

**Transcript of Remarks by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing on Medicare and Medicaid:
Rising Health Care Costs and the Impact on Future Generations
February 17, 2005**

Thank you Mr. Chairman. We missed you yesterday. Senator Allard carried on in an exemplary fashion. And I thought we had really an outstanding session yesterday. I think we had more ideas come to the floor on how we might save money for Medicare yesterday than almost any session that I have been at. It just tells me if we had an opportunity for everybody to come forward with their best ideas, we might make real progress.

Yesterday, part of the testimony from the Director of the Congressional Budget Office was that we are headed, in 2050, if nothing changes, if we see the same trend lines hold, for over 20 percent of the gross domestic product of the United States being spent on just two items, Medicare and Medicaid. It is pretty stunning when you just extrapolate out from where we are now and look at the increases that are projected as the baby boomers retire, more people are eligible and health care costs continue to explode. Just to put in some context, federal spending since World War II has been about 20 percent of gross domestic product. So to have just two items consume 21 percent of gross domestic product obviously is an unsustainable course.

In recent days, we've just had news on the prescription drug benefit that was passed and how that is exploding in cost. When we passed it, we were told it would cost \$400 billion. That estimate was then revised for the same period to be \$534 billion, just weeks after we passed it. And, now we're being told for a different 10-year period that it is going to cost \$724 billion. So, we've got exploding cost just with the most recent legislation that was passed.

Yesterday, Mr. Chairman, I said I really do think it's time for all of us to come forward with our best ideas on how to save money in Medicare. I put up five ideas that I think could help us make a difference:

- Better coordinate care. Yesterday, I indicated five percent of the population uses 50 percent of the money. The most recent statistic is six percent use 51 percent of the money. I think we ought to focus like a laser on that population and we'll hear more about that in today's testimony.
- I think we ought to consider eliminating the \$10 billion slush fund provided to the Health and Human Services Secretary to sweeten the pot for private plans.
- I think we ought to cut the \$30 to \$50 billion of expenditure that is the amount private plans are costing over and above traditional Medicare.
- I think we ought to allow the Health and Human Services Secretary to negotiate lower drug prices, just as the Department of Veterans' Affairs is able to do with very dramatic savings there.
- And, I think we ought to allow the re-importation of prescription drugs. In Canada, we know -- my state borders Canada -- drug prices are dramatically lower. No reason not to re-import those drugs manufactured in the United States that have gone to Canada and have much lower prices. Let's bring them back, and at some point here be importing

something that helps the economy.

Those are ideas, Mr. Chairman, I would like to put some focus on in the hearing today. And I hope others will stress other ideas, because clearly we're on a course that is not sustainable.