilities with their prescription drug costs. I applaud him for seizing the opportunity and helping to pass a bipartisan bill.

The Senate Majority Leader, Bill Frist, was also a main player. He has made passage of Medicare a legislative priority this year. And like Senator Grassley, he believes it's important to achieve bipartisan support for such an important bill.

That spirit, I believe, will lead to the best outcome possible as we move into negotiations in the House-Senate conference.

In my time here today, I'd like to take a few minutes to talk about the main issues we will face in the upcoming conference. Give you my view on these issues And make the case for adopting the Senate position. As you might guess, I have a bias toward the Senate bill.

But before moving on to the issues that may divide Members, let's turn to the issues where I expect smooth sailing. Those are the rural provisions in the House and Senate bills.

Since Senator Grassley and I are both from rural states – as are many others on the Finance Committee – it was easy to come to agreement on provisions that will ensure that rural seniors enjoy the same health benefits as urban seniors.

The bill we passed will rectify, at long last, Medicare payment inequities between rural and urban providers. For all intents and purposes, the House and Senate-passed bills have a shared goal of compensating rural providers fairly and equitably.

These provisions represent a personal achievement for me, and for health care providers in my home state of Montana. As all of you here know, rural health has been one of my priorities over the years. So the chance to play a leading role in such a major overhaul has special significance for me.

And because the provisions in both bills are virtually identical, they should be easy to resolve quickly and early in the conference.

Now on to the more difficult tasks at hand. To my mind, the main issues that conferees must address include:

Medicare reform. We'll need to address the controversial and divisive premium support reforms that the House bill adopted. This has the potential to be the one issue that deadlocks the entire negotiation process.

Many Democrats are very concerned with these provisions, both in the Senate and House. On the other hand, many House Republicans are taking the position that premium support reforms must be included in the final bill.

Ultimately, it will be up to the White House to decide whether this issue should be the one to bring down a Medicare bill.

But other issues are also problematic and must be resolved.

For example, the Senate guaranteed fallback plan. The Senate included a government backup system that steps in if private plans do not participate in the new drug program. This is a crucial issue for rural states and Members.

We also must protect the strong low-income subsidies in the Senate bill, which ensure that poor seniors are not left out in the cold if they reach the benefit gap in coverage – the so-called doughnut hole.

And we'll have to reach agreement on how to treat beneficiaries who are eligible for both Medicare and Medicaid. Should they be treated as seniors first or as Medicaid recipients first? I personally side with the former. They should be treated as seniors first. And I have made it clear throughout this debate that I prefer the House position on this issue.

In addition to these issues, we'll also be facing the difficult question of income-relating. | Should higher income beneficiaries have to pay more in premiums or receive less of a benefit?

In 1997, I was one of the Democrats who voted in favor of a similar provision. | And I certainly agree with the policy principle. But I am also sensitive to other, deeply-held views to the contrary.

We must be very careful if and when we decide to go down this road. Both because it could jeopardize significant support for the bill, | and also because I have not seen polices to date that could actually be implemented. | In fact, many believe that the proposal in the House bill would represent a significant invasion of privacy.

There is also the unsettled question of employers dropping coverage. | An estimated 37 percent of employers who offer retiree-coverage may drop that coverage under the Senate bill. And the House bill is no better.

One possible approach is to combine the current employer-incentives in the bill with tax incentives to maintain existing coverage. Both bills result in revenue offsets that could be used for this purpose, which means that this approach would not bring the total cost of the bill above \$400 billion. I think we ought to take a closer look at this approach.

And my remarks would not be complete without addressing one of the more unnoticed, but certainly not insignificant aspects of the House bill. The appended tax provisions.

With a price tag of \$174 billion, you wouldn't think that the new tax breaks for middle-income, middle-age Americans would go unnoticed by the press and by the public. But that certainly seems to be the case.

Without going into too much detail here, let me just say that if House Republicans are willing to spend a total of \$574 billion on this bill – rather than the \$400 allocated in the budget – I can think of better ways to spend those \$174 billion extra dollars.

For example, let's get rid of the benefit gap. It would cost an ~~estimated~~ \$64 billion to close the coverage gap in the Senate bill.

Alternatively – or I should say “in addition to” – we could eliminate the ostensible “true out-of-pocket” provision that is the root of so many employers dropping coverage. We know from the Senate debate that doing so would cost an estimated \$65 billion.

Conclusion

Passage of the Senate bill is the latest in a long history of bipartisan achievement on Medicare, including the most recent major Medicare bill, the Balanced Budget Act of 1997, which passed with 80 votes. And the original Medicare legislation, enacted in 1965, which received 70 votes.

So, let me reiterate that I am understandably partial to the Senate bill, which received the support of three-fourths of the Senate, as opposed to a House bill that passed by the smallest of margins. Literally. By one vote.

And on that note, it's appropriate to echo the second part of President Kennedy's old adage on success: Yes, success has many fathers. But failure has many orphans. And I believe that if a final bill passes with the narrowest of margins, and the conference report alienates Democrats who supported the Senate bill, failure will be the surest result.

As you can tell, we have a long road ahead. We made it through the first half, but we're only in half time.

As for how the debate unfolds, only time will tell. And time is the one factor – patience being the other – that we will need throughout the conference negotiations. I share the views of many of my colleagues in asking the White House not to set arbitrary deadlines for final passage of Medicare legislation. This is important legislation that will affect thousands of lives. We must get it right.

I'd like to thank you again for inviting me to join you today. I'd also like to ask each one of you to continue to keep in touch with me and my office as we move forward with Medicare conference negotiations. Your views are very important. Thank you.

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