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HATCH STATEMENT AT FINANCE COMMITTEE HEARING EXAMINING SOLVENCY OF HEALTH CARE ENTITLEMENT PROGRAMS

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, released his opening statement from a committee hearing today examining the solvency of health care entitlement programs. Hatch has said it is imperative to keep entitlements – the largest drivers of the nation’s debt – on the table during deficit reduction discussions.

A full copy of Hatch’s remarks, as prepared for delivery, follows:

I want to thank Senator Baucus for convening this hearing. The clock is ticking. Every day that passes that we don’t act to rein in federal spending and address our entitlement crisis leaves taxpayers exposed to unacceptable and unsustainable levels of debt. Simply doing nothing is not an option.

These problems are fundamental, and they will not fix themselves. We owe it to our seniors, children, and grandchildren to get off the sidelines and act responsibly to fix this problem.

Our fiscal situation is dire. We have now had three consecutive years with trillion dollar deficits, and we have racked up a \$14 trillion debt.

For any who doubted the magnitude of this crisis, the CBO confirmed it again yesterday. By 2035 our public debt will rise to 190 percent of gross domestic product if we do not get spending under control.

We cannot allow this to happen. Right now we are on a glide path to Greece — a path with devastating implications for the liberty of taxpayers and the prosperity of this nation.

Admiral Michael Mullen has identified our current debt spiral as the single greatest threat to our national security.

It is hard for me to disagree.

The bottom line is that the storm is gathering, and a commitment to the entitlement status quo is a commitment to senior impoverishment and national bankruptcy.

Last year alone, total Medicare and Medicaid spending was \$800 billion. The longer we wait to address these programs' finances the harder they will be to solve. The time for courage is now. This year the first baby boomer will become eligible for Medicare. In 2010, there were 47 million Medicare beneficiaries alone, and by 2031 it's projected that 80 million people will be Medicare eligible. As these retirees come online, government spending is going to mushroom.

According to this year's Medicare Trustees Report, Medicare is facing a \$38 trillion unfunded liability. This number is so outlandish that I need to put it in perspective.

The median household income is \$49,777 per year. The median home value now stands at \$221,800, which we all know is the biggest asset most families will ever own. Yet, Medicare's unfunded liability stands at an astonishing \$353,350 per household. So even if an average family sold their home and gave up their income for an entire year, they would still not meet their share of this one entitlement obligation. This is simply unacceptable.

Today, our three major entitlement programs — Medicare, Medicaid, and Social Security — account for 44 percent of non-interest Federal spending. But by 2085, these three entitlement programs could account for more than 60 percent, or two-thirds, of the federal budget.

We have seen this train coming down the tracks for some time. Yet given the opportunity to address this fiscal imbalance in a responsible way, the President raided the already busted Medicare program. The Patient Protection and Affordable Care Act increased spending by \$2.6 trillion, created new entitlements and expanded old ones, and attempted to pay for all this by stripping Medicare of \$529 billion and raising taxes by over \$800 billion.

Guided by a political philosophy of *never letting a crisis go to waste*, this law has only helped to accelerate our current debt crisis.

To get Medicare spending under control, the President is going to have to lead. He is going to have to put national priorities over presidential politics and address entitlement spending. Unfortunately, the President's solution is to grant power to a 15-member panel of bureaucrats that will decide how to spend taxpayer dollars and to determine what care our senior citizens will receive.

And let me be 100 percent clear. The Independent Payment Advisory Board, or IPAB, is not the solution to Medicare's coming bankruptcy.

As bad as Medicare's financing is, it is only one contributor to our growing debt crisis. Medicaid is also a growing burden on the federal and the state governments. The Medicaid program has grown far beyond its original purpose of being a safety net for the most vulnerable in our society.

As weak as Medicaid's financing already was, the health care law that passed over the objection of every Senate Republican resulted in the biggest expansion of Medicaid in its history. According to

CMS, in 1966, there were only 4 million Medicaid enrollees, but by 2019, there will be 78 million. And just this week we learned that the new health care law, through an unintended glitch, will actually expand Medicaid to an additional 3 million middle class Americans making up to \$64,000.

That's some glitch.

This mission creep is bankrupting the federal government. Washington will spend \$4.6 trillion on Medicaid over the next 10 years — a huge driver of our national debt. To put it delicately, the new health care law certainly did not help. The office of the Actuary at CMS estimates that the Medicaid expansion will cost federal taxpayers \$735 billion over the next 10 years.

And cash-strapped states are also feeling the burden of the Medicaid entitlement. The program consumes nearly 22 percent of states' budgets today, and things are about to get a whole lot worse.

A Joint Congressional Committee report that I authored with Chairman Fred Upton found that states are estimating they'll have to spend another \$118 billion because of this new law.

To maintain these expansions will require cuts in other programs like education, public safety, and other health services.

Many factors will continue to drive up Medicaid spending, such as the onerous maintenance of effort requirements, the Administration's proposed rate regulations that set up new bureaucratic hurdles for states to manage their programs, and a court case before the Supreme Court this fall that could lead to a new wave of costly litigation.

There is simply no use denying the obvious. Medicaid is in need of major reform. And instead of centralizing power in the nation's capital, Congress should set broad guidelines and defined budgets, but then empower the states to run their Medicaid programs in a manner consistent with the needs and the values of their citizens.

Entitlement reform is not about cutting providers just for the sake of cutting. Medicare, Medicaid, and Social Security face real problems that demand structural changes. Our citizens need these changes, and the markets are demanding them.

Last winter, I heard a Democratic House member state that *the Republicans won in November and therefore it's their job to fix entitlements.*

Let me be very clear. It's all of our jobs to fix entitlements. And history will not look kindly on those who stood on the sidelines during the central debate about the future of this nation.

And so, Senator Baucus, thank you for convening this hearing today. I look forward to hearing from our witnesses and a serious discussion about the need for meaningful reform.

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