



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Deficit Reduction Act's treatment of Medicare health plans
Da: Thursday, Jan. 26, 2006

Sen. Chuck Grassley, chairman of the Committee on Finance, made the following comment on the Deficit Reduction Act's treatment of Medicare health plans. Grassley authored the health care portion of the Senate's version of the Deficit Reduction Act and was a member of the House-Senate conference committee that produced the conference report that is expected to be given final consideration next week.

"The characterization of the Deficit Reduction Act as a big handout to health plans is outrageous and inaccurate. The reality is that the Senate-passed bill included several provisions to end overpayments in Medicare, not only for health plans, but for other providers as well. The House of Representatives was clear throughout the entire reconciliation process that it opposed any Medicare cuts. Its bill did not call for any Medicare reduction – zero. The final conference committee agreement kept many of the Senate provisions, including \$6.5 billion in cuts to Medicare Advantage plans during the five-year budget window under the reconciliation agreement. The \$6.5 billion cut was out of the total \$15.7 billion in Medicare spending reductions in the bill, and it was the single-largest cut out of Medicare or Medicaid in the bill by far. If that's a 'handout,' then I guess I need to check the definition in my dictionary.

"The 'handout' discussion aside, members of Congress of both parties have a lot of constituents who enjoy their Medicare-covered health care through private plans. That option is very popular in some states, like New York, whose two senators in 2003 were among many Democrats who urged a 'meaningful increase' in health plan funding under Medicare+Choice, now the Medicare Advantage program. It's hypocritical for certain Democrats to criticize today's cut to private health plans as inadequate, and a 'Republican giveaway to insurance companies,' when not too long ago they were complaining that these same insurance companies were being 'deprived of essential funding.' We absolutely should debate Medicare health plan funding. We're talking about the taxpayers' money. But let's be intellectually honest about it."

Attached is a copy of a 2003 letter referred to in Chairman Grassley's comment.