

**Transcript of Remarks by Chairman Kent Conrad (D-ND)
at Senate Budget Committee Hearing
on Healthy Americans Act and Other Options for Reform
June 26, 2007**

I want to welcome everyone to today's hearing. This is our second hearing this summer on health care reform, and the impact on the budget. Last week, our witness was the CBO Director, Dr. Orszag, who helped set the stage by providing an overview of the problem and issues to consider in evaluating reform options. Today, we will focus more specifically on comprehensive solutions and the issues raised by them.

We have two panels today. Our first panel includes two of our most respected colleagues: Senator Ron Wyden, who is a valued member of this Committee, and Senator Robert Bennett, who is a long time leader on the Joint Economic Committee. Senators Wyden and Bennett will jointly present their Healthy Americans Act. I want to first commend them for working together – that is going to be critically important as we approach the issue of health care reform and all of the other contentious issues facing us on fiscal policy.

Our second panel includes three health care experts, Len Nichols, Director of Health Policy at the New America Foundation; Sara Collins, Assistant Vice President of the Program on the Future of Health Insurance at the Commonwealth Fund; and Arnold Milstein, Medical Director of the Pacific Business Health Group. These experts will be giving us their views on health care and options for comprehensive reform.

I want to begin with this chart that shows that rising health care costs are, by far, the largest factor driving up the cost of our federal health programs. Demographic changes that we all know about that have been so much in the news are also a significant factor, but the biggest factor, the largest element here, are rising health care costs in the larger system.

The fact is that our health care system is not as efficient as it should be. We are spending far more on health expenditures as a percent of GDP than any other country in the world. This chart goes back to 2003. For those who are wondering why do we go back to 2003 in 2007, it is because it is the most recent year for which we have comparative data from other countries. We know our own health care expenditures now are over 16 percent of gross domestic product. That means about one in every seven dollars in this economy is going to health care, and that percentage is rising. If we look at other countries, we see the next highest country in terms of expenditure per share of GDP is at 11 percent. So, one would assume that because we have the highest health care expenditures in the world we have the best health care in the world. Unfortunately, we know that that is not the case. In fact, what we see is in many cases health care expenditures are inverse to health care outcomes. In other words, higher health care expenditures do not lead to better health care outcomes. In fact, in many parts of this country, the places that are the highest cost health care have the lowest quality health care outcomes.

We need to remember that the problem is not that Medicare and Medicaid are federal programs. The problem stems from the rising cost of health care and the demographic tsunami that is coming at us. This is a quote from the General Comptroller of the United States, David Walker, who made this point: “[F]ederal health spending trends should not be viewed in isolation from the

health care system as a whole.... Rather, in order to address the long-term fiscal challenge, it will be necessary to find approaches that deal with health care cost growth in the overall health care system.”

The fact is that we can get dramatic savings in federal health care programs if we can reduce the rising cost of health care. This chart shows that reducing per capita annual health care cost growth from 2.5 percent above GDP to 1 percent above GDP can bring down Medicare and Medicaid spending as a percentage of GDP from 21 percent in 2050 to under 12 percent in that same year.

We all know we have a huge challenge here, the 800 pound gorilla is health care expenditures. That is what can swamp the whole boat here. And we know that if we get to 2050 and we're spending over 20 percent of GDP on just Medicare and Medicaid that's more than we're spending on all of the federal government today. That cannot be permitted to occur. So the question is what do we do about it. That's what this series of hearings is about and I again want to thank our colleagues, Senator Wyden and Senator Bennett for their thoughtful approach to the issue and for their leadership.