



# BUDGET COMMITTEE



Judd Gregg, Ranking Member  
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## **Opening Statement from Senator Judd Gregg (partial/unofficial transcript)**

### **Senate Budget Committee Hearing on the President's Fiscal Year 2008 Budget Proposal**

**Witness: Honorable Robert J. Portman, Director,  
Office of Management and Budget**

Senator Gregg: Well this is the crux of the fiscal issue of this nation, which is how we handle the long-term entitlement costs, and the fact that those costs exceed, significantly, revenues. And the fact that you can't tax your way out of this problem because the burden of these costs is accelerating at a point that they could easily absorb easily not only the entire federal budget but well beyond the federal budget, maybe as much as 30% of Gross National Product -- that's three programs -- 30% of the Gross National Product.

I want to congratulate you though. I had hoped we'd reach a resolution that would allow us to sit down and set up a process which would lead to a policy which would take a global response, and would address the major entitlements, primarily the health care entitlements and Social Security, and would also have to address the revenue side. I mean, you're not going to get there without looking at both pictures, but the majority of the effort has to be on the benefits side.

But it doesn't appear that the climate is going to allow that for a variety of reasons. I don't think the blame lies at the White House entirely, although some comments weren't constructive. I think there's also a problem with some skittishness on the other side of the aisle relative to making what would be a very courageous act of actually addressing the benefit structure of these programs. But I do want to congratulate you folks for putting forward a major step in the area, independent of a global settlement, with your proposal on Medicare.

As we know Medicare has approximately a \$35 to \$40 trillion, that's with a T, unfunded liability over its actuarial life -- the actuarial life being essentially the retirement of the baby boom generation. That liability is so huge, that it will essentially bankrupt our children's capacity to have a decent lifestyle -- our children will not be able to afford that

system. And they will be left with a lifestyle much less of quality than what our generation has had and our generation will have done an incredible unfairness to our children by leaving them with this debt and putting this debt on them, and we've got to address that.

Now I would hope for a global settlement but we're not going to get there it appears because the parties are backing away, but at least you've come forward with a proposal which reduces significantly that number. As I understand it, your proposal, which represents about \$90 billion over five years translates into about \$8 trillion over the actuarial life, which is about 25% of the problem. That's a huge step. As I also understand your proposal, it does not reduce benefits to beneficiaries. It calculates more accurately the reimbursement inflation rate for hospitals and for provider groups, which should be done. And it also says that Bill Gates' father and other people who are very wealthy should not be subsidized by working Americans, who are working at restaurants and gas stations across this country and their doctors costs and their drug costs. And those two items primarily are the drivers of this very dramatic reduction in the out-year liability.

I guess I have two questions or you: First, is that an accurate description of what you're doing, and secondly, I would hope that if that's true that at least our colleagues on the other side of the aisle when they draw up their budget would at least take this element of the major reform effort, which is a significant element, and run with that one?

**Director Portman: I appreciate the fact that you have described it well – better than I did in my testimony, because you've talked about what the impact is on beneficiaries. And you're right, for the vast majority of Medicare beneficiaries there's not only no impact, it's a positive impact in the sense that their premiums will go down, because as you know in Part B they pay 25% of the premiums.**

Senator Gregg: And the system will be made more solvent?

**Director Portman: And the system is made more solvent, which is the ultimate benefit to all of us, to be able to protect these programs over time.**

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