



BUDGET COMMITTEE



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PREPARED OPENING STATEMENT OF SENATE BUDGET COMMITTEE CHAIRMAN JUDD GREGG

HEARING ON ADMINISTRATION'S FY 2007 FEDERAL BUDGET WITH MICHAEL LEAVITT, SECRETARY, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Good Morning Mr. Secretary and thank you for taking the time to appear before the Budget Committee this morning. With a Fiscal Year 2007 request of \$698 billion, the Department of Health and Human Services is tasked with administering a significant portion of the federal budget, and so we look forward to your remarks today. As the head of HHS, you are charged with overseeing the administration of Medicare and Medicaid, as well as carrying out our nation's priorities in bioterrorism protection, disease research, and the research and safety of our biomedical and pharmaceutical community. You have a demanding job and I applaud you for the work you are doing in a very challenging role.

This Committee has heard testimony in recent weeks from the Directors of the Office of Management and Budget and the Congressional Budget Office about the dangers of failing to address the long-term liabilities our government faces. I am one of 77 million Americans who make up the Baby Boom generation which in two short years will begin to retire. Without meaningful reform, Baby Boomers will thrust upon future generations choices that will seriously compromise opportunities that are available to them. If we fail to slow the rate of growth of entitlement programs, we will not be meeting our obligation to be responsible financial stewards for our nation.

Put another way, failure to control costs in all Medicare, Medicaid and Social Security programs will increase tax burdens and have serious economic consequences. The total demand on federal general revenues for these three programs exceeds \$50 trillion over the next 75 years based on based on current law and program operations.

Medicare is a critical program for millions of elderly Americans. The skyrocketing cost of health care has made programs that provide affordable and quality health care, like Medicare, invaluable. Yet as you know Mr. Secretary, Medicare spending represents the single largest portion of our nation's future fiscal liability, nearly

\$30 trillion. Medicare spending, which is slated to be \$390 billion in 2007, will grow at a rate of 15.3% this year, and by 121% over the next ten years. On its current pace, it will reach a half a trillion dollars in 2011.

Long-term financial stability cannot be achieved if Medicare continues to grow at a rate that exceeds the growth of our economy by 2%. If we permit Medicare and Medicaid to continue to grow at its current rate within 25 years these programs will consume 12% of GDP and in 45 years they will require nearly 22% of GDP. Remember, since the end of World War II, federal revenues have averaged less than 19% of GDP. Clearly our nation faces a serious choice.

Congress took a first step toward addressing long-term entitlement reform in the Deficit Reduction Act, and we need to build on that progress. I am pleased the President has offered proposals in his Fiscal Year 2007 budget that will improve the sustainability of Medicare, and I am optimistic we can begin to reduce the rate of growth so that we do not mortgage the opportunities available to our children and our children's children.

While this reform is absolutely critical, the responsibilities of the Department of Health and Human Services go well beyond Medicare. As the Chairman of the Appropriations Subcommittee on Homeland Security, and an author of BioShield, I have been actively involved in our nation's preparedness in the event of a biological attack, and I look forward to hearing how you believe your Department has been progressing in that regard. HHS also oversees the National Institutes of Health and the Centers for Disease Control, both of which are vital to the well-being of our nation, and have received aggressive funding during the current Administration.

This Committee appreciated all of the help you and your staff provided us last year in passing the first budget out of Congress in several years. I look forward to working with you again this year to pass a budget that continues last year's progress in addressing our long-term financial obligations while funding critical priorities.