

**Transcript of Statement by Senator Kent Conrad (D-ND)  
at Senate Budget Committee Hearing  
on the President's FY 2004 Budget Proposal for Medicare and Medicaid  
with HHS Secretary Tommy Thompson  
February 26, 2003**

Thank you Mr. Chairman. I want to add my voice to yours in commending the Secretary. I always thought he was innovative and creative and focused on issues that really make a difference. As Governor, I very much appreciated the work you did on welfare reform. I was glad we were able to, at the federal level, move forward with that. I think we made dramatic improvements and a lot of it was work that you did as Governor, and we want to recognize that.

I also have always felt, as a mid-westerner, a certain kinship. I have especially appreciated the sensitivity that you have shown on issues that relate to rural health care. We [have] a lot of problems out there. And you are acutely aware of them – special problems with Medicare reimbursement levels that have differential levels around the country and create very serious problems for the more rural parts of our nation. I use the example many times that Mercy Hospital in Devils Lake, North Dakota gets half as much as Mercy Hospital in New York to deal with a heart attack – exactly the same illness, but half as much money. And they don't get any rural discount when they go to buy equipment. They don't get any rural discounts when they have to pay their bill for the people who work in their institutions.

Today, in terms of an opening statement, Mr. Chairman, if you'll permit, I want to just point out the things that concern me deeply, because I look ahead and here is what I see. This is from the Social Security Administration. This is their numbers that show that we're in the sweet spot now in terms of the Social Security trust fund. It is throwing off nearly \$200 billion a year in surpluses. We see in 2017 it goes cash negative, and when it goes cash negative, it does it in a big way. It's like falling off a cliff. And we've got to prepare for that time.

Let's go to the next chart that shows the same pattern with respect to Medicare. The Medicare trust fund is running cash surpluses, much more modest than Social Security, but it goes cash negative in 2016. And proportionately it is an even more stark and serious story in terms of the trajectory.

This chart is really the most important, because it puts all the information together with the President's proposed tax cuts. I must confess, I don't comprehend what the President has proposed. It seems to me it doesn't add up, that it's got us headed for a cliff. These are with respect to the tax cuts, which are in red, the Medicare surplus/deficits, which are in blue, and the Social Security surplus/deficits, which are in green, are GAO's work with respect to Medicare and Social Security. This is GAO's analysis. Frankly, I think it is somewhat conservative, but we're using their numbers. The tax cut we have had to make a determination on, because this is for an extended period of time going out to 2023. And what one sees is that the pattern demonstrates that when the cost to the federal government in Social Security and Medicare explode, the tax cuts cost explodes. And what we're left with is deficits of a staggering proportion.

The revenue loss from the President's tax cut proposal is larger than Medicare and Social Security shortfalls combined. Again, the Social Security shortfall – this is according to GAO – is \$3 trillion, actually \$3.4 trillion. Medicare, \$5 trillion. The tax cut is more than both combined, \$11 trillion over that period. Again, I don't think we have a program in front of us that makes sense or adds up.

This is from the President's budget document. And it shows that we're in the sweet spot of the budget cycle now. With the trust funds throwing off substantial surpluses, we're running deficits which are record deficits. But look what happens after 2013 – and again this is from the President's own budget document – we go off into deficits that are totally unsustainable. And this does not include any war cost, does not include any cost to fix the alternative minimum tax, or any of those things.

So, Mr. Secretary, I think we're going down a budget path that makes no earthly sense to me, and that's what I want to talk about when we get to the questioning period.