

STATEMENT OF CHAIRMAN GORDON H. SMITH

U.S. Senate Special Committee on Aging
From Medicaid to Retiree Benefits: How Seniors Impact America's Health Care Costs
July 13, 2006

Thank you all for coming today. We have an excellent set of witnesses and I am honored that they would take time from their busy schedules to testify before the Committee.

Our nation is facing a crisis. Health care costs continue to escalate while quality continues to lag behind other industrialized nations. Just this past April a study was released in the Journal of the American Medical Association that compared the health status and spending of Americans to that of British citizens. The results were alarming, not only did Americans have lower overall health status we are spending almost twice as much.

As we will hear from our witnesses, health care costs continue to impact employers, states and the federal government's ability to deliver health care. The two driving factors for growth in health care spending are continually high health care inflation and a growing senior population. While the size of the over age 65 population can't be changed, steps can be taken to better manage their care and create efficiencies to ensure we are spending our health care dollars wisely.

Why is this important? The National Center for Chronic Disease Prevention and Health Promotion estimates that 80 percent of people over age 65 have at least one chronic health condition and 50 percent have at least two. Further, the size of this population is projected to explode to 71.5 million, or 20 percent of the population, by 2030 when all of the baby boomers retire. These alarming statistics clearly indicate that our nation is facing a financial train wreck. That is why it is important to act now to reform our system, and I believe the place to start is with Medicaid.

The Medicaid program, which was created in 1965, has failed to evolve over time. As innovations in the delivery and management of care have become mainstream in the private sector, Medicaid has remained firmly set in its original fee-for-service model.

However, Medicaid is not a failure. It is an integral and essential component of America's health care system providing safety-net coverage to almost 60 million people who are poor, elderly or disabled. However, I am not an apologist for Medicaid. I do not believe Medicaid is perfect, nor do I believe it should be put on a pedestal never to be changed. In that respect, I continue to bridge the two political parties, fighting to protect the program, but at the same time urging sound, rational reform.

And that is the purpose of this hearing, to create a bipartisan forum where all stakeholders – Members, beneficiaries, providers and advocates – can come together to chart the future of Medicaid. And I hope that by starting this dialogue now we can develop sound policies that are based on improving care and ensuring efficiency, rather than simply cutting funding to meet a dollar figure. In the end, I fear the later approach only ends up costing the country more both in actual dollars spent and in negative impact to lives.

The Aging Committee has a long tradition of leading the Congress toward innovative and necessary changes to our social programs. In fact, the Social Security program and Medicare were created based on recommendations that came from this Committee. We also have continued to operate in an open and bipartisan manner. As Congress embarks on changes to Medicaid, and hopefully the entire health care system, we have an opportunity to once again lead the way. We need to put ideology aside and develop solutions that will ensure the long-term solvency of Medicaid. And in doing so, I am hopeful the combined affect will drive efficiencies and modernizations throughout the entire health care system.

As we will hear from our witnesses, both of whom oversee large health care programs, utilizing the size and clout of Medicaid can force innovation in the delivery of care and provide lower-cost, higher quality health care. It is time to act and I hope my colleagues will join me as I begin a series of hearings and monthly roundtable discussions focused on reforming Medicaid.

I look forward to hearing our witness' testimony. With that, I will turn to my colleague Senator Kohl.