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AARP (American Association of Retired Persons) Board of Directors

Max S. Baucus

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BAUCUS

AARP's Board of Directors
Remarks of Senator Max Baucus
February 14, 2008

Thank you for that kind introduction. And thank you for all that you at AARP do, working together for what's right.

Stimulus

Let me start by saying "thank you" for working with us to enact our improvements to the stimulus bill.

A few weeks ago, the Speaker of the House of Representatives and the President of the United States struck a deal on their stimulus bill. But there was a catch. They left out 20 million seniors who do not file tax returns.

They told us that no one could change their bill. Along with their friends in the Republican Congressional leadership, they fought against adding a single thing.

But you swung into action. You called your Congressmen. You told them that Congress should not leave out 20 million seniors. Without your efforts, it would have been a harder sell. It just shows you what can happen when we work together for what's right.

Yesterday, the President signed that change into law. Today, we can be very proud of what we did together. We helped to pass an economic stimulus package that will make sure that seniors and disabled veterans get their stimulus check, just like other Americans.

Medicare Bill Intro

So, after that victory, what's next? The next major item on the Finance Committee agenda is the Medicare bill. Congress must act to block a scheduled 10 percent cut in physician payments. We must act to extend crucial rural health provisions. And we must do more.

This spring, with your help, I intend to move a Medicare reform package that will increase access to preventive benefits and primary care. I intend to move a package to improve healthcare quality. And I intend to move a package to make the new prescription drug benefit work better.

In connection with this Medicare bill, let me address a couple of items that I know are of particular concern to you: rising Part B premiums and the President's proposal to implement means-testing of Part D premiums.

Part B Premiums

First, Part B premiums. It's no secret that health care costs are rising at an unsustainable rate. These growing costs are translating into higher and higher premiums for everyone purchasing health insurance. And that includes seniors.

So what can we do about rising Medicare premiums? I see two immediate steps that we can take. And, with your help, I intend to include them in the Finance Committee's Medicare package this spring.

First, we must increase access to programs that provide premium and cost-sharing relief to seniors. For Medicare Part B, they are called "Medicare Savings Programs," or MSPs. And for the new Medicare Part D, they are called the "Low-Income Subsidy," or LIS.

These programs provide vital assistance. Without them, millions of seniors would not be able to afford Medicare coverage. But we must improve these programs.

The law imposes egregiously low limits on the assets that seniors can own and still qualify. This so-called "asset test" for the Medicare Savings Programs has not been increased since the 1980s. That does not make sense. And that leaves needy low-income seniors struggling to afford care.

We must raise the asset levels allowed for all of these programs. And we must index them to keep pace with healthcare inflation. Seniors should not have to go into poverty to benefit from these Medicare programs.

Second, where justified by sound policy, we must find savings within the Medicare outpatient benefit and Medicare Advantage to offset the cost of blocking the scheduled cut in physician payments.

The President's budget, however, proposes draconian, across-the-board cuts. These cannot be justified. They would undermine senior's access to necessary care.

We must reject them. We must protect seniors' access to health care under Medicare.

But we also must acknowledge that sometimes Medicare payments do not reflect true costs. With the help of MedPAC and other experts, we must identify areas of overspending. We must see that our Medicare dollars are being used wisely.

By reforming the asset tests, and by finding responsible offsets, we can help to provide some relief from rising Medicare premiums.

Now the President believes that another place to find money is in means-testing. The President's budget includes a proposal to means-test premiums for the Medicare Part D drug benefit. The President's proposal would raise more than $3 billion over 5 years. Most Republicans support this proposal, including many on the Finance Committee. Some Democrats support the idea too.

The rationale is that higher-income beneficiaries should pay higher premiums for Medicare prescription drug benefits, just as they do now for Medicare Part B services. In a tough pay-go environment, it's hard not to look at proposals like this to help to pay for other spending priorities.

But means-testing would be a significant change to Part D. We should not make changes like this unless we are taking a broader look at the drug benefit.

In the Part D drug program, premiums are set in the market by private plans. We need to think carefully about whether means-testing is appropriate for Part D.

We also need to think carefully about whether it makes sense to expand means-testing for Medicare benefits. People with higher incomes already contribute more to Medicare because the payroll tax is a percentage of income. The Medicare payroll tax does not have a cap like the Social Security payroll tax. Means-testing the premiums reaches into the same pockets again. In my view, we should contemplate means-testing only in the context of broader improvements to the Medicare drug benefit.

The long-term solution is to address the causes of rising healthcare costs. And I intend to take action on this front.

Health Care Reform

My job as Chairman of the Finance Committee is to prepare Congress for healthcare reform.

America has many of the world's best doctors and hospitals. They perform the most advanced life-saving procedures. They keep alive the most fragile infants. They treat the most serious illnesses. They unfailingly expand the bounds of medical innovation. But this best-in-the-world medical system is still out of reach for 47 million Americans.

I have studied some innovative proposals being put forth. I am optimistic. I see consensus forming on the horizon.

What we need now is an extensive and thoughtful dialogue in Congress. We need better health care, so that all Americans can have the prospect of long, happy, and productive lives.

So what ideas are most promising?

I see five principles of reform that I hope to examine in great detail this year in the Finance Committee. From these roots, we can grow a better health care system.

The first principle is universal coverage. We are the richest country in the world. But America remains the only industrialized nation that does not guarantee coverage for all. Even the Slovak Republic has universal health coverage.

Every American should have a right to affordable health coverage. Individuals should have the responsibility to get that coverage. And we as a society should help those who do not have the means to buy insurance on their own.

We should sign up every newborn baby for health coverage, at the hospital. Insurance from birth will improve the health, quality, and productivity of that child's life.

It's right for the child. It's right for our health care system. And it's right for our nation's economy. Guaranteeing all Americans a healthy start is just one example of how we can do better.

The second principle is sharing the burden. Neither the employer-based system nor the individual market can fulfill the demand for affordable, portable, quality coverage. The way to ensure affordable coverage is to create pooling arrangements. Purchasing pools would bring together large numbers of small purchasers — both individuals and small businesses.

Pools offer choice and simplify the comparison of health plans. They provide a single forum for leveraging multiple funding sources — public and private.

To meet all these goals, pooling arrangements must be a partnership between public and private sectors. And they must be a partnership between Federal and state governments.

Controlling Costs

The third principle is controlling costs. Any serious proposal must reduce the rate of growth of health care costs. America cannot sustain the rate of growth in health care spending.

Many talk about the need to rein in Medicare and Medicaid. I agree. We need to make these programs fiscally sustainable. But cost growth is an issue faced by the entire health care system, not just the part that the Federal government funds.

How do we get a handle on costs? First, we must better understand what is driving cost growth. At the most fundamental level, we know that more people and price inflation drive costs up. But health costs grow faster than the growth in population and prices combined. That is what makes health costs so complicated. Two other factors are contributing to excess growth: new technology and the intensity of care provided.

We need to act sooner, rather than later. And we should move on several fronts.

One area I know is of particular interest to you is comparative effectiveness. We need to invest in research that helps identify the most effective and affordable medical treatment.

In 2006, America spent more than $2 trillion on health care. This includes spending on treatments that work and those that don't. One real problem is that we don't have enough information today to know what works and what doesn't.

Of that $2 trillion, we only spend a tiny fraction, one tenth of one percent, on assessing the effectiveness of treatments. It's time to invest more.

The Congressional Budget Office, the Medicare Payment Advisory Commission, and the Institute of Medicine have all called for the creation of a new entity that would be charged with conducting research on determining what works in health care. I agree.

This research would assess the comparative effectiveness of health interventions, including pharmaceuticals, medical devices, medical procedures, medical services and other therapies.

This research provides better quality evidence about the best treatment, prevention and management of the health conditions that affect many of us. Most importantly, this research would help patients, payers and providers of health care to make better informed decisions.

Patients and physicians today are overwhelmed with information. Much of it is biased and of poor quality. Rapid innovation has led to a dizzying and ever-changing array of new and expensive technologies.

Without sufficient information, however, it is difficult to compare alternative treatments and make a clear choice.

The result has been wide geographic variation in the intensity of services provided and in patient and provider confusion about which interventions deliver the most value. The evidence to help patients and their physicians make hard choices simply does not exist.

If there has ever been a need for better information — on what works, for which patients, under which circumstances — it is in this age of rapid innovation, large practice variations, and increasing demands on our health care dollars.

I will be introducing a bill that does what the experts suggest. It will create a new entity responsible for the essential work of generating better information on the effectiveness of health care treatments. We will invest more money in this research.

It's time. It's time to learn what works, to improve the efficiency and the quality of our health care system, and to give patients and doctors the information they need to help them choose the right treatments, to choose what works.

Quality of care is another area which will help us control costs long-term. We should reward high quality care to make sure that we get the best value for our health care dollars. Health costs and outcomes vary across the country. But greater health spending frequently correlates with poorer health outcomes.

I will keep pushing until all Medicare beneficiaries get the high-quality care that they deserve.

Prevention

My fourth principle is prevention. It's true: An ounce of prevention is worth a pound of cure.

American health care tends to focus on what happens when you are sick. Whether it is hospital-based care, prescription drugs, or the latest technological advances, we look at treatment.

But we should not relegate prevention to the fringe of our health care system. We should make it the foundation.

We need to encourage primary prevention of disease, when possible. And when primary prevention is not possible, we need to encourage early detection and modification of risk factors.

Prevention should be based on good evidence. If a preventive measure is found to do what it's supposed to do and is cost-effective, all insurers should cover it. And it should be part of the quality assessments of providers.

Shared Responsibility

My fifth principle is shared responsibility. We want universal coverage. But the first question is: Who will pay? Who will bear the burden of a new system? Will employers, individuals, governments, or stakeholders? This is a shared responsibility. And all should contribute.

Upon these five principles, we can build consensus on system-wide health reform. Everyone will give and everyone receive. That is the only way to bring about system-wide change.

Conventional beltway wisdom has been that the politics of health care dictate that only incremental changes are possible. I disagree.

I am inspired, and I hope to inspire others, to join in a Congressional dialogue. This year, the Finance Committee will embark on a series of hearings, roundtables, and Member forums to highlight the complex issues. We will plant the seeds of an informed dialogue. And I will work with the next President to bring about change.

Conclusion

Since its enactment in 1965, Medicare has improved the lives of millions of Americans. Before Medicare, the specter of illness threatened seniors with impoverishment or dependence. With Medicare, America's seniors are living longer and living better. Medicare is a success story.

We must protect that success. And let us build on that success.

Let us build on that success to ensure that the quality of health care that seniors and people with disabilities receive under Medicare is the finest that it can be. Let us build in that success to extend the benefits of quality health care to all Americans. And let us — people like you at the AARP and people like me in the Congress — build on that success by continuing to work together for what's right.