

Opening Statement
Chairman Dan Burton
Subcommittee on Human Rights and Wellness
Committee on Government Reform

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Today's hearing is a continuation of the Subcommittee's investigation into the high cost of prescription drugs in this country. As we have heard at previous hearings on this subject, American consumers pay a higher price on average for prescription drugs than citizens of any other country in the world. And the prices continue to go up and up. Thanks to the astronomical growth in prices, we now have a situation in this country where more than 1 in 5 American adults are unable to take their drugs as prescribed because they simply cannot afford to buy them. So, we are acutely aware that something needs to be done to provide seniors with some relief from the high costs of prescription drugs.

On June 27, 2003, in an extremely close vote, in fact a one-vote margin, the House of Representatives responded to this growing prescription drug crisis, and the cries of seniors for some relief, by passing the "Medicare Prescription Drug Modernization Act," (H.R. 1).

At first glance, H.R. 1 might appear to be the answer to the prayers of every Medicare beneficiary who has been faced with paying outrageous prices for prescription drugs. However, when you start to examine the details of the legislation, it quickly becomes clear that the bill creates an ill-conceived and incredibly expensive new open-ended entitlement program that places a tremendous financial yoke around the neck of American taxpayers for decades to come. Estimates of the government's unfunded obligation for a new Medicare prescription drug benefit range from a low of \$6 Trillion to a high of approximately \$12 Trillion. And that is on top of Medicare's existing unfunded liability, already estimated to be \$30 Trillion.

At the same time, H.R. 1 potentially threatens the prescription drug coverage of millions of American seniors who already have comprehensive coverage through an employer-sponsored retirement plan.

It is my sincere hope that the joint House-Senate conference currently working to resolve the differences between H.R. 1, and the Senate's Medicare prescription drug bill S. 1, will be able to produce a far better bill than the one that passed the House of Representatives back in June. I firmly believe the consequences of passing a bad bill will seriously outweigh the consequences of passing no bill at all.

A perfect example of what can happen when Congress passes a bad bill is the Catastrophic Care legislation that was passed in 1988. The vote was 328 to 72, and those of us who opposed the bill were vilified as being uncaring of the needs of seniors. But we realized that the bill was costly and ill-conceived, and in the end, we were right. When the public realized the high price they would have to pay for the relatively modest new protections, Congress and the White House felt their wrath.

In fact, House Ways and Means Chairman Dan Rostenkowski, Illinois Democrat, was actually accosted by more than 50 angry senior citizens on the streets of Chicago, who blocked and violently shook his automobile. In an unusually speedy turnaround, The House repealed that legislation within the year by a vote of 360 to 66.

We owe it to America's seniors, as well as our children and grandchildren, to move cautiously on creating a Medicare prescription drug benefit. It needs to be both responsive to the needs of seniors as well as fiscally responsible. To settle for anything less is to invite disaster. Some would argue that not passing a Conference Report would be political suicide and I would agree with that, if the only alternative were to simply do nothing to help Medicare beneficiaries without prescription drug coverage. However, that is not the only alternative.

This afternoon we are going to hear from several witnesses regarding the viability of enacting a Medicare prescription drug safety net focused exclusively on meeting the prescription drug needs of the most vulnerable Medicare beneficiaries, the approximately Medicare-eligible Americans who have no drug coverage at all. I have asked all of our witnesses to comment on a proposal I asked the Subcommittee staff to draft up during the August work period. I will say that what we have put together is an idea for a program that we believe is fiscally responsible as well as responsive to the needs of low-income Medicare beneficiaries who are unable to obtain other forms of prescription drug coverage.

Each recipient in the program would receive a Federal contribution into an MSA-like account, with the Federal payment scaled from \$2500 to \$600 depending on the recipient's most current income level, with the Federal government providing 100-percent coverage for prescription drug costs beyond a catastrophic threshold of \$3000. In order to contain the cost of the program and prevent it from becoming a run-away entitlement, we provide a hard-dollar cap on program expenses over ten-years of \$200 Billion. In addition, we also give the Secretary of Health and Human Services the power to negotiate discount drug prices on behalf of beneficiaries.

Have we put together a perfect proposal? I would concede that we probably have not. But the proposal on the table is, in my opinion, a good starting point for the discussion about a targeted and cost-effective prescription drug benefit. I expect to hear some constructive suggestions from our witnesses regarding improvements to the proposal, and I look forward to listening to their expert suggestions and discussing their ideas.