

FOR IMMEDIATE RELEASE
February 14, 2006

CONTACT: Laura Capps/Melissa Wagoner
(202) 224-2633

****VOTE Around 9:30 – 2nd in the Lineup****

**KENNEDY FIGHTS TO STOP TAX GIVEAWAYS FOR THE WEALTHY AT THE
EXPENSE OF MEDICARE, MEDICAID AND HEALTH CARE**

*BUSH'S BUDGET GIVES \$50 BILLION IN TAX GIVEAWAYS TO THE WEALTHY WHILE
ROBBING \$50 BILLION FROM MEDICARE AND MEDICAID*

Washington, DC: Today Senator Edward M. Kennedy continues his fight to stop the tax giveaways for the wealthy by bringing to a vote his request that conferees reject any House proposal to extend the capital gains and dividends tax cuts. Senator Kennedy believes that those funds would be better spent on Medicare, Medicaid and fixing the nation's healthcare crisis. The House version of the bill provides tax breaks on capital gains and dividend income that will take \$50 billion over the next ten years and give it to people who are already wealthy. The President's budget cuts almost \$50 billion from Medicare and Medicaid for the next five years, harming health care for our seniors, for the disabled, and for the poor.

Senator Kennedy said, "Again and again and again, under this Republican President and this Republican Congress, we've seen trillions of their tax dollars given away in tax breaks to the wealthy and to corporations while the rest of America is asked to sacrifice. It's wrong to give away \$50 billion in tax breaks for the wealthy while cutting \$50 billion from Medicare, Medicaid and other healthcare needs. Those are the wrong priorities for America, and the motion I offer today gives the Senate a chance to set things right."

Below are Kennedy's remarks from the floor yesterday and a fact sheet on the Presidents budget on healthcare.

**Statement of Senator Edward M. Kennedy
Budget and Tax Reconciliation
February 13, 2006
(As Prepared for Delivery)**

Americans are wondering what's happened to their government. They are working hard to raise strong families and to live the American dream. But with each passing day, they find the American dream farther and farther out of reach as they struggle just to make ends meet. Over the past five years, the cost of health insurance has jumped 73%. Gasoline is up 74%. College tuition 45%. Housing 44%. The list goes on and on and up and up.

Working families don't ask for much. Low and middle income families are doing their part. But they could use a little fair play from their government as they are facing such hard times.

But that's not what is going on in Washington today. Again and again and again, under this Republican President and this Republican Congress, they've seen trillions of their tax dollars given away in tax breaks to the wealthy and to corporations while the rest of America is asked to sacrifice. And this bill and the budget that President Bush sent to Congress last week are yet another example.

The House version of the bill before us provides tax breaks on capital gains and dividend income that will take \$50 billion over the next ten years and give it to people who are already wealthy. At the same time, the President's budget cuts almost \$50 billion from Medicare and Medicaid for the next five years, harming health care for our seniors, for the disabled, and for the poor. And it robs key funds from other health priorities as well.

Those are the wrong priorities for America, and the motion I offer today gives the Senate a chance to set things right.

My motion says it's wrong to give away \$50 billion in tax breaks for the wealthy while cutting \$50 billion from Medicare, Medicaid and other healthcare needs.

If we are honest about reducing the deficit and strengthening the economy, we need to stop lavishing tax breaks on the rich, and start investing in the health and well-being of all families.

Nowhere is the crisis facing working families more apparent than in health care. Overall costs are soaring. Families have been losing their health coverage at the rate of 4,000 people per day since President Bush was elected.

Close to 2 million Americans in 2001 were involved in medical bankruptcy, an increase of 2,200% from 1981. Around 50% of all bankruptcies are caused, at least in part, by illness or medical debts, and of those, 60% were caused by high medical bills. High drug costs were responsible for half.

Most involved had some health insurance, but suffered from coverage gaps. Out of pocket medical costs averaged \$11,854. For cancer patients, out of pocket costs averaged \$35,878.

These are not people trying to game the system. In the two years before filing for medical bankruptcy, 22% of filing families went without food. 30% had a utility shut off. 50% failed to fill a doctor's prescription. And 61% went without needed medical care.

Let's look especially at what Republicans are doing to Medicaid and Medicare.

The Medicaid program is key to promoting a real culture of life in America. A third of all mothers giving birth receive their care through Medicaid. The Medicaid program provides the prenatal and pediatric care their children need to be healthy. The Medicaid program is our statement that we will do everything we can to help women bring their babies to term and give them the health care they need as they grow up. That's the way it should be in a true culture of life.

But rather than stand by women in their time of need, Republicans are abandoning this culture of life program.

Mere hours after the President had declared in the State of the Union Address that the government would meet its responsibility to provide health care for the poor and the elderly, the House of Representatives sent to the White House a bill to impose draconian cuts on the Medicaid program.

But did the President stand up for this culture of life program and veto that bill? No. He signed it into law.

According to the Congressional Budget Office, that bill will cause 45,000 poor Americans to lose coverage over the next five years, and 65,000 will lose coverage within 10 years. About 60 percent of those losing coverage will be children.

Don't let anyone try to tell you that these cuts won't have consequences. They're either trying to fool you or they're fooling themselves. When cost sharing increases in Medicaid, families suffer.

In Maryland, a quarter of families subject to increased premiums disenrolled. In Oregon, higher costs caused disenrollment, and 67 percent of those who disenrolled became uninsured. The list goes on and on, and each case shows that higher costs mean worse health for families.

Because of these Medicaid cuts, 13 million Medicaid beneficiaries will have to pay more for their prescriptions over the next five years, and 20 million will have to pay more over the next ten years.

Not satisfied with the cuts in Medicaid already enacted, the President's budget proposes another \$13.5 billion in reductions in the program that meets the health needs of the poorest Americans.

Some will try to say that this does not have an affect on families' health – but again the facts again say otherwise. When co-payments rise for the poorest patients, health declines. A study in the Journal of the American Medical Association shows that increased co-payments for medications for poor families caused an 88 percent increase in adverse events, such as heart attacks and strokes, and caused a 78 percent increase in emergency room visits.

But this debate isn't about statistics – it's about the real harm that these severe cutbacks will do to the most vulnerable Americans. A single mother with two children, who makes \$8 an hour, currently pays \$3 when she visits the doctors and does not have any cost-sharing when her children go to the pediatrician. Under the new law, when her child goes to the pediatrician with an ear infection, she may be charged \$20. When she goes to a doctor for treatment and tests for diabetes, she will be charged \$50. She will have to pay as much as \$832 a year.

A single mother with 2 children earning \$25,000 a year now pays no premiums or cost-sharing for her children's medical care and pays \$3 co-payments for herself. Under the new law, she will now be charged monthly premiums for Medicaid coverage for herself and her children. Even if she manages to pay the premiums, she may now have to pay \$40 for a pediatrician visit, and she will have to pay as much as \$1,250 a year for Medicaid.

For a single mother of two earning minimum wage, the new Medicaid law imposes additional cost sharing on her children. They would now face co-payments for certain prescription drugs -- and these co-payments would for the first time be indexed to the rate of medical inflation, which is higher than general inflation. And on minimum wage, her income won't even keep up with inflation since the minimum wage hasn't increased since 1997.

The policies already enacted will cause serious hardship for the most vulnerable Americans. But the Administration's cuts to Medicaid are not the only assault on our health care. The botched Medicare drug plan and the President's Medicare cuts further harm working families.

When it comes to the new prescription drug benefit in Medicare, we had a good Medicare bill in the Senate, supported by a broad bipartisan majority. But that bill was hijacked once the White House entered the negotiations. Ideology triumphed over common sense. Instead of building on the Medicare program that seniors know and trust, the drug program was turned over to HMOs and other private insurance plans, enticed to participate by massive subsidies – funds that should have gone to strengthen benefits.

The result has been a disaster – but that's not how the Administration's spin machine sees it. According to the budget the President just submitted to Congress, the Medicare drug program is “off to a good start”

Here are the facts. Across the country, seniors, the disabled, and individuals facing the challenge of mental illness have been denied the medications they need to maintain their health, or have been forced to pay massive fees for the drugs they count on. States, cities and many pharmacies have stepped into the breach and incurred millions of dollars in expenses filling the gaps left by the Administration's failure.

The reality is that 15 million seniors lose under the Republican Medicare law. 3 million lose good retiree health coverage. 6 million lose by having to pay more in premiums than they receive in benefits, and 6 million more – those poor seniors and the disabled who are eligible for both Medicare and Medicaid – lose by being forced to leave the Medicaid coverage they have counted on.

If all these seniors and disabled Americans are losing, we have to ask who wins from the Republican drug plan. The answer is clear – drug companies and the insurance industry. The Republicans turned Medicare into a sugar daddy for the insurance industry by doling out \$67 billion in subsidies.

Let's look at where that money comes from. \$10 billion comes from a slush fund. \$22 billion is from overpayments, and \$35 billion is the bonus that HMOs get for luring seniors out of traditional Medicare and into private plans.

The drug companies did even better than the insurance industry. They get \$139 billion in windfall profits.

Why? Because the bill blocked Medicare from negotiating the same kind of discounts for seniors that the VA is able to get for veterans.

But does the Administration propose to make things right? Does President Bush propose to kick the insurance industry and the drug companies out of Medicare and provide a real benefit to seniors?

The answer is "no." Instead of strengthening Medicare, his new budget proposes \$36 billion in Medicare cuts over the next five years and \$105 billion over the next ten years.

The Medicare cuts will mean higher premiums for seniors and the disabled. They will result in reductions in the quality of care at hospitals and home health agencies.

In my own state of Massachusetts, President Bush's Medicare cuts will mean that our hospitals will have to cut their budgets by \$213 million, home health agencies by \$50 million and nursing homes by \$150 million. Cuts in public health programs mean that our state program to screen newborns as early as possible for hearing loss would be eliminated. 17 rape crisis centers across the state would face significant financial hardship, and our programs on violence prevention and suicide would be eliminated. Over 35 programs that train health care providers that will deliver care in underserved areas and programs and support diversity in the health professions would be eliminated. Why should patients pay the price while this bill gives away billions in tax breaks to people who don't need them?

But of course, Republicans have never liked Medicare and Medicaid. Even though retirees and the poor were hurting, Republicans fought against Medicare and Medicaid tooth and nail when Democrats fought to create those two important programs in the 1960s. Republicans defeated Medicare when it was debated in Congress in 1964. When Republicans came under fire for their opposition in the 1964 election, enough crossed over to join Democrats in passing the Medicare and Medicaid programs in 1965.

Republicans never gave up their opposition, however. When they gained control of the White House and Senate in the 1980s, they tried to break Medicaid's promise of health care to poor families. They proposed to convert the program into a block grant, and Democrats in Congress stopped them only

after a pitched battle.

Once again, in the 1990s, House Speaker Newt Gingrich and his Contract with America wanted to eliminate Medicare. Even though seniors and Americans with disabilities relied on the program and Americans respected it, Gingrich said that Medicare should just “wither on the vine.” Democrats stopped them again.

More recently, Glenn Hubbard, who was President Bush’s Chairman of the Council of Economic Advisers in his first term, said that Medicare and Medicaid should be replaced by so-called health savings accounts, which would benefit primarily the healthy and the wealthy.

Meanwhile, the Bush Administration and Republicans in Congress continue steadily to chip away at Medicare and Medicaid.

And now, they are at it again.

In the budget the President just submitted to Congress, no health priority is safe. Medicare, Medicaid, cancer research, newborn screening, trauma services for children, and many other essential programs will be severely reduced or even eliminated.

The money lavished on tax breaks for the wealthy in the bill before us would be better spent restoring the cuts in Medicare and Medicaid.

Under the President’s budget, NIH will receive \$1 billion less than is needed to keep up with inflation. Its budget will be flat for two years running. That has not been allowed to happen in more than half a century. 18 of the 19 NIH institutes will lose funding, which means that NIH will fall behind in the race for new cures. Research on cancer, heart disease, mental health, diabetes will all be cut, squandering the promise of this century of the life sciences. That’s the wrong priority for the nation. The amount saved by these dangerous reductions is dwarfed by the payouts that the tax bill the Senate is now considering gives to the wealthy.

This tax break is particularly unfair, because more than 75 percent of the tax benefits will go to people with incomes above \$200,000 a year. Over half the benefits – 53 percent – will go to people with incomes over \$1 million a year.

This amounts to a \$35,000 gift each year from Uncle Sam to the average millionaire, but it’s highway robbery for the millions of seniors, disabled Americans, and poor families who will see a cut in Medicare and Medicaid services.

The Republicans cynically claim that capital gains and dividend income deserve special treatment, because they will stimulate investment. The facts do not substantiate that claim. The stock market grew much more rapidly in the early and mid-1990s when investors’ income was taxed at the same rate as wages. Since then, President Bush cut taxes on capital gains and dividend income in 2003. More tax cuts that America cannot afford will hurt the economy, not help it.

There are some provisions in the Senate bill that we do need to address. The Alternative Minimum Tax was never intended to apply to middle class families, and they deserve tax relief. In a truly outrageous move, the House Republicans took AMT relief for the middle class out of their reconciliation bill so they could fit in more tax breaks for the rich. The research and development tax credit is important to our international competitiveness and should be retained. However, those worthwhile tax cuts should be paid for by rolling back some of the extravagant tax breaks that this Republican Congress has already given to the nation’s wealthiest taxpayers. We simply cannot afford more tax cuts at a time when we are facing record deficits.

If we are honest about reducing the deficit and strengthening the economy, we need to stop lavishing tax breaks on the rich, and start investing in the health and well-being of all families.

The economic trends are very disturbing for any who are willing to look at them objectively. The gap between rich and poor has been widening in recent years. 37 million Americans now live in poverty, up 19% during the Bush Administration. One in five American children lives in poverty. 14 million children go to bed hungry each night. Wages remain stagnant while inflation drags more and more families below the poverty line. 2.8 million manufacturing jobs have been lost. Long-term unemployment is at historic highs.

The bill before us has the wrong priorities for the nation. The Senate should instruct our conferees to reject any House proposal to extend the capital gains and dividend tax cuts. The funds that those cuts would consume would be much better spent on Medicare, Medicaid, and the nation's other health needs. That's the right priority for the nation, and that's the right course for the Senate to instruct our conferees to follow.

I urge my colleagues to support this motion.

#

REAL REFORM IS NEEDED TO FULFILL THE PROMISE OF THE

CENTURY OF THE LIFE SCIENCES

We are in the century of the life sciences – a time of extraordinary promise for new medical miracles.

But for too many Americans, quality affordable health care is a distant dream. It should be a right, not a privilege. America faces a health care crisis. Too many Americans are uninsured, and the number of the uninsured is increasing at an accelerating rate. No American family is more than one pink slip or one employer decision to drop coverage away from being uninsured. Health care costs are too high and are rising at double-digit rates. America can do better, but the budget makes the health care crisis worse.

A Track Record of Failure

The Bush Administration has fanned the flames of America's health care crisis, by failing to offer real solutions and pandering to special interests. The Medicare drug "plan" was turned over to the insurance industry, denying seniors the choice of remaining with the Medicare program they know and trust. The results were so disastrous that the President did not even mention the program in the State of the Union address. 46 million Americans have no health insurance. Since 2000, nearly six million more Americans have become uninsured – that's an increase of 4,000 people every day. The large and growing number of the uninsured is only part of the health care crisis. Costs are rising out of control, making health care coverage less affordable, and undercutting American industry in the global marketplace. Insurance premiums have increased a whopping 73% in the last five years. That rate is more than five times higher than the growth in earnings – putting quality health care out of reach of millions of Americans. The Administration has put ideology over progress in medical research, by imposing the worst budget cuts in 35 years on NIH, and blocking lifesaving stem cell

research.

The President's Budget

The President has said that he wants to achieve bipartisan progress in health care. The budget is the true test of whether that desire is real, or simply election-year rhetoric. Here are the questions to ask to see if the budget that the President will propose has adopted the path of cooperation or confrontation:

- **Medicare.** The path of cooperation would be to fix the disastrous Medicare drug benefit. The path of cooperation would be to reduce Medicare spending only by cutting overpayments to HMOs and drug companies. This partisan budget chooses confrontation by cutting more than \$105 billion over the next ten years from Medicare payments to hospitals and nursing homes that will erode the quality of care that seniors receive. The budget proposes the unprecedented step of proposing massive across-the-board cuts on Medicare, regardless of Congressional action.

The budget cuts funding for Massachusetts hospitals by \$14 million in 2007 – over \$11 million for inpatient care and almost \$3 million for outpatient care. These cuts come as hospitals are being asked to improve quality, invest in health IT, prepare for public disasters and provide care for increasing numbers of uninsured and underinsured patients. The budget cuts funding for Massachusetts home health agencies by an additional \$10 million in 2007. Massachusetts home health agencies already were cut \$10 million per year in the recent budget reconciliation bill.

- **Health care coverage & costs.** A bipartisan approach to reducing costs and improving coverage would improve health care coverage through measures with broad support, such as expanding CHIP or restoring the cuts in Medicaid, and would address the soaring cost of drugs by allowing importation of safe medicines from Canada and other industrialized nations. Instead, this partisan budget proposes only gimmicks, like HSAs, that will worsen the health care crisis. In fact, the budget proposes increasing the amount of the tax giveaway to make these tax shelters more attractive to wealthy investors. The budget also proposes taking the first step to privatizing Medicare and replacing it with chancy private accounts that give no guarantee of quality health care.

On the heels of major cuts in Medicaid, the budget proposes further cuts of over \$17 billion in the next ten years. These measures mean reduced care and worse health for millions of poor and disabled Americans.

- **Public Health Priorities.** A bipartisan budget would respect the nation's commitment to medical research by providing a meaningful increase in the NIH budget and restoring funds to essential health programs slashed in prior years. This partisan budget imposes draconian cuts on NIH. Of the 19 NIH institutes, 18 will lose funding. That means less research into cancer, diabetes, stroke, spinal injuries, and many other serious illnesses. As a result of these cuts, NIH will cut the number of grants it funds by over 600, resulting in a loss of over 60 new grants to Massachusetts alone. The budget also decimates funding for critical health programs, such as preventive health, training medical professionals, emergency medical services for children, and hearing screening for newborns. The budget slashes funds for children's hospitals to train pediatricians, pediatric specialists and pediatric researchers by more than 66%. Boston Children's Hospital would be cut by \$14 million in 2007.

Although the President's budget adds an additional \$188 million for HIV/AIDS drugs and testing, the budget continues to level fund the health programs in Ryan White that actually provide the care and treatment people need once they are identified as having HIV/AIDS. A program for aggressive testing is only as good as the services an individual receives once they have been identified.

Medicare for All

The real solution to the health care crisis is to make Medicare available to every American who wants to enroll in it. Administrative costs are low, patient satisfaction is high, and patients have the right to choose any doctor and hospital they think is best. Senator Kennedy has introduced legislation (S. 2229, the “Medicare for All Act”) to extend Medicare to all Americans. Those who prefer private insurance can choose any plan offered to members of Congress and the President. To ease the transition, Medicare for All will be phased in by age group, starting with those 55-65 years old and children up to age 20. Our budget priorities should also respect America’s commitment to finding new cures for serious illnesses, and to aiding those affected by the challenge of disease by supporting health programs.