



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Senator Grassley delivered this speech on the Senate floor this afternoon.

Sen. Chuck Grassley
Floor Speech Relative to Opponents Attacking Drug-Benefit Law
March 24, 2004

I want to take this opportunity to talk about the new prescription drug-benefit law. My colleagues who opposed the bill have made several recent attacks on the bipartisan legislation that was passed into law last year. This law represents years of hard work by Republicans and Democrats alike. We had the chance to fulfill a commitment to our seniors last year and we took it. And I'm glad we did. For the first time in the history of Medicare, seniors will have a voluntary prescription drug benefit.

Additionally, for the first time, seniors will receive coordinated disease management, better coverage of preventive screenings and protection against catastrophic drug costs. The plan helps to reduce drug costs by harnessing the buying power of 40 million Medicare beneficiaries to negotiate lower prices and by speeding the entry of lower cost generic drugs to market. I remind my colleagues who insinuate that the bill was some fly-by-night idea cooked up in some back room and passed in the dark of night that over 350 outside groups supported this law. That includes AARP, the Alzheimer's Association and the National Council on Aging.

Let me speak directly now to some of the criticisms from my colleagues who opposed this law to help seniors.

Advertisement of the Medicare Law

First, some are attacking the Administration's efforts to educate the American public about the new drug benefit. I'm surprised some of my colleagues would oppose providing seniors with timely, accurate and clear information about changes made by the law. In January of this year, several Democratic members of Congress accused the Administration of "robbing the Medicare program" and asked the General Accounting Office to investigate whether or not the ads constituted a misuse of federal funds. GAO confirmed that the law mandates the Department of Health and Human Services to educate seniors and that the ads are not political.

The GAO report makes clear that the Department has a responsibility to inform seniors and to make sure that they understand the new benefits and how they might help them. What information is

currently available to seniors may be coming from unscrupulous sources. On February 17, 2004, the New York Times featured a story about people going door to door offering “Medicare approved” cards, though none have been approved and enrollment does not begin until May. According to one federal official, scam artists are fraudulently impersonating or misrepresenting Medicare by telephone and by door-to-door visits to beneficiaries’ homes. In some cases, a caller obtained personal information about beneficiaries before visiting their homes.

These ads are not propaganda, as confirmed by the GAO. They are filling an important void that not only will educate America’s seniors but also will prevent criminals from taking advantage of and potentially harming America’s seniors. Educating our seniors on the new Medicare Modernization Act is not only required by law, it is also the right thing to do.

Cost Estimates

Now I want to respond to the accusations we have heard that the “true cost” of the Medicare bill was somehow hidden from Congress before the final vote. This is simply political election-year hyperbole.

The opponents of the drug benefit are making this claim because the final cost estimate from the CMS Office of the Actuary was not completed before the vote took place.

Let’s be clear, the cost estimate was not withheld from Congress, because there wasn’t a final cost estimate from CMS to withhold. Their cost estimate wasn’t even completed until December 23 — long after the House and Senate vote.

Let me also be clear that we did have the official cost estimate on the Medicare bill before the vote and that is the one from the Congressional Budget Office.

Now no government official should ever be muzzled from providing critical information to Congress. If that happened last year, that was wrong.

These accusations about whether information was withheld have raised questions as to whether Congress had access to a valid and thorough cost estimate for the prescription drug bill before the final vote.

It should also be made clear that while the cost analysis by the Office of the Actuary is perhaps helpful, it is not the cost analysis that Congress relies on.

Congress relies exclusively upon cost projections by the Congressional Budget Office. It is CBO’s cost estimate we use to determine whether legislation is within authorized budget limits.

For Congress, if there is a “true cost” estimate that is CBO’s. CBO’s cost estimate is the only one that matters.

And when Congress approved a \$400 billion reserve fund to create a Medicare prescription drug

benefit, this meant \$400 billion according to CBO — not CMS.

With all due respect to the dedicated staff who work at the CMS Office of the Actuary, their cost estimates were irrelevant to the process.

The Congressional Budget Office worked closely with the conferees to the prescription drug bill and the staff to ensure that a full analysis of the projected costs was completed.

The conferees and staff regularly and constantly consulted with CBO throughout the development of the Senate bill and in the preparation of the conference agreement.

CBO worked nearly round the clock and on weekends for months to complete an extremely thorough and rigorous cost analysis of the prescription drug bill.

That cost estimate — our official cost estimate — was available to every Member of Congress before the measure was presented to the House or Senate for a vote.

It is also pretty disingenuous for the opponents of the Medicare bill on the other side of the aisle to suggest that the price tag for the Medicare bill causes them concern.

The fact of the matter is that they supported proposals that cost hundreds of billions of dollars more.

The House Democratic proposal last year would have cost nearly \$1 trillion, and the Senate Democratic proposal in 2002 cost more than \$200 billion more than the bill that was enacted into law.

Further, there were more than fifty amendments offered on the floor of the Senate during the debate on the Senate bill that would have increased the cost of the bill by tens of billions of dollars.

The bottom line is that there should be no doubt in anyone's mind that we had a true cost estimate for the prescription drug bill last year and everyone had access to it before the vote.

The impact on the Medicare Trust Fund is also something that needs to be addressed here. The Trustees' Report revealed yesterday that the Medicare Trust fund insolvency date has been moved up seven years to 2019.

Most of the change is due to higher health care costs, changes in the economy, better data analysis and projections, and improved data on the health of beneficiaries.

The Medicare bills impacted two of the seven years in the solvency analysis and these were due to efforts to ensure that beneficiaries continue to have access to quality care, especially in rural areas.

We all have to be concerned about the future solvency of Medicare. We have to stay focused on improving and protecting Medicare for future generations. And we have to do this while also not jeopardizing access to care.

So-Called “Prohibition” on Negotiating

Now let me address the accusations that Medicare is prohibited from negotiating with drug companies.

That could not be further from the truth. The truth is that Medicare prescription drug plans will be negotiating with drug makers. These negotiations are at the heart of the new Medicare drug benefit.

The absurd claim that the government will not be negotiating with drug makers comes from a non-interference clause in the Medicare drug bill.

This non-interference clause does not prohibit Medicare from negotiating with drug makers. It prohibits CMS from interfering in those negotiations.

Let me be clear, the non-interference clause is at the heart of the bill’s structure for delivering prescription drug coverage. This clause ensures those savings will result from market competition, rather than through price fixing by the CMS bureaucracy.

This same non-interference clause was in the Daschle-Kennedy-Rockefeller bill and the Gephardt-Dingell-Stark bills in 2000.

This is almost identical to the non-interference clause that was in the Gephardt-Dingell-Stark bill and the Medicare Modernization Act, which was signed into law.

The Congressional Budget Office has concluded that the market-based approach in the new Medicare law will result in a higher prescription drug cost management factor for Medicare than any other approach considered by Congress.

Here is what the CBO about eliminating the non-interference clause said in a letter earlier this year: “the Secretary would not be able to negotiate prices that further reduce federal spending to a significant degree.”

The CBO, in that letter went on to say, “CBO estimates that substantial savings will be obtained by the private plans.”

Let’s be clear, direct government negotiation is not the answer. The government does not negotiate drug prices. The government sets prices.

The bill’s entire approach is to get seniors the best deal through vigorous market competition, not price controls.

Even the Washington Post editorial page wrote in a February 17th editorial that “Governments are notoriously bad at setting prices, and the U.S. government is notoriously bad at setting prices in the medical realm.”

Price controls won't work, whether we are talking about all drugs or just so-called "single source drugs," as the Senator from Oregon has proposed.

The Congressional Budget Office said that such a proposal "could generate no savings or even increase federal costs."

It would seem, then, that the devil is in the details, so to speak.

So, we did not rely on CMS price fixing but instead created a new drug-benefit that relies on strong market competition and creates consumer choices.

This approach has been analyzed by the experts as getting the best deal for seniors on lower drug prices.

Summary

So just to conclude. It is an election year and plenty of people are using Medicare to play politics.

The new Medicare law was a bipartisan proposal that resulted from years of work by Republicans and Democrats.

The new law creates a voluntary benefit that is targeted to low-income seniors and those with high drug costs.

The new law lowers drug costs by speeding the delivery of new generic drugs to the marketplace, lowering costs for all Americans, not just those on Medicare.

The new law also revitalizes the rural health care safety net with the biggest package of rural payment improvements in the history of the program.

As the AARP has made clear when providing its strong endorsement, the Medicare bill "helps millions of older Americans and their families," and is "an important milestone in the nation's commitment to strengthen and expand health security for its citizens . . ."

Mr. President, I yield the floor.