STARK STATEMENT ON HOUSE VOTE TO DEFUSE THE MEDICARE TRIGGER

Thursday, 24 July 2008

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WASHINGTON, D.C. – Representative Pete Stark (D-CA), Chairman of the Ways and Means Health Subcommittee, released the following remarks today after the House voted 231-184 to defuse the Medicare trigger for this year:

“I want to thank my colleagues in the House for voting to turn off the Medicare trigger. We in Congress are the fiscal stewards of Medicare. In general, we’ve done well by the program over its lifetime, but there’s always more to do. When we enacted the Medicare Improvements for Patients and Providers Act earlier this month, we actually met the fiscal objectives of this trigger. That bill passed with broad bipartisan support of 355-59 – a rare show of unity in this Congress. The veto override was an even stronger 383-41.

“The Congressional Budget Office has confirmed that both the new Medicare law and the President’s bill to address the trigger would have the same effect regarding postponement of the threshold.

“Frankly, I oppose the entire concept of the trigger. It is not sensible policy. It was dreamed up behind closed doors by Republicans eager to pacify their conservative colleagues in 2003 when they moved forward with the Medicare prescription drug legislation. It is nothing more than a means to dismantle – not sustain – the Medicare program by ending its guaranteed funding.

“We do NOT need an arbitrary, random number to tell us that we need to work together to ensure Medicare’s fiscal health. When testifying before the Ways and Means Committee earlier this year, Medicare’s Chief Actuary said, “I’m not aware of any specific technical rationale for” the number.

“This is nothing more than a scare tactic designed by the Republicans to deliver a message to the public that Medicare’s going broke.   Medicare is no more in danger of going broke that our defense department or any other governmental function. We have no such trigger in law for limiting defense spending – and I challenge any of my Republican colleagues to support a trigger policy for defense.

“Through the years, we have always acted – usually on a bipartisan basis -- to ensure Medicare’s future. That’s how we should continue to manage the program.

“Putting my strong opinions on the trigger aside, this entire debate today is unnecessary. All this rule does is override the process for the remainder of this Congress – and it does so for good reason.

“Given the fact that the newly enacted Medicare law postpones the trigger threshold, I urge my colleagues on both sides of the aisle to join me in support of this rule change. That law was enacted with broad bipartisan support. This rule change should as well.”

BACKGROUND: Current law establishes three main sources of financing for Medicare: payroll taxes, general revenues, and beneficiary premiums. The Medicare Modernization Act created a new mechanism -- the “45 percent trigger” -- to allegedly measure the adequacy of Medicare’s finances. The trigger looks at the amount of Medicare spending financed by general revenues.

The trigger is set in motion if the Medicare Trustees project, in two consecutive annual Trustees Reports, that funding from general revenues will exceed 45 percent of Medicare spending within a 7-year window. If so, a “Medicare funding warning” is issued, setting in motion various processes. The President is required to submit legislation within 15 days of the submission of the next budget, and there are expedited procedures in the House and Senate for consideration of legislation, which may be the President’s bill or another bill. Both the 2006 and 2007 Trustees reports projected general revenues would exceed the 45% threshold within the designated timeframe; thus, 2008 is the first year that the “trigger” is pulled, setting in motion a requirement for the President to submit legislation.

In order to meet the target threshold, legislation needs to cut benefits, provider payments, shift more of the burden to beneficiaries in the form of higher cost-sharing, or rely more heavily on payroll taxes. The President sent such a bill to Congress. It proposed raising drug benefit premiums for 1.5 million beneficiaries (4.5 percent of total beneficiaries) in 2009, growing to 3.7 million beneficiaries (8.0 percent) hit with higher costs by 2018. According to the Office of the Actuary, more than 800,000 beneficiaries would drop out of the Administration’s drug program as a result of this proposal.

The House-passed CHAMP Act, which passed the House by a vote of 225-204, would have repealed the trigger. CHAMP’s provisions for reducing overpayments to private plans would also have extended Medicare’s solvency.

The recently enacted Medicare Improvements for Patients and Providers Act (P.L. 110-235) will also extend Medicare’s solvency and will result in a one-year delay in when Medicare financing crosses the 45 percent threshold. In fact, according to the Congressional Budget Office, its impact on Medicare financing is the same as to the President’s bill.

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