

**STATEMENT OF SENATOR GORDON H. SMITH
Aging Hearing – Dual Eligibles
March 3, 2005**

Thank you all for coming today.

This hearing, I believe, will prove to be quite informative. We are going to hear from a variety of witnesses all of whom have an expertise that can inform our decisions about the implementation of the Medicare Modernization Act, and more specifically the transition of the so-called dual eligibles from the Medicaid program to the new Medicare drug benefit that is slated to begin on January 1, 2006.

I strongly believe that our ability to successfully transition the 6.3 million Americans who are the poorest and most vulnerable citizens into the Medicare drug benefit ultimately will prove the overall success or failure of the new program. That is why I have called this hearing on the third of March. By looking at this program today and evaluating the regulations that have been developed by the Centers for Medicare and Medicaid Services, also known as CMS, we will have ample time to act if necessary to make improvements.

Now, before we get started I would like to commend the CMS staff for their dedication and outstanding work to develop these policies. I have heard from many constituents, and I believe we will hear from many of our witnesses today, that they have done an outstanding job. They have labored for the past year in their effort to meet with a wide array of stakeholders, provide opportunities for public comment and incorporate many of the comments received into the final product, which was released on January 21.

However, as I have learned throughout my many years as a legislator, no bill or other legislative product is ever perfect. Given time and opportunity, improvements can be made. And that is the focus of today's hearing. To determine if improvements are critical to the successful implementation of the Medicare drug benefit, and whether adequate safeguards have been built into the system to protect the poorest and most vulnerable – in fact to protect the dual eligibles.

I look forward to learning more detail about the process that CMS used to develop its regulations and to come to understand more fully the rationale behind their final decisions. I also eagerly await the testimony of our second panel who will offer their insight based on their expertise in serving this population in how best to organize the program.

As many people know, this population is very diverse – it includes young disabled children, middle-aged persons with significant medical challenges and the elderly poor. At present, federal and state combined spending on prescription drugs for dual eligibles totals almost \$15 billion.

However, to truly get an accurate picture of this population, let's look at who a dual eligible is – 77 percent have annual incomes below \$10,000; nearly 25 percent are in nursing homes; over 50 percent are classified as being in fair to poor health; most have multiple chronic conditions; and 33 percent have significant limitations in activities of daily living such as self-care, cooking and cleaning. Therefore, as we begin to shape the Medicare prescription drug program to ensure it properly serves this high-need population, it is clear to me that additional safeguards will be necessary.

The question that I will look to Dr. McClellan and our other witnesses to answer today is whether the regulations as drafted get the job done or whether improvements can and should be made. I also will look to our witnesses to assess the benefit added by each of their recommendations because while improvements can be made, we also must be reasonable in our expectations.

On January 1, 2006, millions of Americans who previously had nothing will begin receiving prescription drug coverage – in Oregon alone over 129,000 people will be helped. While many have differing views on the benefit, there is no questioning the relief that will be felt by America’s poorest and most needy seniors.

I believe it is time to come together to get the job done properly and I hope my colleagues feel the same. I look forward to working together on this and other components of implementation and am confident we will continue to have a constructive dialogue within the Aging Committee.

I’ll now turn to my colleague Senator Kohl for his comments.