ROLL CALL

Warning Should Trigger Action on Growing Costs

By **Sen. Judd Gregg**
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"Trigger" is not just the name of Roy Rogers' horse or Willie Nelson's guitar. In the halls of Congress, a world far removed from the Wild West and country music, it is a word that should make those charged with safeguarding our economy for future generations sit up and take notice.

The trigger in question is commonly known as Medicare's "45 percent trigger," or a warning issued by the Medicare trustees that within a seven-year window, more than 45 percent of Medicare outlays will be paid for by Treasury general revenue funds. This compares to about 3 percent of general funds needed back in 1966 when the program was established.

What this means is that the federal Medicare program, which is paid for by a combination of payroll taxes, beneficiary premiums and money from the Treasury coffers, is becoming so large and expensive that payroll taxes no longer will cover the majority of its outlays. This is due to a growing aging population — 70 million baby boomers — and skyrocketing health care costs.

So in order to meet its obligations to beneficiaries, the program must turn to the general revenues — taxpayer dollars that fund defense, education, transportation and other government responsibilities — to make up an increasingly large share of the shortfall. The Medicare trustees in 2006 and 2007 projected that the 45 percent cap will be reached in 2012 and 2013, respectively.

Under the Medicare Modernization Act of 2003, a bill that passed Congress with bipartisan support, once the trustees make this warning for two consecutive years, the president is required to send Congress legislation to address the problem. President Bush has done so, and I offered it late last month for consideration in the Senate.

The proposal is a reasonable one. It tries to make the health care system more transparent by giving consumers more access to information about the cost and quality of their care, something that will improve efficiency and lower costs for everyone involved. The legislation also proposes making the subsidy paid by the federal government for Medicare Part D drug premiums more closely aligned with beneficiaries' financial status, so that low-income workers aren't subsidizing drugs for the wealthiest seniors.

Lastly, it includes medical liability reform, one of the most pressing issues facing the health care community. Liability protection costs the U.S. health care system up to $100 billion per year, costs that are pushing overall health care costs higher and driving doctors, especially ob-gyns, out of practice.

While this proposal is only a small step toward tackling the $34 trillion unfunded liability we face for Medicare alone, these are important structural reforms that will help get to the heart of the program's fiscal woes. Unfortunately, many senior Congressional Democrats already have pooh-poohed the president's proposal, and the majority's fiscal 2009 budget proposes only vague "changes" to Medicare in 2013 to put off the funding warning. That's not real reform, and to make matters worse, increased spending in Medicaid will wipe out the Medicare savings.

In the House, a version of the president's proposal will be fast-tracked through legislative gridlock and a final vote will occur by late July. Unfortunately, in the Senate, it can be filibustered, delayed and shelved altogether.

By not acting to substantially reform Medicare, the program's growth explodes at rates faster than the economy itself. The Congressional Budget Office, in its recent "Budget and Economic Outlook: Fiscal Years 2008 to 2018," projects that Medicare spending will grow at an average of 6.8 percent per year over the next decade, which is nearly 60 percent faster than the gross domestic product growth rate. Medicare alone is expected to account for nearly 4 percent of GDP by 2018, a shocking amount when you consider that ALL discretionary federal spending today makes up about 6 percent of GDP.

As the nation begins to confront the looming $66 trillion entitlement crisis, potential solutions must be bipartisan in nature and given a clear path to a final vote, or nothing will come of them. One such approach is the Bipartisan Task Force for Responsible Fiscal Action Act, which I offered with Senate Budget Chairman Kent Conrad (D-N.D.). The task force, made up of equal numbers of Republicans and Democrats, would be required to send Congress bipartisan legislative proposals that would be fast-tracked and guaranteed a final vote.

It is well-documented that the baby boomers' retirement will put us on an unsustainable path — the trustees' warning certainly is concrete evidence of that — so what will it take to force Congress to act on real reform? It is critical that potential solutions to this impending fiscal meltdown are fast-tracked to receive a final vote instead of becoming bogged down in the political gamesmanship of Washington. It is our fiduciary responsibility to tackle this $66 trillion legacy of debt, not pass it to our children. We shouldn't need a trigger to know it's time to act on that.

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