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3 HEARING ON SETTING FISCAL PRIORITIES IN HEALTH CARE FUNDING

4 WEDNESDAY, MARCH 9, 2011

5 House of Representatives,

6 Subcommittee on Health

7 Committee on Energy and Commerce

8 Washington, D.C.

9 The subcommittee met, pursuant to call, at 10:33 a.m.,
10 in Room 2322 of the Rayburn House Office Building, Hon. Joe
11 Pitts [Chairman of the Subcommittee] presiding.

12 Members present: Representatives Pitts, Burgess,
13 Shimkus, Blackburn, Gingrey, Latta, Lance, Cassidy, Guthrie,
14 Barton, Pallone, Dingell, Engel, Capps, Schakowsky, Baldwin,
15 Weiner and Waxman (ex officio).

16 Staff present: Clay Alspach, Counsel, Health; Howard
17 Cohen, Chief Health Counsel; Brenda Destro, Professional
18 Staff Member, Health; Paul Edattel, Professional Staff

19 Member, Health; Julie Goon, Health Policy Advisor; Todd
20 Harrison, Chief Counsel, Oversight/Investigations; Debbie
21 Keller, Press Secretary; Ryan Long, Chief Counsel, Health;
22 Carly McWilliams, Legislative Clerk; Monica Popp,
23 Professional Staff Member, Health; Krista Rosenthal, Counsel
24 to Chairman Emeritus; Heidi Stirrup, Health Policy
25 Coordinator; Tom Wilbur, Staff Assistant; Jimmy Widmer,
26 Health Intern; Phil Barnett, Democratic Staff Director;
27 Stephen Cha, Democratic Senior Professional Staff Member;
28 Alli Corr, Democratic Policy Analyst; Tim Gronniger,
29 Democratic Senior Professional Staff Member; Purvee Kempf,
30 Democratic Senior Counsel; Karen Lightfoot, Democratic
31 Communications Director, and Senior Policy Advisor; Karen
32 Nelson, Democratic Deputy Committee Staff Director for
33 Health; Mitch Smiley, Democratic Assistant Clerk; and Lindsay
34 Vidal, Democratic Press Secretary.

|

35 Mr. {Pitts.} The subcommittee will come to order. Just
36 a word about this morning's proceedings. Because we have a
37 joint session of Congress today at 11:00, we will begin our
38 hearing at 10:30 with members' opening statements and then
39 recess shortly before 11:00 for members to move to the
40 Capitol for the session at 11:00. We will reconvene our
41 hearing immediately following the joint session at 12:15 and
42 start with our introductions of witnesses, their 5-minute
43 statements followed by the members' questions under the 5-
44 minute rule. The chair will recognize himself for an opening
45 statement for 5 minutes.

46 The title of this hearing is ``Setting Fiscal Priorities
47 in Health Care Funding.' ' And that is exactly what we must
48 do: assess and prioritize all of the things that we need to
49 do and would like to do and then make difficult funding
50 decisions with limited amounts of money.

51 Today, we will address five areas of the health reform
52 law and determine if these funding streams are needed, if
53 these programs are funded at the most responsible levels, and
54 if they should be mandatory or discretionary.

55 Section 4002 of PPACA establishes a Prevention and
56 Public Health Fund ``to provide for expanded and sustained
57 national investment in prevention and public health programs

58 to improve health and help restrain the rate of growth in
59 private and public sector health care costs.' ' The section
60 authorizes the appropriation of, and appropriates to the fund
61 from the Treasury, the following amounts: \$500 million for
62 fiscal year 2010; \$750 million for 2011; \$1 billion for 2012;
63 \$1.25 billion for fiscal year 2013; and \$1.5 billion for
64 2014, and for fiscal year 2015 and every fiscal year
65 thereafter \$2 billion.

66 The Secretary has full authority to use this account to
67 fund any programs or activities under the Public Health
68 Service Act that she chooses, without Congressional
69 oversight.

70 On June 18, 2010, HHS announced \$250 million in
71 Prevention and Public Health Fund dollars would go ``to
72 support prevention activities and develop the Nation's public
73 health infrastructure.' ' On September 27, 2010, HHS
74 announced another \$320 million in grants from the fund to
75 expand the primary care workforce. And on February 9, 2011,
76 HHS announced an additional \$750 million from the fund for
77 various prevention activities, including preventing tobacco
78 use, obesity, heart disease, stroke and other diseases, and
79 increasing immunizations.

80 The goals of these three disbursements from the fund are
81 laudable, and there is no doubt that we must focus on

82 preventing disease. But we must remember that this funding
83 is over and above the amount that Congress has decided should
84 go to these activities and the amount that Congress has
85 already appropriated for these activities. It is also
86 disbursed at the sole discretion of the Secretary.

87 Last Thursday I asked Secretary Sebelius whether she
88 needed further Congressional approval to spend the money from
89 the 4002 fund, and she answered no. I then asked her if she
90 could fund activities above and beyond the level Congress
91 appropriated, and she stated yes. This should concern every
92 Member that we have a created a slush fund that the Secretary
93 can spend from without any Congressional oversight or
94 approval.

95 By eliminating this fund, we are not cutting any
96 specific program or activity. We are reclaiming our
97 oversight role of how federal taxpayer dollars should be
98 used.

99 [The prepared statement of Mr. Pitts follows:]

100 ***** COMMITTEE INSERT *****

|
101 Mr. {Pitts.} At this time I will yield 1 minute to the
102 gentleman from Texas, Mr. Barton.

103 Mr. {Barton.} Thank you, Mr. Chairman.

104 I want to welcome especially Dr. Istook and Dr. Goodman.
105 They are both personal friends of mine, and Mr. Istook is a
106 former Congressman.

107 This is a very important hearing, Mr. Chairman, because
108 we are coming to find out every day more and more things
109 about the health care law that should be of concern to every
110 American citizen. The ability of the Secretary of HHS
111 without any oversight or any authorization of the Congress to
112 spend such sums as necessary which could total into the
113 billions of dollars is something that should concern
114 everybody in this room, and this hearing to look into that
115 part of the law and then look at some of the other specific
116 sums that are authorized, if we are really going to get
117 spending under control, this is ground zero for starting it.

118 So I appreciate you holding the hearing. I appreciate
119 all three witnesses for being here. And again to Dr. Goodman
120 and Mr. Istook personally, welcome to the committee.

121 Thank you, Mr. Chairman.

122 [The prepared statement of Mr. Barton follows:]

123 ***** COMMITTEE INSERT *****

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124 Mr. {Pitts.} The chair thanks the gentleman and yields
125 the remaining time to Mr. Latta from Ohio.

126 Mr. {Latta.} Thank you, Mr. Chairman, for holding this
127 hearing today on fiscal priorities for health care spending.
128 As we continue to discover more and more details of the
129 ramifications of Obamacare, I am extremely troubled by the
130 fact that this bill put in place programs and spending that
131 bypass Congress and gives full control to the Administration.

132 There are several programs that have been identified in
133 Obamacare that are duplicative government programs as well as
134 mandatory spending programs. I have grave concerns about
135 these duplications and the fact that the programs contained
136 in section 2953 are of this nature. I am very supportive of
137 the discussion draft before us that will convert the
138 appropriation of payment in this section of \$75 million for
139 each of the fiscal years 2010 through 2014 into an
140 authorization. Congress needs to be the one that determines
141 funding for these programs and determines if in fact they are
142 duplicative and determine this through the normal
143 appropriations process. Making this change could potentially
144 save \$375 million over 5 years. We must get our fiscal house
145 in order and there are many more savings by further repealing
146 Obamacare.

147 This past month, the Congressional Research Service
148 updated an October 2010 report that appropriations and fund
149 transfers in the Patient Protection and Affordable Care Act.
150 The new report found that unbeknownst to almost every Member
151 of Congress, that Obamacare contains \$150 in direct
152 implementation spending to bypass this Congress's normal
153 appropriation process.

154 Thank you, Mr. Chairman, and I yield back.

155 [The prepared statement of Mr. Latta follows:]

156 ***** COMMITTEE INSERT *****

|
157 Mr. {Pitts.} The gentleman's time is expired. The
158 chair yields for 5 minutes for opening statement to Ranking
159 Member Pallone.

160 Mr. {Pallone.} Thank you, Mr. Chairman.

161 Here we go again, same song, different verse, another
162 hearing that continues the Republican hollow agenda of round-
163 the-clock complaints of Democrat legislation without a
164 glimmer of their own innovation or substance. The American
165 people can do the math. Ten weeks, zero jobs bills from the
166 GOP. Months after the election, Republicans continue to put
167 partisan politics ahead of Americans' top priority, which is
168 jobs.

169 But I should say, I welcome the opportunity to talk
170 about health care reform and health security. I am very
171 proud of the benefits it will bring to millions of
172 hardworking Americans nationwide and for the families that
173 live in every single Congressional district of the members of
174 this committee. So while I welcome an honest discussion
175 about reform, the issues raised today border on the absurd,
176 in my opinion. The Republicans couldn't be more hypocritical
177 with their seeming concern about the use of mandatory funding
178 for some of the programs in health care reform. This hearing
179 isn't about funding streams, it is simply an effort to

180 dismantle the health care reform law block by block by
181 cherry-picking policies they don't care for without offering
182 any solutions in return. The truth of the matter is, the
183 last time Republicans were in charge, they embraced mandatory
184 health care funding and they used it regularly in bills that
185 passed through the Energy and Commerce Committee. The
186 Medicare Modernization Act of 2003, I am sure we all remember
187 that bill. It passed in the middle of the night after a 3-
188 hour vote was held open on the Floor, and that bill was
189 chockfull of mandatory goodies. There was the \$1.5 billion
190 to fund start-up administrative costs for implementation of
191 MMA and there was an unlimited appropriation to fund the
192 transitional drug assistance program and there were a few
193 hundred million in change for a health infrastructure program
194 and another billion for emergency health services, all
195 mandatory funding.

196 Then you can fast-forward a couple years and the
197 committee once again decided to use mandatory funding for
198 billions of dollars worth of programs throughout the so-
199 called Deficit Reduction Act of 2005, and I could spend my
200 whole 5 minutes on that but I am going to spare you that one.

201 The fact is that key programs under the jurisdiction of
202 the Energy and Commerce Committee are and continue to be
203 funded through mandatory spending authority. It is the way

204 to ensure an adequate and sustained funding stream to ensure
205 the success of important programs. And for the Republicans
206 who cry foul because we happened to utilize this tool in the
207 Affordable Care Act is simply not credible, and it continues
208 to amaze me how the Republicans cry States' rights, States'
209 rights at every turn and then undermine that same principle
210 with gusto. They want to eliminate all the funding for State
211 health exchange grants to tie the States' hands and you are
212 not only going to throw an unfunded mandate on them but in
213 effect you are ceding States' powers to the Federal
214 Government and telling HHS to step in and tell States what
215 insurance exchange model will work best for them. That
216 wasn't our policy. We wanted State innovation in the health
217 care reform bill, and we urge our Republican colleagues to
218 rethink their misguided proposal.

219 As much as I disagree with the basis of this hearing, I
220 am pleased to welcome my good friend, State Senator Joe
221 Vitale, who is from New Jersey, who has testified before us
222 several times on health care reform, and he will talk about
223 how health care reform will help millions of New Jersey
224 families and how New Jersey already benefited from more than
225 \$3 million in critical funding from the Prevention and Public
226 Health Fund.

227 So at this time I would like to yield 1 minute to the

228 gentleman from New York, Mr. Engel.

229 [The prepared statement of Mr. Pallone follows:]

230 ***** COMMITTEE INSERT *****

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231 Mr. {Engel.} I thank my friend for yielding, and I
232 agree with your sentiments.

233 Mr. Chairman, this hearing calls to mind the classic
234 line from Yoga Berra, ``It's déjà vu all over again.'' This
235 hearing really isn't about the difference between mandatory
236 and discretionary funding, this hearing is really another
237 veiled attempt to undermine the Affordable Care Act and
238 prevent 30 million Americans from accessing affordable health
239 coverage. According to the Majority, the Affordable Care Act
240 was ``unusual in that it created mandatory spending on
241 programs that would otherwise be considered discretionary.''
242 It seems my friends on the other side of the aisle have a
243 short memory. The Republican Majority mandated open-ended
244 spending on new programs in the Medicare Prescription Drug
245 Improvement and Modernization Act and the Deficit Reduction
246 Act, both of which have resulted in billions of dollars spent
247 outside of the appropriations process and worst of all were
248 unpaid for federal mandates. No jobs created by the
249 Majority, just tax breaks for the rich and big corporations,
250 blowing a hole in the deficit and again and again and again,
251 day in and day out, attempts to repeal the health care law,
252 which is already helping millions and millions of Americans.
253 I yield back.

254 [The prepared statement of Mr. Engel follows:]

255 ***** COMMITTEE INSERT *****

|
256 Mr. {Pallone.} Whatever time I have left I yield to Ms.
257 Schakowsky.

258 Ms. {Schakowsky.} Let us take a look at FactCheck.org.
259 This ridiculous idea that somehow there is a dirty little
260 secret, as our former colleague, Mr. Istook, said in the
261 bill. What it is really about is what he said, pulling out
262 Obamacare weed by weed. This is another attempt to repeal
263 the legislation that will help 30 million Americans.

264 I look forward to having this conversation with Mr.
265 Istook.

266 [The prepared statement of Ms. Schakowsky follows:]

267 ***** COMMITTEE INSERT *****

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268 Mr. {Pitts.} The gentleman's time is expired. The
269 chair recognizes the vice chair of the committee, Dr.
270 Burgess, for 3 minutes.

271 Dr. {Burgess.} I thank the chair for the recognition.

272 So here we are just 2 weeks shy of the anniversary date
273 of that big signing ceremony down at the East Room of the
274 White House. We all remember how the Vice President
275 characterized that morning.

276 But this bill does represent, this law now represents a
277 fundamental change in the relationship of the government with
278 the people. We have gone from government with the consent of
279 the governed to now the government telling the governed what
280 they should get and when they should get it. Remember
281 President Obama when he was running in 2008? He made two
282 promises. One was if you like what you have, you can keep
283 it, and the other was, we have to control costs, that way
284 more people can buy insurance. Actually not bad ideas. What
285 happened to, if you like what you have, you can keep it?
286 Well, apparently that is gone by the wayside, and what the
287 American people told us in the difficult summer of 2009 was,
288 we are scared to death you are going to screw up what we
289 have, please don't do that, and the other part of that
290 equation was, could you do something to help us with costs

291 because we are dreadfully concerned about the costs of health
292 care. Turns out with the signing of this law, we screwed up
293 what was working and we exploded the cost.

294 Now, I do understand the difference between an
295 authorizer and an appropriator. I have been an authorizer
296 during my short Congressional tenure. Mr. Istook when he was
297 here was an appropriator. My first field trip out to the
298 NIH, I was taken to all of these big beautiful buildings, all
299 named after appropriators. I said where is the building
300 named after the authorizer; there aren't any. But I do
301 understand the very fundamental nature of what we do as an
302 authorizing committee. It is our heritage, and our strength
303 comes from carefully investigating and carefully vetting
304 those expenditures that we then pass off to the appropriators
305 to eventually write the check, and the oversight function
306 that occurs at the authorization level is something which
307 cannot be minimized. We have gone through almost a year of
308 this. In fact, we went through the first 10 months before we
309 had a single oversight hearing from any of the relevant
310 federal agencies over just what was going on with the
311 implementation of this.

312 Now, look, we are hearing today about the problems with
313 the federal budget. February, \$223 billion overdraft.
314 February, I might remind people, is the shortest month of the

315 year. That means that is as good as it going to get this
316 year, \$223 billion overdraft, and what do we get for it? Do
317 you see new clinics, do you see new schools? No, what you
318 see is an overdraft, and it gets worse because as this thing
319 is implemented, we go on to subsidies to middle-class
320 families in the exchange to help them buy health insurance
321 and the answer there is a tap with a high-pressure line into
322 the federal Treasury. That \$223 billion deficit is something
323 for which we all wax nostalgic after that kicks in in this
324 bill.

325 The mandatory spending which we are all talking about
326 needs to be brought back under the control of this committee
327 and be authorized. You don't have to be against something
328 just because you want to label it ``mandatory.''
329 means you want to have the correct amount of Congressional
330 oversight.

331 Let me yield at this point to the gentleman from
332 Kentucky.

333 [The prepared statement of Dr. Burgess follows:]

334 ***** COMMITTEE INSERT *****

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335 Mr. {Guthrie.} Thank you, Mr. Chairman, and I thank the
336 gentleman for yielding.

337 You know, we are all working on jobs. Everywhere you
338 go, you hear people and businesses are sitting on the
339 sidelines not investing because they are not sure how much
340 their employees are going to cost them because of the expense
341 that is coming because of this bill, and also we need to
342 address spending so American people and businesses can have
343 money to create jobs. And every day families across this
344 country are sitting around trying to figure out what to spend
345 their money on, and I believe Congress should follow suit.

346 Unfortunately, during the annual appropriations process,
347 Congress's equivalent of a family budget, a number of federal
348 programs are off-limits because they are created as mandatory
349 spending and not discretionary. These programs are subject
350 to the same scrutiny or evaluated for effectiveness in order
351 to earn their continued funding.

352 The new health care law created an unprecedented number
353 of these mandatory programs. One that we will discuss today
354 is an authorization of a mandatory spending program for
355 graduate medical education. While I support graduate medical
356 education and believe we need more residency physicians,
357 particularly primary care, I support shifting this program to

358 an authorization. This program should not be protected and
359 prioritized over other similar programs. This change is not
360 only fiscally responsible but good policy.

361 Thank you, Mr. Chairman, and I yield back the balance of
362 my time.

363 [The prepared statement of Mr. Guthrie follows:]

364 ***** COMMITTEE INSERT *****

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365 Mr. {Pitts.} The chair thanks the gentleman and yields
366 5 minutes to the ranking member, Mr. Waxman.

367 Mr. {Waxman.} Thank you, Mr. Chairman.

368 What the Republicans are conjuring up today is a
369 completely contrived issue about funding for the Affordable
370 Care Act that is entirely false and misleading. Don't fall
371 for it. Republicans are trying to turn back the clock on the
372 Affordable Care Act, a law that reduces the deficit by over
373 \$210 billion in the next decade, expands the health care
374 coverage to 32 million people, closes the Medicare drug donut
375 hole, provides free preventive care under Medicare and
376 strengthens the Medicare trust fund, and it prohibits
377 predatory, abusive behavior by insurance companies. It
378 addresses public health challenges that confront our Nation
379 such as obesity and health disparities through support of the
380 public health infrastructure.

381 This hearing is about having appropriate resources to
382 fund the Affordable Care Act. The Republicans tried to
383 repeal that law but they weren't successful so now they are
384 trying to defund it in another way.

385 Every member of this committee has a history of voting
386 for both mandatory and discretionary spending. In fact, a
387 Republican-led Congress passed legislation that included over

388 \$400 billion of mandatory spending that was not paid for in
389 the Medicare drug bill.

390 It is a fundamental part of the responsibility of an
391 authorizing committee like Energy and Commerce that has
392 jurisdiction over programs like Medicare, Medicaid and CHIP
393 to determine where mandatory funding is needed to ensure a
394 program's sustainability. Similarly, assuring funding to
395 implement and support the Affordable Care Act is critical to
396 its viability and success.

397 The legislative proposals being discussed today are
398 marked by irony and hypocrisy. For example, one proposal
399 repeals the monies for the States to establish their
400 exchanges. Just last week we had a hearing where Republicans
401 argued the need for State flexibility under health reform and
402 discussed the fiscal constraints that face States today.
403 This proposal would take away monies that allow the States to
404 do the work necessary to design a health insurance exchange
405 that meets the needs of their residents.

406 Our members have been discussing the need for expanding
407 the health care workforce, especially primary care physicians
408 to serve the growing demands for service. According to his
409 testimony, Dr. Goodman agrees. It is ironic that one of the
410 Republican proposals cuts support from our health care
411 workforce. In a third proposal, they claim that education

412 programs aimed at decreasing teen pregnancies should not have
413 a stable funding source. However, Republicans, including
414 Representative Istook, fully support mandatory funding for
415 abstinence-only programs and have voted numerous times for
416 such programs.

417 Well, I look forward, I suppose, to hearing from our
418 witnesses and seeing where this bill will go. I want to
419 apologize ahead of time. I will need to leave this committee
420 to attend another hearing in another subcommittee. I want to
421 yield my 1 minute to Ms. Capps and then take back my time
422 after that to yield further to Mr. Dingell.

423 [The prepared statement of Mr. Waxman follows:]

424 ***** COMMITTEE INSERT *****

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425 Mrs. {Capps.} Thank you, Mr. Waxman.

426 I will add that today's hearing is another effort by
427 this subcommittee to do everything it can to repeal the
428 Affordable Care Act and avoid the issue Americans care most
429 about, which is jobs. But unlike previous efforts that just
430 ignored job creation altogether, today's hearing is on
431 legislation that will flat out hurt our economy and keep
432 people out of the workforce.

433 For example, the school-based health center construction
434 grants will enhance the health of children and their families
435 but also stimulate the economy of local communities with new
436 construction jobs. Similarly, the teaching health centers
437 program not only expands primary care services to those who
438 need it most but also trains new providers with the expertise
439 needed to serve these expanding populations. The Republican
440 majority has placed both of these programs on the chopping
441 block. Let us be clear: These proposals take away funding
442 from shovel-ready projects in our communities and they keep
443 qualified applicants away from the primary care workforce.

444 I know many of our colleagues will say that our budget
445 requires us to make tough calls. It is not being tough to go
446 after kids and the underserved. These aren't tough calls;
447 they are bad calls.

448 I yield back the balance of my time to Mr. Waxman.

449 [The prepared statement of Mrs. Capps follows:]

450 ***** COMMITTEE INSERT *****

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451 Mr. {Waxman.} Thank you very much. I want to yield 1
452 minute to the distinguished chairman emeritus of our
453 committee, Mr. Dingell.

454 Mr. {Dingell.} Thank you very much for that. I
455 appreciate your courtesy.

456 Today's hearing is a wasted opportunity to have a
457 substantive conversation as to how this committee can work
458 together in a bipartisan fashion to further improve our
459 health care system. I understand that the Majority has
460 concerns about the reform. So do we. But we have also heard
461 repeatedly about how the health care reform law will destroy
462 State budgets, kill jobs, drive up health care costs and
463 overwhelm Medicare and Medicaid. But I see nothing that they
464 are putting on the table to address these problems.

465 And while my colleagues take great joy in extolling the
466 problems of the health care reform law, they have not brought
467 forward a single substantive suggestion for improvement. We
468 can see clearly from the five discussion drafts before us
469 today that the Majority has no intention of working with the
470 Minority to improve the health care reform law.

471 I have long said that no law is perfect. The last
472 perfect law that came into the hands of men came on stone
473 tablets off the top of Mount Sinai in the hands of Moses, and

474 I believe that we are going to find that the draft
475 legislation that you have submitted to us or will be
476 submitting to us is going to be bad legislation, and indeed,
477 you are letting the perfect be the enemy of the good.

478 It is my sincere hope that this committee will work
479 together to improve this bill and not blindly tear it down.
480 Further, I hope that the next hearing before this
481 subcommittee will take some time to deal with the real
482 problems in health reform and not the politics. Thank you.

483 [The prepared statement of Mr. Dingell follows:]

484 ***** COMMITTEE INSERT *****

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485 Mr. {Pitts.} The gentleman's time is expired. The
486 opening statements are concluded. We will recess for the
487 joint session at 11:00. The joint session may end early, so
488 I would urge the members to return 15 minutes after the close
489 of the joint session. So we will recess until approximately
490 12:00 or before if we can do that.

491 The committee is in recess.

492 [Recess]

493 Mr. {Pitts.} The time of recess having expired, the
494 subcommittee will come to order, and I would like to welcome
495 the three witnesses at this time. Note that your written
496 testimony will be entered into the record and we will ask you
497 to summarize, each of you for 5 minutes.

498 Let me introduce two of the witnesses, and then I will
499 ask the ranking member to introduce the third witness. First
500 of all, the Hon. Ernest Istook serves as a Distinguished
501 Fellow at the Heritage Foundation. Prior to joining
502 Heritage, Mr. Istook served the people of Oklahoma's 5th
503 district for 14 years, and he was a member of the House
504 Appropriations Committee. Secondly, Dr. John Goodman is with
505 us. He is the president and CEO of the National Center for
506 Policy Analysis. Dr. Goodman is an expert on consumer-driven
507 health care reform. He received his PhD in economics from

508 Columbia University. Welcome.

509 And I will turn to the ranking member to introduce his
510 witness.

511 Mr. {Pallone.} Thank you, Mr. Chairman.

512 I already mentioned that Senator Joe Vitale, he has
513 testified before our subcommittee on at least two occasions
514 in the last Congress, I believe, and he was the chairman of
515 the health committee in the State senate. He continues to be
516 a senior member of the health committee. And he doesn't
517 actually live in my district but a majority or a good portion
518 of his State senate district is in my congressional district.
519 He is a friend, but beyond that, I would say most people in
520 the State would consider him the number one expert on health
521 care in New Jersey, so good to see you.

522 Mr. {Pitts.} Thank you, and welcome.

523 Now the chair recognizes the gentleman Mr. Istook for 5
524 minutes for his opening statement.

|
525 ^STATEMENTS OF HON. ERNEST J. ISTOOK, DISTINGUISHED FELLOW,
526 THE HERITAGE FOUNDATION; JOHN GOODMAN, PRESIDENT AND CEO,
527 NATIONAL CENTER FOR POLICY ANALYSIS; AND HON. JOSEPH F.
528 VITALE, NEW JERSEY STATE SENATE

|
529 ^STATEMENT OF ERNEST J. ISTOOK

530 } Mr. {Istook.} Thank you, Mr. Chairman, and of course,
531 you have my written testimony. We are here talking of course
532 about the authority for funding and the actual appropriations
533 that were made within what is known both as the Patient
534 Protection and Affordable Care Act, or PPACA, and also known
535 as--

536 Mr. {Pitts.} Is your mic on?

537 Mr. {Istook.} Let us try it now.

538 Mr. {Pitts.} That is better.

539 Mr. {Istook.} I will begin again, if I may.

540 Thank you, Mr. Chairman, for having us here. We are
541 here of course talking about the funding approaches within
542 the health care legislation that was passed last year,
543 formally known as the Patient Protection and Affordable Care
544 Act, PPACA, also known to many of us as Obamacare because of
545 President Obama's crucial role as the driving force.

546 This legislation was so unwieldy and complicated that
547 even now people are discovering things that they didn't
548 realize about the legislation, and I compare it to the
549 ability to hide a lot of needles inside a haystack that
550 contains 2,700 pages, and people are at different times
551 finding the challenges presented by that. Although original
552 estimates said that the bill created 159 new government
553 agencies, the Congressional Research Service later concluded
554 the actual number of new agencies, boards and so forth is
555 currently unknowable because so many of those are given the
556 authority to sprout off new entities in return.

557 The new law attempts to bypass the normal appropriations
558 process, which is another feature that makes it more
559 difficult to deal with it, and for we who believe that the
560 bill should be repealed, and if not repealed, then defunded,
561 that presents special challenges because so many advanced
562 appropriations were made. Advance appropriations are actual
563 appropriations for future fiscal years. The comparison is to
564 think in terms of writing checks. If you say I am not going
565 to write any future checks for something, you are trying to
566 defund it. However, if there is already a series of
567 postdated checks out there, you have not defunded it. And I
568 realize that is the subject of a major political battle that
569 we have in Washington.

570 And of course, that violates the typical Congressional
571 process of appropriations. I spent 14 years as a Member of
572 the House Appropriations Committee, several of those years as
573 a subcommittee chairman. Typically, the normal process is,
574 you create enacting legislation, so-called authorization
575 bills that authorize spending and then the second half of the
576 process is that appropriations are made in the amount that
577 they deem to be proper at the time.

578 Now, I am not aware personally of any occasions where we
579 have had advance appropriations not just for one fiscal year
580 in the future, not just for two fiscal years in the future
581 but for three, four, five, six, seven. In fact, the
582 legislation actually contained funding actual appropriations
583 spread out over ten different appropriations and fiscal
584 years.

585 Now, what happens when you do that is, in essence you
586 make an attempt to handcuff the current elected Members of
587 Congress. You can just as easily decide spending levels for
588 a future fiscal year, say, 2079. You could pass a bill now
589 that seeks to control what spending is going to be 5 years,
590 10 years, 50 years in the future but it would not be good
591 practice.

592 The people who should make the key funding decisions for
593 the current time are the people who are elected to serve and

594 represent the public at this particular time. So I am glad
595 that you are looking at legislation to pull back funds
596 previously appropriated to PPACA, or Obamacare, which in
597 essence is putting a stop-payment order on these postdated
598 checks. But it is important that this be done both through
599 the authorizing process and through the appropriations
600 process where there is also authority to repeal these
601 existing appropriations and to pull them back.

602 Defunding is a very routine policy tool for Congress and
603 for the White House. So is funding at levels below what is
604 authorized. As noted by the Congressional Research Service,
605 Congress is not required to provide funds for every agency or
606 purpose authorized by law. One of our founding fathers,
607 James Madison, said it is the power over the purse, which is
608 the most complete and effectual weapon with which any
609 constitution can arm the immediate representatives of the
610 people. However, if the decisions were made by the last
611 Congress, by the prior representatives of the people, then
612 you don't have the same power that James Madison said was
613 essential as a safeguard of the public purse.

614 I should mention that the White House also routinely
615 proposes not funding programs which have been authorized or
616 funding them at beneath authorized levels. If we intend for
617 a policy to bind future generations, we should follow the

618 supermajority process that would actually enshrine that in
619 the Constitution but we should not accept that a simple act
620 of Congress today should be elevated to handcuff a future
621 Congress not that the last Congress should handcuff the
622 current Congress.

623 Thank you, Mr. Chairman.

624 [The prepared statement of Mr. Istook follows:]

625 ***** COMMITTEE INSERT *****

|
626 Mr. {Pitts.} The chair thanks the gentleman and
627 recognizes Dr. Goodman for 5 minutes for an opening
628 statement.

|
629 ^STATEMENT OF JOHN GOODMAN

630 } Mr. {Goodman.} Thank you, Mr. Chairman, members of the
631 committee. My name is John Goodman. I am president of the
632 National Center for Policy Analysis.

633 I would like to begin by saying there are serious
634 structural problems in the Affordable Care Act and they are
635 so serious that even if the critics weren't around, the
636 Congress is going to have to go in and make major structural
637 changes to this bill. Let me just draw your attention to a
638 few of them.

639 First, people are going to be required to buy an
640 insurance plan whose cost is going to grow at twice the rate
641 of growth of their income. You don't have to be a
642 mathematician or an accountant or an economist to know that
643 if you have to buy something whose cost is growing at twice
644 the rate of growth of your income, eventually it is going to
645 crowd out everything else that you are consuming. That is an
646 impossible path. It wasn't created by President Obama or by
647 Congress, but the bill, the Affordable Care Act, locks us
648 onto that path and takes away a lot of the ability that
649 people need in order to get off of it and move to a lower-
650 cost health care system.

651 Secondly, there is a bizarre system of subsidies in the
652 act under which people at the same income level get radically
653 different amounts of help from the Federal Government
654 depending upon whether they are on Medicaid, whether they are
655 in an employer plan or whether they are in an exchange. For
656 example, a family at an income level of \$30,000 a year in the
657 health insurance exchange will get more than \$16,000 of help
658 from the Federal Government. That same family at work gets
659 the current tax break which is a little over \$2,000. I think
660 this huge discrepancy of subsidies is one of the why the job
661 market is not responding better than it is right now. There
662 is enormous uncertainty right now on the employer side but
663 eventually this is going to be very, very disruptive and
664 eventually I think everybody who is average income or below
665 average income is going to lose his employer-provided health
666 insurance. The numbers are just so large and the incentives
667 are just so great. They will either go into Medicaid or they
668 will go into an exchange, or the subsidized plans, if we
669 follow the Massachusetts example, will pay little better than
670 Medicaid rates. Essentially you can think of it as Medicaid
671 Plus.

672 Number three, in the exchange itself we are creating
673 perverse incentives for insurers. They will have to take all
674 comers for the same premium. They will try to attract the

675 healthy and avoid the sick. After people enroll, they have
676 an incentive to overprovide to the healthy because those are
677 the ones they want to keep. They want to attract more just
678 like them. They will have an incentive to underprovide to
679 the sick because they didn't want them in the first place and
680 they certainly don't want to attract any more just like them.
681 I think this is one of the worst features of the bill and it
682 is the one that has been the least talked about in Congress
683 and outside Congress.

684 On the other side of the exchange from the buyer's point
685 of view, the incentives are also perverse. In Massachusetts,
686 people are going bare while they are healthy. They get sick,
687 they enroll, they pay premiums for a few months, get their
688 health care, get their bills paid and then they drop coverage
689 again. So far, we are only talking about a few thousand
690 people although the number is growing every year. In a State
691 like Texas where we are signing up people for Medicaid in the
692 emergency room, this would be absolutely disastrous.

693 Number five, we have promises that we can't possibly
694 keep. This bill will insure between 32, 34 million
695 additional people if the economic studies are correct. These
696 people will try to consume twice as much health care as they
697 have been consuming. In addition, almost everybody else is
698 going to be pushed into a plan where benefits are more

699 generous than they are now. There is a whole long list of
700 preventive services that have to be made available with no
701 deductible, no copayment. Bottom line, we are going to have
702 a huge increase in demand for care. The bill has no
703 provision for increasing supplies. We are going to have a
704 huge rationing problem, and that is going to be very, very
705 bad for anyone whose plan pays below market rates, and who
706 are those people? That is everybody in Medicare, everybody
707 in Medicaid and maybe everybody who is getting subsidized
708 insurance in the health insurance exchange.

709 And finally, we have impossible benefit cuts for
710 seniors. We are paying for more than half the cost by
711 cutting spending on Medicare. What are we talking about?
712 Well, for someone reaching the age of 65 this year, the
713 reduction in Medicare spending will be about \$35,000 in
714 present value terms. That is equal to about 3 years' worth
715 of benefits. For a 55-year-old, the day that President Obama
716 signed the bill, they lost \$60,000 in spending, and for 45-
717 year-olds, it is \$100,000 in spending. Where are all these
718 dollars coming from? I heard on TV this morning they were
719 going to come from eliminating waste, fraud and abuse. Well,
720 that is ridiculous. Where it is going to come from is in
721 reduced payments to doctors and hospitals and other
722 providers. According to the Medicare chief actuary, by the

723 end of this decade Medicare will be paying doctors and
724 hospitals less than Medicaid. Senior citizens will be behind
725 welfare mothers in terms of their attractiveness to
726 physicians. In 3 years, most of you will be flooded by phone
727 calls from constituents telling you they can't find a doctor.
728 I think it is a very, very serious problem and one that
729 Congress has not yet addressed.

730 The appropriations process is not the only way to deal
731 with this but Congressional oversight is certainly a
732 beginning.

733 [The prepared statement of Mr. Goodman follows:]

734 ***** INSERT 1 *****

|
735 Mr. {Pitts.} The chair thanks the gentleman and
736 recognizes Senator Vitale for 5 minutes for an opening
737 statement.

|
738 ^STATEMENT OF JOSEPH F. VITALE

739 } Mr. {Vitale.} Thank you, Mr. Chairman. Good afternoon,
740 Chairman Pitts and members of the Subcommittee on Health. My
741 name is Joe Vitale. I was elected to the New Jersey State
742 Senate in 1998 and had the distinct pleasure of serving with
743 your colleague, Congressman Leonard Lance. In fact, he is my
744 Congressman. Congressman Pitts, Congressman Pallone and
745 Congressman Waxman, thank you for the invitation to testify
746 regarding proposals that would defund critical pieces of the
747 Patient Protection and Affordable Care Act.

748 I want to limit my testimony to how PPACA will benefit
749 New Jersey citizens and how the act has already begun to do
750 so and how defunding elements of reform will only serve to
751 undermine access to our State's uninsured citizens. In
752 addition, I will cover some ground on how the federal and
753 State health care partnerships have already made a
754 significant difference in the wellbeing of hundreds of
755 thousands of New Jerseyans.

756 New Jersey was recently awarded a \$1 million health
757 exchange planning grant. The State department of banking and
758 insurance awarded nearly \$250,000 of that money to the
759 Rutgers University Center for State Health Policy, which is a

760 nonpartisan evidence-based think tank, to hold shareholder
761 sensing meetings. The center will provide it gathers through
762 these meetings and to provide to the State and other
763 stakeholders including legislators. With the remaining
764 funding, the department has planned to hire consultants to
765 inform policymakers of aspects of an exchange such as design,
766 development and oversight. In short, an exchange designed
767 specific for New Jersey will contemplate and deliver a well-
768 thought-out mechanism where hundreds of thousands of
769 currently uninsured New Jerseyans will gain access to
770 affordable and sustainable health care coverage. It is my
771 belief that a properly financed and implemented exchange as
772 made available through PPACA is smart, efficient and a
773 sustainable way to access the appropriate care.

774 The public health initiatives are the single-most proven
775 method of controlling health care costs. Vaccinations,
776 workplace safety, infectious disease control, safe food
777 handling, prenatal care and family planning are just a few
778 examples of how population-based prevention and public health
779 programs are the most effective investment Congress can make
780 to control future health care costs.

781 One example through PPACA is where New Jersey received
782 \$350,000 for an HIV prevention grant. With these funds, we
783 have tested an alternate means of confirming HIV that

784 replaces a more expensive test at a fraction of the cost.
785 Defunding public health initiatives will have a devastating
786 consequence for all the people we serve.

787 Of all the components of PPACA that are being considered
788 for defunding, rolling back expansion of school-based health
789 centers may be the most shortsighted. Five years ago, I
790 worked with the Visiting Nurse Association of Central New
791 Jersey to create a nontraditional school-based health
792 services program in the suburban middle-class town in which I
793 live. Children enrolled in the program are able to see a
794 visiting advanced practice nurse within the school nurse's
795 office. APNs are licensed and able to diagnose and recommend
796 treatment. Prescriptions are called in to the student's
797 pharmacy so that they are ready for their parents to pick up
798 on the way home. Children are treated faster, return to
799 their classroom sooner and parents miss less work that many
800 times adds up to less income and employee productivity. At
801 the request of parents, the Visiting Nurse Association now
802 provides annual sports evaluations for their students.

803 School-based health centers require a relatively small
804 investment and provide an enormous return on that investment.
805 Through PPACA, New Jersey has received several grants to
806 address primary care workforce shortages. Defunding programs
807 aimed at addressing these critical shortages for me may be

808 the most reckless. The primary care workforce shortages
809 impact every State and will reach critical levels as access
810 to health care coverage is expanded. It takes 10 years to
811 produce a physician and 8 years to produce an advanced
812 practice nurse. In New Jersey, we already aggressively
813 addressing this issue but we cannot go it alone and PPACA
814 will make an enormous difference. A loan redemption program
815 has been created to encourage nurses to pursue nursing
816 faculty careers. PPACA dedicated \$800,000 to this program
817 and will help ensure that New Jersey's health care system can
818 handle the increased demand.

819 Through PPACA, New Jersey Department of Labor was
820 awarded \$150,000 workforce development primary care grant and
821 has received \$10,560,000 to increase the number of resident
822 physicians trained in family medicine, general internal
823 medicine and pediatrics. Defunding primary care workforce
824 development will cripple health care delivery in States that
825 do not already have existing health care workforce
826 development programs in place.

827 As one of the original authors and ongoing supporters of
828 New Jersey's SCHIP program, I can tell you firsthand just how
829 effective federal and State partnerships can be. Currently,
830 New Jersey enrolls over 600,000 children in SCHIP and in
831 Medicaid, an additional 600,000 parents and adults without

832 children in SCHIP and in Medicaid as well. Many also
833 contribute to that insurance.

834 I will close by saying that most of us elected officials
835 enjoy some of the best health insurance that taxpayer dollars
836 can subsidize. I think it is fair and right that we extend
837 that same generosity to millions of Americans who may never
838 have that same opportunity. Thank you.

839 [The prepared statement of Mr. Vitale follows:]

840 ***** INSERT 2 *****

|
841 Mr. {Pitts.} The chair thanks the gentleman. Thanks to
842 all the witnesses for their testimony and we will now turn to
843 questioning. The chair recognizes himself for 5 minutes for
844 questioning.

845 Mr. Istook, regarding State exchange grants with
846 unlimited mandatory expenditures and the size of the
847 appropriations really at the discretion of the Secretary with
848 such sums, in your years as an appropriator and legislator,
849 have you ever seen Congress grant an Administration official
850 an unlimited tap into the U.S. Treasury?

851 Mr. {Istook.} No, Mr. Chairman. I can recall no such
852 instance, and furthermore, I think it violates what the
853 Constitution intends when it says no spending shall be made
854 except by appropriations from the Congress, and to leave the
855 amount at the discretion of any public official, whether it
856 be the Secretary of HHS or anyone else, I think is not in
857 keeping with the constitutional intent.

858 Mr. {Pitts.} As our national debt currently sits at
859 over \$14 trillion, each citizen is individually responsible
860 for roughly \$45,000 of debt. We also heard news earlier this
861 week that in February, the shortest month of the year, the
862 Federal Government ran its single largest monthly deficit in
863 U.S. history, \$223 billion. In analyzing this law, we have

864 found 2,000 ``the Secretary shall'' statements. With these
865 facts in mind, do you think it is appropriate to give a
866 single Administration official an unlimited tap into the U.S.
867 Treasury?

868 Mr. {Istook.} No, sir, I do not believe that is an
869 appropriate thing to do, just as it would not be appropriate
870 for you to entrust all of your personal finances and
871 investment to some individual and leave out your own
872 discretion and control over them.

873 Mr. {Pitts.} Now, section 4002 of PPACA creates a fund
874 to provide funding for programs authorized by the Public
875 Health Service Act for prevention, wellness and public health
876 activities. From the period fiscal year 2012 to fiscal year
877 2021, there will be \$17.75 billion deposited in that fund.
878 Who has the authority, Mr. Istook, on how to determine how
879 these funds are spent?

880 Mr. {Istook.} Under the statute, that authority appears
881 to rest solely with the Secretary of Health and Human
882 Services.

883 Mr. {Pitts.} And so the Secretary can spend this money
884 without any further Congressional action. Is that correct?

885 Mr. {Istook.} Yes. Because it is already appropriated,
886 the Secretary is given discretion to decide how it has been
887 spent. Then Congress does not need to take further action to

888 authorize the Secretary to do that but it would need to take
889 further action to stop the Secretary from spending that fund
890 freely as they may see fit.

891 Mr. {Pitts.} Does the program's appropriations sunset
892 at any point?

893 Mr. {Istook.} I do not find any sunset in the
894 legislation. If it is there, I am sure somebody else would
895 point it out to us.

896 Mr. {Pitts.} So the HHS Secretary will receive a \$2
897 billion annual appropriation for this program in 2030, in
898 2040 or in perpetuity regardless of the effectiveness of the
899 program or the need for these funds?

900 Mr. {Istook.} So long as the Secretary doth live. That
901 appears to be the case.

902 Mr. {Pitts.} All right. Let us to go to Dr. Goodman.
903 As a general proposition, do you believe the massive health
904 care law signed by President Obama responsibly sets federal
905 spending priorities in the health care field?

906 Mr. {Goodman.} No, I do not. Just my back-of-the-
907 envelope calculations suggest that for every \$2 of spending,
908 only \$1 is actually paid for, and if Congress has to restore
909 the spending for seniors, that means only one of every \$4 of
910 promises is actually paid for. So there is a commitment here
911 to spend an enormous amount of money and no one can tell me

912 where the money is going to come from.

913 Mr. {Pitts.} All right. Senator, in your testimony you
914 argue that the massive new health care law does not expand
915 government's role in the health care arena. Are you aware
916 that PPACA adds 20 million Americans into the government-run
917 Medicaid program?

918 Mr. {Vitale.} Yes.

919 Mr. {Pitts.} Are you aware the health care law creates
920 at least 159 new agencies, boards and commissions?

921 Mr. {Vitale.} I am not aware of the total number but I
922 will take your word for it, Mr. Chairman.

923 Mr. {Pitts.} Are you aware that the Secretary of HHS
924 has the power to prevent doctors and hospitals from
925 contracting with insurers if they fail to meet new federal
926 guidelines and standards?

927 Mr. {Vitale.} Yes, and I agree with her.

928 Mr. {Pitts.} Are you aware that the Secretary of HHS
929 can dictate the benefits, the network requirements, the
930 medical loss ratios, the actuarial value and the other terms
931 of every health plan in America including new requirements on
932 plans that Americans have and like today?

933 Mr. {Vitale.} Someone should, and the responsibility
934 rests with her.

935 Mr. {Pitts.} Thank you. I am sorry I am out of time.

936 I yield 5 minutes to the ranking member, Mr. Pallone,
937 for questioning.

938 Mr. {Pallone.} Thank you, Mr. Chairman.

939 I wanted to ask a question of Senator Vitale. Forty-
940 eight States and D.C. receive grants for the purpose of
941 planning and establishing an exchange. In addition, six
942 early innovator grants were awarded to develop an array of
943 models for exchange information technology systems that can
944 be used by other States. So about \$296 million has gone out
945 to States for these grants related to the exchange. Now, the
946 Republicans criticize again and again that they do not want a
947 federal solution for health reform but the fact is, if a
948 State does not or is unable to establish a State exchange,
949 the Federal Government would establish one for them. So
950 these planning and establishment grants provide the necessary
951 support to ensure States are able to work with their
952 stakeholders. You know, if it is an active exchange, it
953 negotiates with insurers to leverage the best quality choices
954 for best prices or it is an open exchange that invites all
955 insurers to offer products that consumers can be aware of or
956 choose from. These grants basically make all this possible
957 and make for good exchanges.

958 So I wanted to ask you, Senator, if Congress were to
959 repeal this provision providing for grants for the States for

960 exchanges, does New Jersey have the money to do this work on
961 its own, and what is the fiscal situation in New Jersey that
962 relates to that?

963 Mr. {Vitale.} Well, I don't believe that we have the
964 money to do it on our own, and I think earlier in my
965 testimony I described the level of federal-State partnerships
966 that have always been successful when run properly and really
967 in good coordination have always made sense. Having a one-
968 size-fits-all exchange model that would be implemented by the
969 Federal Government I don't think would work in New Jersey,
970 but be that as it may, in terms of the dollars and cents, we
971 don't have the resources to not only design but also
972 implement the exchange, and of course, our condition
973 economically is as bad or worse than most other States, the
974 worst recession since the Great Depression. And so our
975 resources are limited and already the governor has decided
976 that he is going to eliminate and reduce programs to the
977 uninsured, to the Medicaid recipients in our State. So I
978 don't see how it is in New Jersey or any other State, for
979 that matter, unless they find a pot of gold and can come out
980 from underneath this recession without the partnership of the
981 Federal Government.

982 Mr. {Pallone.} I appreciate that. Let me ask you about
983 the prevention and the public health investment fund because

984 again we are trying to provide Americans with better choices
985 about prevention. Both Democrats and Republicans keep
986 talking about prevention as a way to provide better quality
987 care and save money, and I think if you talk about where we
988 are today before this act, the health care reform goes into
989 place, you know, be more apt to describe the situation as
990 sick care rather than wellness care, and that is why we
991 created this prevention fund to provide Americans with
992 options to keep themselves healthy instead.

993 There are over 530 organizations that support the
994 prevention and public health fund because it has already
995 shown it can deliver on the promise of creating a better
996 pathway to prevention. So many people on both sides of the
997 aisle have supported prevention because it holds a promise to
998 reduce health spending, and I know this has been important to
999 you both improving health and reducing spending.

1000 My question, Senator, again is, New Jersey has received
1001 over \$15 million in grants from the fund. It supported
1002 activities such as quit lines, HIV prevention, other
1003 important activities. Are you able to comment on how
1004 prevention and public health fund awards like these help to
1005 complement your own state efforts, and is this an investment
1006 that is worth making because obviously the Republican option
1007 is to eliminate it?

1008 Mr. {Vitale.} Well, I think everyone in this room will
1009 agree that we want to have smart public health opportunities
1010 and options for every American, but the States can't go it
1011 alone, but we also know that it makes smarter financial sense
1012 to address these issues early on in terms of prevention not
1013 only in terms primary care, spending money in the beginning
1014 of life prevention and not at the back end of life but also
1015 on all the public health initiatives that the Federal
1016 Government and the State government by itself certainly
1017 lowers cost, lowers the instances of contagious disease and
1018 infections and the variety of things that happen to people in
1019 the public health field and so reducing those costs is
1020 paramount and it makes financial sense. You know, we have to
1021 spend so much more not wellness but on sickness, as you said
1022 earlier, as opposed to spending it up front. It makes sense
1023 to spend it now and do it in a way that is appropriate and
1024 provides the greatest bang for the buck.

1025 Mr. {Pallone.} I appreciate that. I don't want us to
1026 be fooled by these arguments about mandatory versus
1027 discretionary spending in this fund. Seventy-one percent of
1028 Americans favor increased investment in community health and
1029 disease prevention. I think it is tragic that we are even
1030 considering striking the fund, given what it can do.

1031 Thank you, Mr. Chairman.

1032 Mr. {Pitts.} The chair thanks the gentleman. The
1033 gentleman's time is expired. The chairman recognizes the
1034 vice chairman of the committee, Dr. Burgess, for 5 minutes
1035 for questions.

1036 Dr. {Burgess.} Thank you, Mr. Chairman.

1037 Dr. Goodman, did you want to respond to that last
1038 question?

1039 Mr. {Goodman.} Yes. I agree with Congressman Pallone
1040 that both Republicans and Democrats are out there saying that
1041 by spending money on preventive care we will save money
1042 overall but it is just not true. There are an enormous
1043 number of studies of this issue. They overwhelmingly show
1044 that preventive medicine by and large does not save money,
1045 that yes, you will save money if you catch a disease in its
1046 early stage with one person but to get to that person you
1047 have to spend money on 10,000 other healthy people, and it
1048 turns out that there are very few preventive procedures that
1049 actually save money. I think the political reason why we
1050 hear so much about preventive medicine is, it is the only
1051 thing you can do for healthy people, and most people are
1052 healthy. So it makes political sense to talk about spending
1053 money on preventive care but it is not a way to overall
1054 health care costs. Pregnant women at risk, smoking cessation
1055 advice, immunizations, they will pay for themselves but

1056 giving free checkups to the elderly, that will never save
1057 money.

1058 Dr. {Burgess.} Interesting observation. And we do
1059 appreciate all of you being here. Let me just say that
1060 again.

1061 Mr. Vitale, let me ask you a question. In your
1062 testimony, you talk about the rollback of the funding of the
1063 country's school-based health centers and maintain that in
1064 fact that is shortsighted. I don't know, you may be being a
1065 little tough on the President but let us explore this a
1066 little bit. In the law as it is now, section 4101(a), the
1067 mandatory funding that we are talking about today is actually
1068 for school-based clinic construction, correct? Is that yes?
1069 That is a yes. The clerk will note that is a yes.

1070 Mr. {Vitale.} Yes.

1071 Dr. {Burgess.} What about the money for the doctors and
1072 nurses that are going to be in the clinic? Is that mandatory
1073 or discretionary?

1074 Mr. {Vitale.} I am not sure.

1075 Dr. {Burgess.} Well, 4101(b) is discretionary. Do you
1076 know the dollar amount that President Obama requested in his
1077 latest budget that he sent up here to the Hill just a little
1078 over a month ago?

1079 Mr. {Vitale.} For which part?

1080 Dr. {Burgess.} For the staffing of the school-based
1081 clinics.

1082 Mr. {Vitale.} I am not aware of it but any staffing
1083 would be helpful. If the money doesn't in that proposal,
1084 then it is what it is, but what is important to recognize is
1085 that whether it is for bricks and mortar or whether it is for
1086 individuals to serve in those capacities is vitally
1087 important.

1088 Dr. {Burgess.} Well, the actual dollar figure requested
1089 by the President was zero, so I think maybe you are stating
1090 the President was shortsighted with that budgetary amount. I
1091 don't know. I will leave that up to you.

1092 But what good are the bricks and mortar if you don't
1093 have the doctors and nurses there to receive the children,
1094 the patients when they come in to be seen? How are you going
1095 to have a child seen at a school site if there is no doctor
1096 or nurse in the clinic?

1097 Mr. {Vitale.} Well, the elements of reform in PPACA and
1098 what we do in New Jersey is to encourage primary care
1099 workforce development so primary--

1100 Dr. {Burgess.} Yes, encourage it by not funding it in
1101 the discretionary part of the President's budget, and that is
1102 a discrepancy and that is one of the things--you know, the
1103 Secretary couldn't answer the question when I asked her why

1104 it was that it was constructed like that. I am going to
1105 accept that it was a drafting error on the part of the
1106 Senate. I am going to accept the fact that this bill was a
1107 poorly constructed product that was rushed through on the
1108 Senate Floor to get the Senators out of town before a
1109 snowstorm hit on Christmas Eve. We all accept that. They
1110 never got to a conference committee because we know that 2
1111 weeks later Scott Brown gets elected, they lose the 60-vote
1112 margin. Nancy Pelosi said there is not 100 votes for this
1113 damn thing over in the House, and it took 3 months to twist
1114 enough arms and crack enough skulls to get it passed, and
1115 that is precisely the reason why, because it doesn't deliver
1116 on the promise that was intended.

1117 Now, another aspect is, what are the duplicative aspects
1118 of this? You had a stimulus bill that passed in February
1119 2009, \$3 billion, I believe, for community health centers.
1120 Was there not enough to scrape together for the \$50 million
1121 that would fund the school-based health clinics in this
1122 program? Did the Congress have to fund it twice to get to
1123 your level of satisfaction?

1124 Mr. {Vitale.} Well, you know, I would certainly welcome
1125 and support legislation that you could introduce that would
1126 fund those programs and put those doctors and nurses in those
1127 buildings.

1128 Dr. {Burgess.} Well, okay. There is the other part of
1129 the problem, last month, a \$223 billion overdraft by the
1130 United States Congress. If you multiply that out over the
1131 10-year budgetary window, that is almost \$27 trillion. That
1132 is twice what the debt limit is going to be expanded later
1133 this year. That is twice what the debt limit already is, and
1134 that is irrespective of any money collected in taxes. So
1135 that is the problem. There is no money there, and that is an
1136 important concept.

1137 Let me just ask you a question. Governor Christie, did
1138 he sign on a letter asking for relief of maintenance of
1139 effort to the Congress?

1140 Mr. {Vitale.} Yes, he did.

1141 Dr. {Burgess.} And was he correct or incorrect in that?

1142 Mr. {Vitale.} He was incorrect, sir.

1143 Dr. {Burgess.} I believe he was correct, and again, the
1144 answer is, \$223 billion overdraft, it is unsustainable.

1145 Mr. Chairman, thank you. I hope we have time for a
1146 second round because I have some questions of the other
1147 witnesses, and I will yield back.

1148 Mr. {Pitts.} The chair thanks the gentleman. The
1149 gentleman's time is expired. The chair recognizes the
1150 ranking member emeritus of the committee, Mr. Dingell, for 5
1151 minutes for questions.

1152 Mr. {Dingell.} Mr. Chairman, I thank you for your
1153 courtesy to me, and I want to welcome our panel, particularly
1154 my old friend, Mr. Istook. I am delighted to see you here.

1155 I am troubled about the committee and what it is doing.
1156 I am very much troubled that instead of trying to improve the
1157 legislation, we are concentrating on trying to repeal it. At
1158 the same time, I note that those who would repeal the
1159 legislation and who are trying to impede the implementation
1160 of this legislation are coming forward with no suggestions as
1161 to alternatives and no differences that they would make
1162 because of either amendments or replacement legislation.

1163 This is a yes or no question, old friend. You have
1164 great familiarity with the differences between mandatory and
1165 discretionary funding and the importance of both, and I know
1166 my colleagues have concerns that they have expressed about
1167 mandatory spending under the Affordable Care Act but I would
1168 point out that the majority of the members on the other side
1169 of the aisle have voted for this kind of funding when it
1170 suits their purposes, particularly in the instance of the
1171 Medicare Part D or the Medicare Prescription Drug Improvement
1172 and Modernization Act. There was a lot of funding of this
1173 particular kind, and a similar situation in which many of the
1174 members on the other side of the aisle also voted for the
1175 SCHIP program in the Deficit Reduction Act.

1176 Would you agree, old friend, that mandatory
1177 appropriations are from time to time a necessary part of
1178 legislating and particularly so in the case of the Medicare
1179 Prescription Drug Improvement and Modernization Act and in
1180 the Deficit Reduction Act? Yes or no.

1181 Mr. {Istook.} One, I always appreciate your courtesy,
1182 Mr. Dingell. The challenge is, there are different types of
1183 mandatory appropriations. They have been used in different
1184 mechanisms. I have never seen them used in the same way that
1185 they are here. For example, in the prescription drug benefit
1186 bill, you had an existing program which receives permanent
1187 appropriations, namely Medicare, and there is an expansion of
1188 its scope rather than a creation of a new mandatory stream of
1189 funding.

1190 Mr. {Dingell.} But we are following a precedent long
1191 established in many differences.

1192 Mr. {Istook.} I don't see it in the manner it is done
1193 here.

1194 Mr. {Dingell.} Now, as a former Member, you served here
1195 with distinction, do you agree that Medicare and Medicaid
1196 programs are essential cornerstones of the health care system
1197 in this country?

1198 Mr. {Istook.} I think they certainly have become
1199 cornerstones upon which people depend. Is it necessary,

1200 especially for Medicaid, to be its current scale? I don't
1201 believe so.

1202 Mr. {Dingell.} And those bills that we have been
1203 discussing have been funded by mandatory appropriations over
1204 the years.

1205 Well, I want to thank the panel for being here. I
1206 notice I have a minute and 27 seconds and I just want to
1207 maintain that I continue to appeal to my friends on the
1208 Majority. Let us work together to get a good piece of
1209 legislation made better and to meet the concerns that are
1210 expressed by all of us here about different components of
1211 this legislation. I have heard that the Members on the other
1212 side want to repeal it. I think that would be
1213 extraordinarily unwise, and I would hope that they would join
1214 us in trying to improve our Nation's public health, to save
1215 our health care system, to see to it we have the money in the
1216 system that we need and that we have a workable program that
1217 will head off the appalling increase in cost which we see
1218 going forward on a continuing basis under the old system, and
1219 I thank you for your courtesy, Mr. Chairman.

1220 Mr. {Pitts.} The chair thanks the gentleman. The
1221 gentleman's time is expired. The chair recognizes the
1222 gentleman from Ohio, Mr. Latta, for 5 minutes for questions.

1223 Mr. {Latta.} Thank you very much, Mr. Chairman. I

1224 appreciate it. And to our panel, thanks very much for being
1225 here. I really appreciate it. It is always enlightening to
1226 get the testimony from you all.

1227 Dr. Goodman, if I could maybe start with you. It is
1228 kind of interesting, because I know that this has been
1229 discussed a lot during the debate on the health care
1230 legislation. On page 7 of your testimony you were talking
1231 about Massachusetts and what has happened up there. It is
1232 interesting that you stated that people remain uninsured
1233 while they were healthy and get insurance after they are
1234 sick. Then they receive care and their medical bills are
1235 paid, they drop their insurance coverage again. And I guess
1236 some of the questions I would like to ask is first of all,
1237 what is the enforcement mechanism they have in Massachusetts
1238 or lack thereof to try to change this or get people to be on
1239 insurance all the time?

1240 Mr. {Goodman.} Well, the Massachusetts model has a
1241 fine, and the general Massachusetts approach was copied. I
1242 do agree with President Obama on this. The federal model did
1243 in large part come from Massachusetts, and it is a strange
1244 model because, you know, in other health care programs that
1245 we have, we don't let people game the system. In Medicare
1246 Part B, in Medi-gap insurance and prescription drugs, you
1247 don't let people just go until they get sick and then sign up

1248 for the same price everybody else is paying. There is a
1249 penalty if you do not sign up when you are eligible, and yet
1250 in Massachusetts, people can wait until they can sick, they
1251 can sign up at any time. There is a 12-month open season.
1252 They pay a small penalty when they are not insured but the
1253 penalty is small compared to the cost of insurance so the
1254 real incentive there and the real incentive under the
1255 Affordable Care Act is go bare while you are healthy, pay the
1256 fine and wait until you get sick and then sign up for the
1257 most generous--and if you are really sick, you will sign up
1258 for the most generous of the options that you have.

1259 Mr. {Latta.} Do you know what that penalty is, out of
1260 curiosity?

1261 Mr. {Goodman.} In Massachusetts? I don't remember.
1262 But under the Affordable Care Act, it will be less than
1263 \$1,000 a person.

1264 Mr. {Latta.} This might be a rhetorical question then,
1265 because I already know what the answer is. Who makes up that
1266 difference?

1267 Mr. {Goodman.} Well, the cost of care falls on everyone
1268 else, and if you allow people to game the system, stay
1269 outside when they are healthy, let them join when they are
1270 sick for the same premium everybody else pays, premiums have
1271 got to rise. Everybody else has to pick up that difference.

1272 And through time costs just get higher and higher and higher
1273 as people are allowed to game the system in that way.

1274 Mr. {Latta.} Thank you.

1275 Congressman, a question for you. As a former
1276 appropriator, you know, when you look at this, and you stated
1277 in your testimony but is it right that Congress should really
1278 abdicate its responsibility by saying that we are going to
1279 have these going out year after year after year in these
1280 mandatory's instead of us looking at every year? As Dr.
1281 Burgess pointed out, we had a \$233 billion shortfall in the
1282 month of February. You know, should that be abdicated by
1283 Congress?

1284 Mr. {Istook.} No, neither in the case of Obamacare nor
1285 for that matter in the case of Medicare or Medicaid should we
1286 have unrestricted, open-ended appropriations or permanent
1287 appropriations rather than putting things upon a defined
1288 budget that is defined by what Congress is able to provide
1289 what the Nation can afford at a particular time. So this is
1290 a common problem with any form of mandatory appropriation
1291 whether it be the permanent appropriations that go out, for
1292 example, to Medicare or the different process that was used
1293 here, passing a series of annual appropriations for
1294 consecutive years. Either way, you are not matching your
1295 current resources with what you are trying to provide, and

1296 that of course is what leads to deficits such as the \$1.6
1297 trillion that we have for this current fiscal year.

1298 Mr. {Latta.} Thank you very much.

1299 If I could, I would yield the remainder of my time to
1300 Dr. Burgess.

1301 Dr. {Burgess.} Thank you.

1302 Dr. Goodman, you mentioned in your testimony that the
1303 mandate is going to become ever more costly. You already
1304 alluded to the amount of money the deficit is for February of
1305 this year and what future projections are. How expensive is
1306 that going to be for the taxpayer in the years ahead?

1307 Mr. {Goodman.} Well, I don't have an estimate off the
1308 top of my head but it is going to be very expensive and it is
1309 going to be more expensive and it is going to be more
1310 expensive than I think the Congressional Budget Office has
1311 estimated, and the reason is because of these different
1312 subsidies that I have talked about. It is going to be
1313 foolish for modern income employees to try to get insurance
1314 from an employer. They are all going to find their way into
1315 the exchange, and the subsidies in the exchange are paid for
1316 by the federal taxpayer. So I think the Congressional Budget
1317 Office was estimating maybe 17 million people would go over
1318 into the exchange. Douglas Holtz-Eakin, former director of
1319 the Congressional Budget Office, thought it might be twice

1320 that many, but it could be much higher than that. I think
1321 eventually everybody who can get a better deal will be in the
1322 exchange.

1323 Mr. {Pitts.} The gentleman's time is expired. The
1324 chair recognizes the gentleman from New York, Mr. Engel, for
1325 5 minutes for questions.

1326 Mr. {Engel.} Well, thank you, Mr. Chairman. I would
1327 like to first ask unanimous consent to introduce for the
1328 record a letter from the public health commissioners from 10
1329 of our Nation's biggest cities, which provides great examples
1330 of the ways the fund is being used in our Nation's cities.

1331 Mr. {Pitts.} Without objection, so ordered.

1332 [The information follows:]

1333 ***** COMMITTEE INSERT *****

|
1334 Mr. {Engel.} Thank you, Mr. Chairman.

1335 Mr. Chairman, Republicans have decided that this is the
1336 week to talk about mandatory spending in the Affordable Care
1337 Act. This has probably confused many Americans who thought
1338 that Congress was going to focus on creating jobs and
1339 reducing the deficit.

1340 I want to welcome our three panelists. I want to
1341 welcome Congressman Istook back. But let us examine the
1342 issue of the Affordable Care Act mandatory spending
1343 provisions. One of our colleagues, Michelle Bachmann, on
1344 Meet the Press last weekend said that using mandatory funding
1345 was ``gangster government'' and she said that this mandatory
1346 funding was the bill's, and again I quote her, ``dirty little
1347 secret.'' Congressman Istook, you said to FactCheck.org that
1348 this assessment was fair because these appropriations were,
1349 and I quote you, ``not trumpeted loudly by sponsors of the
1350 measure.'' So I am going to ask you in a minute to comment,
1351 but let us review the history here.

1352 For example, let us look at the prevention and wellness
1353 fund. This is a critically important fund to provide stable
1354 funding for our public health infrastructure. The fund will
1355 support State and community efforts to prevent disease and
1356 make our Nation healthier. Over 530 organizations have

1357 supported this fund because investing \$10 per person per year
1358 on community-based prevention could save this Nation more
1359 than \$16 billion annually. I have never considered this a
1360 ``dirty little secret.'' I am proud of it. I have tried to
1361 trumpet it loudly. It was in just about every document we
1362 ever produced, every draft on the House and Senate side,
1363 every explanatory fact sheet and every full CBO score. So
1364 let me read to you from our fact sheet: ``Provides \$15
1365 billion in mandatory spending to support prevention and
1366 wellness activities.'' Does that sound like we are trying to
1367 keep this a secret? Even FactCheck.org concluded that ``No
1368 secret. Bachmann gets it wrong.'' And the Washington Post
1369 said, ``This is bordering on ridiculous,'' and concluded that
1370 there is no bombshell beyond the bombast.

1371 But let us take this chance to learn more about the
1372 fund. I would like to first ask Senator Vitale, according to
1373 Healthcare.gov, organizations in New Jersey have received
1374 nearly \$15 million in prevention and public health grants
1375 from tobacco cessation programs to HIV prevention, to public
1376 health infrastructure to primary care training. Senator, you
1377 mentioned in your testimony the idea of bringing primary
1378 health care services to people in their behavioral mental
1379 health setting. I am told that people with serious mental
1380 illness die an average of 25 years sooner than the general

1381 population, largely due to untreated chronic disease. Can
1382 you tell us how bringing primary care and mental health
1383 together is actually an important shift in how we think about
1384 prevention?

1385 Mr. {Vitale.} Well, thank you for that question,
1386 Congressman, and you are right. It is an incredibly
1387 important way in which to bring the care to them. I think
1388 that for a long time a lot of policymakers, even State
1389 legislatures, have overlooked the importance of those mental
1390 health and substance abuse issues, and in New Jersey we have
1391 the same issues. And I was a little blindsided and
1392 dumbfounded by a comment by my friend, Dr. Goodman, that
1393 prevention really doesn't save money. If you talk to any
1394 other health care expert in the Nation that is learned as he
1395 is, we would get a different answer, that that prevention
1396 model is incredibly important. It means the world to people
1397 even in terms of life and death, and so I would support those
1398 initiatives. They make a whole lot of sense.

1399 Mr. {Engel.} Thank you. This fund is much more than
1400 simply providing more funds for good things. It is about
1401 changing the way we think about prevention. I can't think of
1402 a better use of tax dollars than to institute proven
1403 prevention strategies that could save the taxpayers money.

1404 I just wanted to say, Dr. Goodman, not necessarily need

1405 a reply from you but I was interested when you were taking
1406 about the Massachusetts bill vis-à-vis the bill that we tried
1407 to put in, and I think you actually make a point many of us
1408 have been saying, that the fact of the matter is, it is not
1409 fair for someone not to belong and then when they get sick
1410 opt in because then everyone else's premium rises. That is
1411 why you have to everyone being directed to mandatorily
1412 purchase insurance, and I find it really ironic that Mr.
1413 Romney, who implemented as governor the law in Massachusetts
1414 which allows people to first sick and then opt in is now one
1415 of the people who is cracking the bill.

1416 Mr. Istook, I want to give you a chance to respond. You
1417 replied to an inquiry from FactCheck that Congresswoman
1418 Bachmann's ``dirty little secret'' remarks were fair and you
1419 said these appropriations were ``not trumpeted loudly'' by
1420 sponsors of the measure. I tell you, we trumpeted it loudly
1421 and I don't know why you can say that we tried to hide it,
1422 but I would like to give you a chance to respond.

1423 Mr. {Istook.} If I may, Mr. Chairman?

1424 Mr. {Pitts.} Proceed.

1425 Mr. {Istook.} Thank you. Actually, particular things
1426 have been checked both by FactCheck, by the Washington Post
1427 and by PolitiFact. None of them had any criticism of what I
1428 have said on this. They had criticism of Ms. Bachmann but

1429 not of my characterization. As I said, her characterization
1430 I believe was a fair comment and opinion. Just because
1431 something is well known to some people such say yourself does
1432 not mean that it has overall been well communicated to the
1433 American people. That is why I mentioned that we have a
1434 2,700-page bill that is a huge haystack with a lot of needles
1435 still being discovered within that haystack, and I think the
1436 revelations are continuing and that is part of what the
1437 chairman is seeking to point out during this hearing.

1438 Mr. {Engel.} Thank you, Mr. Chairman.

1439 Mr. {Pitts.} The gentleman's time is expired. The
1440 chair recognizes Mr. Lance for 5 minutes for questioning.

1441 Mr. {Lance.} Thank you, Mr. Chairman, and good
1442 afternoon to you all. I am new to this committee, and it is
1443 my honor to meet for the first time Congressman Istook and
1444 Dr. Goodman. I certainly know Senator Vitale. We served
1445 together in the State senate for the 7 years I was in the
1446 State senate. I believe Senator Vitale is completing his
1447 14th year in the State senate, and not only is he an expert
1448 on health care, he and I served together on the State senate
1449 budget committee and worked on many issues together.

1450 As a general matter, the National Governors Association
1451 writing our leaders, Speaker Boehner and leader Pelosi and
1452 leader Reid and leader McConnell in January said that moving

1453 forward Congress should not impose maintenance-of-effort
1454 provisions on States as a condition of funding. This was a
1455 general letter and it did not relate specifically to the
1456 health care bill. It was more in general in tone. I want to
1457 make that clear. I would like to have unanimous consent to
1458 introduce that letter into the record. It was signed in a
1459 bipartisan capacity by the chair and the vice chair of the
1460 National Governors Association.

1461 Mr. {Pitts.} Without objection, so ordered.

1462 [The information follows:]

1463 ***** COMMITTEE INSERT *****

|
1464 Mr. {Lance.} Thank you, Mr. Chairman.

1465 And then more recently Governor Christie wrote the chair
1466 of the full committee, Chairman Upton, on March 1st relating
1467 specifically to the health care legislation. Governor
1468 Christie was unable to join the distinguished panel last week
1469 that included the Governors of Mississippi, Utah and
1470 Massachusetts, and as it relates directly to the health care
1471 issue, the Governor of New Jersey stated that we in New
1472 Jersey are facing an unprecedented Medicaid shortfall of
1473 approximately \$1.3 billion in State fiscal year 2012 and he
1474 goes on to state that ``our options to close this gap are
1475 severely affected by further restrictive maintenance-of-
1476 effort requirements in the health care legislation.
1477 Noncompliance with those requirements could result in our
1478 losing \$5.4 billion federal funding. Governors need
1479 flexibility, not federal mandates.''

1480 To the panel in its entirety, if you would, gentlemen,
1481 beginning with you, Congressman Istook, address your views
1482 regarding the maintenance-of-effort requirement, specifically
1483 given the fact that it seems to me so many governors have
1484 suggested that we should look at that. And Mr. Chairman,
1485 might I place in the record of the subcommittee the letter
1486 from the Governor of New Jersey to Chairman Upton on March

1487 1st?

1488 Mr. {Pitts.} Without objection, so ordered.

1489 [The information follows:]

1490 ***** COMMITTEE INSERT *****

|
1491 Mr. {Lance.} Thank you.

1492 Congressman Istook?

1493 Mr. {Istook.} Yes. Thank you, Mr. Lance. And having
1494 served in State government as well as Federal Government, I
1495 know that often States feel trapped by having gotten into a
1496 program and then told you have to maintain those efforts even
1497 if federal funding may be diminished or even if there are
1498 major changes in the federal program. A key example right
1499 now, the Obama Administration is saying we are trying to
1500 provide States some certain opt-out flexibility, but what the
1501 fine print says is we will only let you do it if we decide
1502 you are trying to do the same thing that we are trying to do, if
1503 you are trying to do things our way. It is not really an
1504 opt-out. It is still another level of control. So I fear
1505 that the maintenance-of-effort requirements have become just
1506 another way for the Federal Government to dictate to the
1507 States they participate in a program that they cannot afford.
1508 Medicaid is if not the largest certainly an enormous budget
1509 item in so many States right now and they are finding that it
1510 is simply unaffordable, and providing some leeway on
1511 maintenance of effort is an important way to address that.

1512 Mr. {Lance.} Thank you, Congressman.

1513 Dr. Goodman?

1514 Mr. {Goodman.} Well, of course, the States are trapped,
1515 and all the programs that we are talking about here today
1516 further trap people in the existing health care system. We
1517 want lower costs and higher-quality care. We have to let
1518 people get out of the way we have been doing things and try
1519 something new. Probably the best way that we could spend
1520 money on preventive care for low-income folks is to pay the
1521 market price that minute clinics charge and shopping malls
1522 and at Walmart for basic preventive primary care. At least I
1523 could argue that that has a much better chance of getting
1524 care to people that anything else that we have talked about.
1525 In any event, people at the local level need to have these
1526 flexibility. These kinds of programs don't give it to them.

1527 Mr. {Lance.} Thank you.

1528 Senator Vitale, my friend.

1529 Mr. {Vitale.} Thank you. Well, you are right,
1530 Congressman Lance. The governor did sign onto that letter to
1531 remove the MOE from New Jersey's obligation, and I will tell
1532 you that could be the worst thing that could happen to the
1533 population. If this happened last year and the governor cut
1534 out tens of thousands of parents from SCHIP, he didn't go
1535 below 133 because that was the maintenance-of-effort level.
1536 If he were able to do this year, we would have tens of
1537 thousands of working parents who go to work every day without

1538 the ability to have health care and the access to health care
1539 that we all enjoy. He would also dismantle many of the
1540 benefit designs and programs in Medicaid to the aged, blind
1541 and disabled and to the vulnerable populations. So to say
1542 that the maintenance effort is a way in which it forces the
1543 States to provide their care, I know that at least in the
1544 case of our governor, he will take that opportunity to remove
1545 that care and it would be just devastating for that
1546 population and literally hundreds of thousands of New
1547 Jerseyans.

1548 Mr. {Pitts.} The gentleman's time has expired. The
1549 chair recognizes the gentlelady from California, Ms. Capps,
1550 for 5 minutes for questions.

1551 Mrs. {Capps.} Thank you, Mr. Chairman. I just want to
1552 take a minute to clarify one item regarding the application
1553 process for construction funds. Already 350 community
1554 clinics or schools have applied for funding for construction.
1555 Part of that process includes the requirement that as they
1556 apply for the funds that they demonstrate that they have
1557 adequate funding for adequate staffing for that facility.

1558 I want to also welcome our witnesses and thank them for
1559 their testimony, and in particular, welcome to our former
1560 colleague, Mr. Istook.

1561 As you all know, school-based health centers provide

1562 comprehensive and easily accessible preventive and primary
1563 care health services to approximately 2 million students
1564 nationwide, and there is no doubt about it, and I know this
1565 as many years of being a school nurse: healthier children do
1566 better in school. At a time now when we are trying to out-
1567 compete and out-innovate other countries, we do need our kids
1568 healthy and in the classroom.

1569 Now, there is a statement, Senator Vitale, that I would
1570 like you to respond to and see if you agree with this
1571 statement. It is a quote: ``School-based health centers
1572 have proven that effective preventive and primary care for
1573 medically underserved children can decrease academic failure
1574 rates resulting from poor health.'' Is that something you
1575 would agree with?

1576 Mr. {Vitale.} It is, Congresswoman, and thank you for
1577 being a school nurse. We have an example in the town in
1578 which I live, and I was interim mayor for a few months and I
1579 worked with the Department of Human Services and the Visiting
1580 Nurse Association of Central Jersey to establish a school-
1581 based health clinic in six of our communities out of 30
1582 schools, six of the most medically underserved schools in our
1583 school district, and one of them which had very high special-
1584 needs population and now several years later when I visit and
1585 we assess the efficacy of that program, it clearly

1586 illustrates that those children receive care when they need
1587 it up front right in the school. Parents get the
1588 prescription. They are able to write those prescriptions
1589 because the advance practice nurses now can diagnose and
1590 prescribe. Kids get on their medication earlier. They get
1591 back to school quicker and they learn faster. And we have
1592 seen an enormous decrease in the amount of absenteeism for
1593 all those children in those six schools where previously
1594 those absentee rates were much higher. So they are learning
1595 better, they are learning faster, and parents who need to
1596 take time off from work in many ways can't afford to do that
1597 save them money as well.

1598 Mrs. {Capps.} Absolutely. I agree with your testimony.
1599 It is eloquent. I also agree with the statement that I
1600 quoted, and I wish I could take credit for the quote but I
1601 wanted to point out that this comes from two of my colleagues
1602 who are members of this committee, Chairman Emeritus Barton
1603 and Mr. Burgess, and they sent a ``dear colleague''
1604 highlighting their support along with their fellow Texan,
1605 Congresswoman Kay Granger, their support of school-based
1606 health centers. And after an endorsement like that one, I
1607 find it quite puzzling that our Republican colleagues are
1608 here trying to eliminate funds for communities across the
1609 Nation who want to benefit from the school-based health

1610 centers.

1611 Dr. {Burgess.} Will the gentlelady yield?

1612 Mrs. {Capps.} I will yield after I finish my statement
1613 and question.

1614 In fact, the interest in expanding school-based health
1615 centers is so great that HHS has received 350 applications
1616 for this funding. Requests come from 44 different States
1617 including the Congressional districts of nine of our
1618 Republican colleagues who are part of this subcommittee. So
1619 let us be clear. The need is there. While these centers
1620 benefit all children who have access to them, they are also a
1621 vital support for low-income Americans and I hope it is clear
1622 to us all that 40 percent of children treated at school-based
1623 health clinics either have no insurance or are enrolled in
1624 Medicare, SCHIP or other public coverage. For some children,
1625 school-based health centers are the only consistent access to
1626 health care that they or their families have, and we know
1627 there are many millions of other children who could benefit
1628 from them. With more access to these centers, these children
1629 could be spending more time learning in their classrooms and
1630 less time clogging up our emergency rooms.

1631 And now, Senator Vitale, as a former mayor, which you
1632 mentioned, and current State senator, you do understand the
1633 economic needs of local communities during these tough times.

1634 The funding for school-based health clinic construction is
1635 the perfect shovel ready for today. So with so many people
1636 out of work, we are trying to provide more jobs for the
1637 American people. Maybe you can talk about what this means to
1638 your State of New Jersey.

1639 Mr. {Vitale.} Well, we have many of the same challenges
1640 as every other State, in fact, New Jersey being so urbanized
1641 in so many areas and where there are so many medically
1642 underserved populations, school-based clinics are a perfect
1643 way to capture kids that are school age. Providing the
1644 bricks and mortar or the dollars for those bricks and mortar
1645 is certainly very important but the other elements of the act
1646 that would help us to train additional physicians, advance
1647 practice nurses, to put those bodies in those clinics from
1648 time to time are also important elements so we are dealing
1649 with both the bricks and mortar and those who would be future
1650 physicians and advance practice nurses. So those
1651 developments combined certainly make great sense and will
1652 make a great deal of difference in urbanized communities.

1653 Mrs. {Capps.} Thank you.

1654 I wanted to yield time to my colleague, and I would be
1655 happy to, but I could ask unanimous consent, Mr. Chairman, to
1656 insert two letters for the record, one from the Sex Education
1657 Coalition and also one from the American Nurses Association.

1658 These groups highlight the importance of personal
1659 responsibility education programs in a school-based health
1660 center, and I think for the record we should include the
1661 ``dear colleague'' that was sent out by our colleagues.

1662 Dr. {Burgess.} Reserving the right to object until I
1663 have a chance to respond.

1664 Mr. {Pitts.} All right. The gentlelady's time has
1665 expired.

1666 Dr. {Burgess.} I object to the insertion in the record.

1667 Mr. {Pallone.} Mr. Chairman, can I ask why--

1668 Mr. {Pitts.} Would you provide us a copy so we can look
1669 at it?

1670 Dr. {Burgess.} I have a copy. The copy is not the
1671 issue. I asked for a chance to respond. I was denied that
1672 chance. I will object to the insertion in the record until I
1673 am given such chance to respond.

1674 Mr. Chairman, I ask unanimous consent for 30 seconds to
1675 respond.

1676 Mr. {Pitts.} All right. Without objection, go ahead.
1677 You can have 30 seconds.

1678 Dr. {Burgess.} The issue is not whether or not Chairman
1679 Barton and I support the program. The issue is to have
1680 mandatory funding for the construction of the clinic and zero
1681 funding for the doctors and nurses who staff it. The other

1682 issue is a \$223 billion structural debt for the month of
1683 February. There are going to be all kinds of programs that I
1684 support in the past that we simply cannot fund. We simply
1685 cannot pay for everything. This is a poor crafting in the
1686 bill that was signed into law a year ago. We should fix it.
1687 It is within our scope to do so. Let us make the
1688 construction an authorizing program, not a mandatory program,
1689 and I will yield back.

1690 Mr. {Pallone.} Does the gentleman withdraw his
1691 objection?

1692 Dr. {Burgess.} Objection withdrawn.

1693 Mr. {Pitts.} All right. Without objection then, the
1694 letters are entered into the record.

1695 [The information follows:]

1696 ***** COMMITTEE INSERT *****

|
1697 Mr. {Pitts.} The chair recognizes the gentleman, Dr.
1698 Cassidy, for 5 minutes for questioning.

1699 Dr. {Cassidy.} I forego my questioning. I wasn't here
1700 to hear the testimony. And although I have a great interest
1701 in the topic, I don't want to just read something put in
1702 front of me. I would actually rather digest, and so if I
1703 could yield to anyone who wishes to have time yielded to
1704 them.

1705 Dr. {Burgess.} I would be happy to accept the time from
1706 the gentleman from Louisiana.

1707 Dr. Goodman, we started just a moment ago when I had a
1708 few seconds yielded to me and we were talking about the costs
1709 of the subsidies. Now, we had multiple hearings leading up
1710 to the passage of PPACA a year ago, and one of the things
1711 that got me was, we never really focused on the cost of
1712 delivering care. Now, you have been a proponent of patient-
1713 powered, consumer-directed health plans. Governor Mitch
1714 Daniels in Indiana popularized the Healthy Indiana program
1715 and over the same period of time that Medicare and Medicaid
1716 expenses, PPO expenses grew by 7 or 8 percent, he saw an
1717 overall reduction in expenses for State employees of 11
1718 percent over that same 2-year interval. Would you care to
1719 comment on the techniques used by Governor Daniels to hold

1720 down costs in his State for the State employees?

1721 Mr. {Goodman.} Well, sure. Part of the approach is to
1722 empower patients and give them control over dollars, and that
1723 is the reason I said earlier, if low-income families could
1724 just stop by the minute clinic, get their immunization shot,
1725 get their flu shot, get a prescription filled, that probably
1726 is a better use of money than building a lot of buildings.

1727 Dr. {Burgess.} And what is the barrier to the patients
1728 doing that?

1729 Mr. {Goodman.} The barrier is the government and
1730 bureaucracy's control of the money, and it is not patient
1731 friendly, and so the system is set up so that it is a
1732 relationship between the provider and the payer and the
1733 patient is just an excuse to bill, and if you want real
1734 change in the marketplace, then you have to have providers
1735 competing for patience based on price and on quality, and
1736 they are not going to do that unless the patient controls the
1737 money.

1738 I wonder if I might respond to Congressman Engel's point
1739 about Massachusetts and the mandate there, if I may?

1740 Dr. {Burgess.} Please.

1741 Mr. {Goodman.} Because I have talked to Governor Romney
1742 about this. They did it the wrong way in Massachusetts and
1743 we did it the wrong way in the Affordable Care Act, and if I

1744 could just choose a number, suppose we are willing to offer
1745 somebody a \$2,500 subsidy to buy individual health insurance.
1746 The way to do it is to offer it as a refundable tax credit so
1747 that if he buys this insurance, he gets his \$2,500 for the
1748 insurance. But if he doesn't buy the insurance, then the
1749 \$2,500 needs to go over into the social safety net. So if he
1750 goes in for care, he doesn't have insurance, he is
1751 responsible for his bills. If he can't pay for his bills, we
1752 put money over there for him. But in doing it that way, you
1753 don't let people game the system. You let money follow
1754 people. We will never get all the people in the insurance
1755 system. But the way you make them pay their own way is, they
1756 pay higher taxes if they turn down your subsidy, and that is
1757 the right way to organize the system, and I can't speak for
1758 Governor Romney but I think these days he is leaning more
1759 toward that approach than trying to force everybody to buy a
1760 plan that they don't really want to buy.

1761 Dr. {Burgess.} Thank you.

1762 Mr. Istook, you were an appropriator during the years
1763 that the Medicare Modernization Act passed. Would you care
1764 to comment on some of the discussion we have heard today how
1765 the forward funding or advance appropriations occurred in the
1766 Medicare Modernization Act? I was too young to remember it
1767 or to acknowledge it at the time but you were there, a

1768 seasoned appropriator.

1769 Mr. {Istook.} It was not done the same way. What we
1770 have in Medicare, whether you are talking about Medicare Part
1771 D or any other Medicare, you have what is called a permanent
1772 appropriation. Now, that is a problem because rather than
1773 having a defined amount where we spend what we can afford to
1774 spend, it is an open-ended expenditure. So when Medicare
1775 Part D was created, it was simply changing the definitions of
1776 what is covered as opposed to providing new appropriations.

1777 In the case of PPACA, Obamacare, there are a series, and
1778 Congressional Research Services devotes I think 16 pages to
1779 describing specific item after specific item after specific
1780 item after specific item where they make appropriations for
1781 the current fiscal year when it happened, fiscal year 2010,
1782 where they make appropriations that are explicit to fiscal
1783 year 2011, explicit appropriations for fiscal year 2012, and
1784 so forth all the way up to fiscal year 2019 scattered over a
1785 whole variety of different programs. So it is taking
1786 singular programs and a great number of them and creating
1787 annual appropriations for them not on a permanent basis but
1788 for a 10-year period not changing the definition of something
1789 that exists that also has permanent appropriations. It is a
1790 very different process and very unprecedented in my
1791 experience.

1792 Dr. {Burgess.} Thank you. And I will just point out in
1793 H.R. 3200 that passed this committee, the appropriations, the
1794 public health fund was subject to appropriations.

1795 I thank the gentleman for yielding. I will yield back.

1796 Mr. {Pitts.} The gentleman's time has expired. The
1797 chair recognizes the gentlelady from Illinois, Ms.
1798 Schakowsky, for 5 minutes for questions.

1799 Ms. {Schakowsky.} Thank you. First I wanted to clarify
1800 something about the school-based clinics. The grant
1801 application for the school-based clinics, which many schools
1802 are applying for, is very clear. They need to demonstrate
1803 that they have the funds to run the center but they don't
1804 have the funds to build the center. So this is a suggestion
1805 where denying construction funds actually would deny the
1806 clinic and they understand that they have to provide the
1807 money to run it.

1808 Mr. Istook, we are kind of getting into the weeds here,
1809 but in general about this issue of secret funding, you said
1810 that FactCheck exonerated you but I wanted to just read a
1811 quote. You said that ``it is within the range of fair
1812 comment and opinion for Congresswoman Bachmann to say that
1813 funding for these and other programs was a secret.'' So in a
1814 way, you are saying that this kind of we didn't know about
1815 it, nobody knew about it, this was snuck in there is a fair

1816 statement. Do you agree with that?

1817 Mr. {Istook.} Well, when the Speaker of the House told
1818 people that you had to pass the bill so that folks could find
1819 out what was in it, you know, I think that illustrates that
1820 we are finding out bit by bit is certainly within the realm
1821 of fair comment.

1822 Ms. {Schakowsky.} So even though the debate was very
1823 clear, for example, on the CHIP program you say that there is
1824 something very different about the Medicare Prescription Drug
1825 Improvement and Modernization program which you voted for but
1826 in fact \$40 billion of what is in the Affordable Care Act
1827 goes to the CHIP program just for 2 years, so isn't that
1828 exactly the same thing?

1829 Mr. {Istook.} Actually it goes for 2 years and those
1830 particular 2 years, if I recall correctly, are something like
1831 adding--what is it--2017 and 2019--

1832 Ms. {Schakowsky.} No, 2014 and 2015 actually, and that
1833 is when the program goes into effect.

1834 Mr. {Istook.} There are other provisions that go up to
1835 2017.

1836 Ms. {Schakowsky.} Well, I wanted to ask you about
1837 something--

1838 Mr. {Istook.} So the point there is, if something is
1839 supposed to be subject to the annual appropriations process,

1840 why isn't it subjected to the annual appropriations process
1841 by the people--

1842 Ms. {Schakowsky.} Well, that is what I want to ask you
1843 about. Funding for the State pharmaceutical assistance
1844 program into 2006, that was 3 years into the future. You
1845 voted for that, right?

1846 Mr. {Istook.} I am not sure what you are talking about.

1847 Ms. {Schakowsky.} This is what was in the bill, a 3-
1848 year appropriation for the State pharmaceutical assistance
1849 program, and there was also funding for a pilot program for
1850 nursing home backgrounds. That was 4 years into the future,
1851 and of course, that was a good call. But you voted for that.

1852 Mr. {Istook.} Ma'am, one, if you have specific
1853 provisions you want to recite from that bill to see where
1854 they are parallel, I would be happy to look at that. But
1855 secondly, whether you are talking about the practice of
1856 advance appropriations for appropriations that occur 1 year
1857 or 2 years in the future, there is no comparison with a bill
1858 that seeks to make advance appropriations 10 years into the
1859 future which is what we are talking about with Obamacare.

1860 Ms. {Schakowsky.} When you voted for the Personal
1861 Responsibility and Work Opportunity Reconciliation Act of
1862 1996, the welfare reform, did you know that that bill
1863 contained significant mandatory appropriations for abstinence

1864 education and childcare and development block grant?

1865 Mr. {Istook.} When you use the term ``mandatory
1866 appropriations,`` it means different things. Does it have
1867 express line items for year by year for fiscal years? Do you
1868 have that information in front of you?

1869 Ms. {Schakowsky.} Well, let us ask for the Deficit
1870 Reduction Act. You missed that vote. But all the
1871 Republicans on this committee supported it. It contained
1872 mandatory spending.

1873 Mr. {Istook.} Well, again, you see, the term
1874 ``mandatory spending`` is used to cover a lot of different
1875 definitions. I am talking about the practice of advance
1876 appropriations which are defined, and this is from OMB, which
1877 are defined as one made to become available one year or more
1878 beyond the year for which the appropriations act is passed.
1879 That is not the same as other categories of so-called
1880 mandatory spending. It is certainly not the same as
1881 permanent appropriations as they are found, for example, in
1882 Medicare. So again, if you have something specific you would
1883 like me to look at, the line item of a legislation, but I
1884 find nothing that is comparable to what happens--

1885 Ms. {Schakowsky.} Well, actually that is not true
1886 because the State pharmaceutical assistance program that you
1887 asked about, and I was listening to you while staff was

1888 telling me, that was unlimited 3 years into the future but
1889 absolutely unlimited. There was no dollar amount.

1890 Mr. {Istook.} If you can recite a--there is--well, then
1891 it is certainly not the same thing as what we are talking
1892 about if you say there was no dollar amount. If you have a
1893 citation to a specific section of a law that you want me to
1894 look at, I would be happy to look at that with you.

1895 Ms. {Schakowsky.} And let us remember also that none of
1896 us this was paid for, period, that that legislation was not
1897 paid for at all, and the Affordable Care Act is.

1898 Mr. {Pitts.} The gentlelady's time is expired. The
1899 chair recognizes the gentleman from Illinois, Mr. Shimkus,
1900 for 5 minutes.

1901 Mr. {Shimkus.} Thank you, Mr. Chairman. Welcome to our
1902 panelists. I appreciate you coming. I am going to yield my
1903 time to Congressman Burgess for questions.

1904 Dr. {Burgess.} I thank the gentleman for yielding. You
1905 know, it is almost like a line from that Kevin Costner movie,
1906 if you build it, they will come, so okay, we are going to
1907 build the clinics. We are not going to fund the staffing but
1908 the requirement is that you have to staff the clinic if you
1909 are going to apply for the building fund, but what happens
1910 when the States get into a budget crunch. Who could believe
1911 that that would ever happen, but it could. The States get

1912 into a budget crunch and they can no longer afford that. The
1913 fact of the matter is, we are going to continue to build the
1914 clinics. That spending is required in the Patient Protection
1915 and Affordable Care Act. So it is duplicitous to say that
1916 hey, it is okay to pay to mandate the funding for the
1917 building of the clinics because people have to demonstrate an
1918 ability to staff. In fact, they don't. If they did, why
1919 have 4101(b) contained within the bill?

1920 Again, I will accept Secretary Sebelius's assertion that
1921 she doesn't know why those two sections were put side by
1922 side, 4101(a) and 4101(b). I accept the fact that the bill
1923 was poorly crafted and poorly drafted. I accept the fact
1924 that even though I opposed H.R. 3200, it was an infinitely
1925 better crafted product than this thing that came out of the
1926 Senate on Christmas Eve. After all, 3200 had a severability
1927 clause. The bill that was signed in law contains no such
1928 clause and in fact if there were a severability clause, we
1929 might not be having the arguments that we are having down in
1930 Florida today.

1931 Dr. Goodman, I wonder if you would--we heard it
1932 expressed again today that the Patient Protection and
1933 Affordable Care Act is going to save \$142 billion over the
1934 lifetime of the bill. I think that is preposterous. But you
1935 started to talk about the cost of the subsidies for purchase

1936 of insurance in the exchange. We have already talked about
1937 the huge deficit for the month of February, the extrapolated
1938 deficits into the future. What is going to happen to those
1939 projections when the subsidies for families earning up to
1940 \$80,000 a year, what is going to happen when those subsidies
1941 kick in to the overall cost of this legislation?

1942 Mr. {Goodman.} Well, it is going to soar, so we are
1943 sort of treading water right now. There are a few changes
1944 that have been made but really everything begins January 1,
1945 2014. That is when the mandates become effective, the
1946 subsidies become effective. Overall on the employer side, I
1947 think companies like McDonald's and Burger King, who employ a
1948 lot of workers who only make \$10, \$15 an hour, they are not
1949 going to be able to afford family coverage that costs as much
1950 as \$6 an hour, so they are going to have to find a way to get
1951 their workers over in the exchange, and I don't know how they
1952 will do that, maybe treat them all as independent
1953 contractors, but they are going to find a way or they won't
1954 survive, and then when they get over there, the taxpayer is
1955 going to pay for not just the premium but going to reimburse
1956 those workers for a lot of out-of-pocket costs.

1957 The costs are going to be quite large. Remember, the
1958 only way we really are paying for most of this is by thinking
1959 we are going to cut Medicare, but when you all 3 years from

1960 now start getting calls from seniors saying we can't find a
1961 doctor who will see us, then you are going to be under
1962 enormous pressure to undo all of that spending that is in the
1963 bill and then you are going to find that you really haven't
1964 paid for this at all.

1965 Dr. {Burgess.} And of course, the Independent Payment
1966 Advisory Board is beyond our scope today, but it should be
1967 the subject of a future hearing but that actually has some
1968 pretty dire consequences, again, wasn't part of the House
1969 bill, 3200, but certainly as part of the bill that was signed
1970 into law. Have you had any thoughts looking ahead to that
1971 Independent Payment Advisory Board and how that is supposed
1972 to structurally pay for the expansion of all of this?

1973 Mr. {Goodman.} Yes. And let me just say too that I
1974 think we do need to reform Medicare and there is a right way
1975 to reform it and the right way to reform it is to let doctors
1976 and hospitals come to Medicare and propose different ways of
1977 being paid. If they can save Medicare a dollar, you ought to
1978 be able to let them keep 50 cents or 25 cents, and if you did
1979 it that way, I think you would solve a lot of problems very
1980 quickly. But the only way this payment commission is going
1981 to be able to control cost is just by squeezing the
1982 providers. The only thing they know how to do is just
1983 squeeze down the doctor fees, hospital fees, and as the chief

1984 actuary of Medicare pointed out, the Medicare rates are going
1985 to be down here and everybody else's rates are going to be
1986 going like that, and the difference is going to grow wider
1987 and wider through time, and by the time we get to the end of
1988 the decade, doctors will prefer Medicaid patients to Medicare
1989 patients. The waiting lines are going to be long and seniors
1990 will be at the end of the line.

1991 Dr. {Burgess.} What is the implication for the average
1992 Member of Congress on that day?

1993 Mr. {Goodman.} You are going to be hearing from a lot
1994 of older voters and they are not going to happy.

1995 Dr. {Burgess.} I was going to say, are they going to be
1996 happy or sad?

1997 Mr. {Goodman.} They are going to be very sad.

1998 Dr. {Burgess.} I thank the gentleman for yielding his
1999 time, and I will back the 10 seconds.

2000 Mr. {Pitts.} The chair thanks the gentleman. The
2001 gentleman's time is expired. The chair recognizes the
2002 ranking member of the full committee, Mr. Waxman, for 5
2003 minutes for questioning.

2004 Mr. {Waxman.} Thank you, Mr. Chairman. I would like to
2005 draw attention to a statement from Senator Harkin which I
2006 first of all ask unanimous consent to put into the record.

2007 Mr. {Pitts.} Without objection.

2008 [The information follows:]

2009 ***** COMMITTEE INSERT *****

|
2010 Mr. {Waxman.} He is chairman of both an authorizing
2011 committee and appropriations subcommittee, and he says, ``I
2012 understand the implications of this guarantee that Congress
2013 should mandate appropriations for certain programs in the
2014 Affordable Care Act that are fundamental to its success.''
2015 So I thought he has a lot to say from both sides of
2016 authorizing and appropriating.

2017 The health insurance marketplace was broken, and
2018 reforming the health insurance market was imperative. We say
2019 this frequently, and I would like to ask rhetorically, what
2020 does it mean? It meant the number of uninsured Americans
2021 would have grown to 66 million by 2019. Those would be
2022 unhappy people as well. From 2004 to 2007, 12.6 million
2023 adults, 36 percent of those who actually tried to purchase
2024 insurance in the individual market, were denied coverage.
2025 They weren't happy about that. They were charged a higher
2026 premium rate or discriminated against because of preexisting
2027 conditions. Health insurance premiums more than doubled in
2028 the last decade and have risen three and a half times faster
2029 than wages during the same period, and at least 42 States, at
2030 least 75 percent of the insurance market was controlled by
2031 five or fewer insurance companies. This type of market
2032 concentration provides little leverage for consumers to fight

2033 insurance company abuses such as rescissions of health care
2034 coverage when someone gets sick or denials of medically
2035 necessary treatments are insisted on.

2036 Now, I might just point out that those facts are I guess
2037 the Republican plan because they want to repeal the
2038 Affordable Care Act, which would leave us with the status
2039 quo. They would do nothing. The Affordable Care Act
2040 addressed these problems, and here are a few of the examples.
2041 They prohibit insurers from denying individuals insurance or
2042 charging people more because of preexisting health conditions
2043 from hangnails to heart disease. They limit out-of-pocket
2044 spending for health care benefits, prohibit annual and
2045 lifetime limits by insurance companies, significantly reduce
2046 red tape, invest in ways to reform the delivery system to
2047 provide better care at lower costs.

2048 Senator Vitale, can you describe why health reform is so
2049 important, why repealing it would be disastrous for
2050 Americans, for the economy and for our health care system?

2051 Mr. {Vitale.} Thank you, Mr. Waxman. You all have a
2052 very difficult time of it here and you made some very
2053 difficult decisions and very controversial decisions. I can
2054 speak from the experience of New Jersey and what it means to
2055 have a State with 1.3 million uninsured mostly working people
2056 who get up every day, put on their shoes and try to make a

2057 living and provide for their families. They work for small
2058 companies by and large who can't afford the cost of health
2059 insurance to provide to their employees, and if they can, the
2060 contribution by the employee is usually beyond what it is
2061 that they can afford. So the simple facts are, and setting
2062 aside all the controversy between what is mandatory and what
2063 is discretionary, the fact of the matter is that there are
2064 millions of New Jerseyans and millions of Americans who are
2065 suffering every day without an opportunity for what is
2066 reliable and dependable and affordable health care. PPACA
2067 provides that. It is an imperfect piece of legislation, and
2068 most legislative initiatives are, and I can speak for that
2069 firsthand in New Jersey.

2070 Mr. {Waxman.} Now, if it weren't there, we would be
2071 back to the golden age of pre-Affordable Care Act, which I
2072 guess is what the Republicans would want.

2073 Now, one of the things they attack in this proposal
2074 today are the teaching health centers. For years, we
2075 provided mandatory funding for hospitals under the Medicare
2076 program to train medical resident trainees. In 2009, we
2077 provided about \$9.5 billion in mandatory funding to train
2078 medical residents. Multiple expert bodies including MedPAC,
2079 the Council on Graduate Medical Education and others have
2080 called for more training of primary care residents and more

2081 training in the community because that is where most
2082 physicians practice today. That is why the ACA provided \$230
2083 million over 5 years to directly fund community-based centers
2084 to train primary care.

2085 Now, my colleagues on the other side of the aisle have
2086 repeatedly called for more workforce efforts. One of the
2087 witnesses, Dr. Goodman, has criticized the ACA for not
2088 providing enough funding to train physicians. Senator
2089 Vitale, can you tell us about the importance of funding to
2090 training primary care residents in your State?

2091 Mr. {Vitale.} Three years ago, I attended a class and I
2092 spoke to a class at Rutgers Medical School, and there were
2093 about 60 students present and I asked by a show of hands how
2094 many were going forward to primary care. One person raised
2095 their hand. So the importance is of course--and thank you,
2096 Mr. Chairman. The importance is of course that we begin to
2097 develop this not just those who practice in primary care but
2098 also those who practice in advanced practice nursing.

2099 Mr. {Waxman.} Well, I can think of no better use of
2100 mandatory funds than to provide funding for residents.

2101 Mr. {Pitts.} The gentleman's time has expired. The
2102 chair recognizes the gentlelady from Tennessee, Ms.
2103 Blackburn, for 5 minutes for questions.

2104 Mrs. {Blackburn.} Thank you, Mr. Chairman, and thank

2105 you to our witnesses for your patience today, and also for
2106 understanding that we have another hearing going on
2107 downstairs.

2108 Mr. Vitale, I appreciate that you are here. I was a
2109 State senator in Tennessee before I came here, and I was a
2110 State senator during the TennCare era, which was the test
2111 case for public option health care. Now, I know in New
2112 Jersey you have guaranteed issue and I think it is 45
2113 mandates--am I correct--that you all have to cover in that
2114 package? Which is pretty expensive. And the way TennCare is
2115 set up under an 1115 waiver with CMS, it was between the
2116 Governor's Office in Tennessee and CMS. So in New Jersey, do
2117 you all have any law on the books that allows the governor to
2118 spend State money without coming to the legislature?

2119 Mr. {Vitale.} Well, there are elements in every--and we
2120 balance our budget every year by constitutional mandate.
2121 There are elements in the budget that is part of the
2122 governor's budget and so he is of course free to spend the
2123 dollars in his budget appropriation.

2124 Mrs. {Blackburn.} Okay. Let me ask you this, the 45
2125 benefit mandates, that is a big number. Do you think as you
2126 are looking at the health care situation in your State and
2127 others and talking with us, do you think that individuals
2128 should have access to health care with fewer mandated

2129 benefits, State or federal mandated benefits?

2130 Mr. {Vitale.} I think we should all have the same
2131 benefits available to all of us.

2132 Mrs. {Blackburn.} So you think one size fits all?

2133 Mr. {Vitale.} In most cases, yes.

2134 Mrs. {Blackburn.} I have to differ with you on that.

2135 Mr. Istook, let me talk to you about the teaching
2136 centers. I found this very interesting. Section 5508 of
2137 Obamacare provides \$230 million not simply an authorization
2138 but this is for the teaching study program yet the
2139 President's budget zeroes out funding for children's hospital
2140 graduate medical education. And you are a former
2141 appropriator so do you think that it is wise to make one
2142 program mandatory and beef up one and then completely cut out
2143 another one, especially when you are looking at children's
2144 health care?

2145 Mr. {Istook.} There is an unfortunate trend that we
2146 have seen in the President's budget proposals of substituting
2147 mandatory funding for discretionary funding, in other words,
2148 trying to remove things beyond the ability of Congress to
2149 control spending. Examples include not only what you cite
2150 but when the President says, for example, we are reducing
2151 discretionary spending, if you read the budget you find that
2152 one way is, you take Pell grants and say they are no longer

2153 discretionary, now they are mandatory. You take
2154 transportation funding and say it is no longer discretionary,
2155 now it is mandatory, and they then trumpet a claim that we
2156 have reduced discretionary spending. Well, you have done
2157 that by relabeling it as mandatory. There is no savings
2158 there and it is lousy practice as far as accountability.

2159 Mrs. {Blackburn.} Dr. Goodman, if I could come to you
2160 on that very point, because the concern of moving things from
2161 discretionary to mandatory is of great concern to us. As you
2162 all have reviewed the bill, have you been able to articulate
2163 the number of times that this has happened in the Obamacare
2164 bill and to look at the estimated impact above what we know
2165 as the appropriated dollars for this one action?

2166 Mr. {Goodman.} Well, not beyond what the Congressional
2167 Research Service report has stated. I just think there are,
2168 as my testimony indicated, fundamental flaws in this bill.
2169 And in response to Congressman Waxman's critique, behind
2170 every flaw that we discuss in this testimony, we said this is
2171 the alternative, this is the right way to do it as far as
2172 general concept is concerned, and if we don't do it the right
2173 way, then we are going to continue on a spending path that is
2174 simply unsustainable. There is nothing in the Affordable
2175 Care Act that fundamentally changes the way we are going to
2176 pay for health care. It is going to make all the perverse

2177 incentives that are now there worse than they were before,
2178 and the price we pay is going to be higher.

2179 Mrs. {Blackburn.} I found it so interesting last week,
2180 and I discussed this with Secretary Sebelius last week.
2181 There was a Wall Street Journal editorial where you had Ms.
2182 Cutter and Ms. Daparel, the word was that they were telling
2183 people not to worry about all the numerous waivers that were
2184 there and not to worry about the duplications, that this is a
2185 way--giving the States a waiver was a way to ease us more to
2186 a single payer system, and as we have looked at these
2187 programs, the personal responsibility education program,
2188 there is money for that that is made mandatory in the
2189 Obamacare program but yet the President's fiscal year budget,
2190 2012 budget, includes \$16 billion for programs that overlap.
2191 Are you all doing any research work on that? And I know my
2192 time is expired and I will yield back at the end of your
2193 response.

2194 Mr. {Goodman.} Well, let us think about what those
2195 waivers are about. Two point seven million people have been
2196 granted a waiver. That contracts with 12,500 people who have
2197 the problem everybody is talking about, that they have been
2198 denied health insurance because of a preexisting condition.
2199 Twelve thousand five hundred people now have been signed up
2200 for insurance, paying the same premium healthy people pay.

2201 That problem is solved. The 2.7 million people are people
2202 like the workers at McDonald's who earn \$10, \$15 an hour.
2203 The insurance that they are going to have to buy for family
2204 coverage would be almost \$6 an hour. They can't afford it.
2205 McDonald's can't afford it. That is why they were granted a
2206 waiver but at the end of the waiver period the problem is not
2207 going to go away.

2208 Mr. {Pitts.} The gentlelady's time is expired, and the
2209 chair recognizes the gentlelady from Wisconsin, Ms. Baldwin,
2210 for 5 minutes for questions.

2211 Ms. {Baldwin.} Thank you, Mr. Chairman, and before I
2212 turn to the topic of the hearing, I do want to express my
2213 gratitude to you and members on both sides of the aisle for
2214 advancing H.R. 525 on public health veterinarians, which
2215 passed last night by the very comfortable margin of two
2216 votes. So mission accomplished with regard to that piece of
2217 important legislation, and I really do appreciate the efforts
2218 of members on both sides of the aisle.

2219 Turning to the subject at hand, many are familiar with
2220 the expression ``everyone is entitled to their own opinions
2221 but they are not entitled to their own facts,' ' and I
2222 understand that my Republican colleagues may have differing
2223 opinions about the health care law that was signed into law
2224 last year but there should be no mistake about the facts.

2225 The five committee prints that we are looking at in this
2226 hearing put forth by the Majority will not create jobs.
2227 These proposals will not stimulate our struggling economy and
2228 these proposals will not put the middle class of America back
2229 to work.

2230 The Republican Majority is playing what I would consider
2231 a dangerous game of bait and switch with the American people.
2232 Despite promises from the new Majority during the midterm
2233 elections that this Congress would be focusing on creating
2234 jobs and bolstering the economy, the legislative proposals
2235 and the committee prints that they have offered us today fail
2236 to deliver on this promise. In fact, not only do the
2237 Majority's legislative proposals do nothing to create jobs or
2238 bolster the economy, I think these proposals would actually
2239 exacerbate the problem by taking away new job opportunities.

2240 With new investments in the health care law, we took
2241 tremendous strides towards expanding, for example, the
2242 primary care workforce, and we are on a path to train 16,000
2243 new primary care providers in the United States. So far, my
2244 home State of Wisconsin has received \$3.8 million for a
2245 primary care residency program, and we know how important
2246 training primary care physicians is for our economy. I mean,
2247 these doctors serve as gatekeepers, keeping people out of
2248 emergency rooms and controlling health care costs. The

2249 Republican proposal to change the teaching centers
2250 development grants program places this investment at risk and
2251 could ultimately worsen the health care workforce shortage.
2252 I fail to see how taking away funding for critical jobs is
2253 going to help our economy.

2254 Another proposal that we are looking at today would
2255 repeal funding for grants to States to establish exchanges.
2256 These exchanges are critical for ensuring that thousands of
2257 small businesses and 24 million Americans have access to new
2258 coverage options. The grants to States would provide States
2259 with the flexibility to create an exchange that meets each
2260 State's needs. Wisconsin has already received \$38 million
2261 through an early innovator grant. This critical funding will
2262 spur job creation in my State and improve access to quality,
2263 low-cost health coverage.

2264 This Republican proposal raises an important question:
2265 are we going to ask cash-strapped States to return the money
2266 they have already been awarded? Will Wisconsin have to
2267 return the \$38 million that Governor Walker has already
2268 accepted? And I fail to see how rescinding money that will
2269 create jobs is the right thing to do to get our economy back
2270 on track.

2271 Mr. Chairman, the American people, the people of
2272 Wisconsin deserve better, and we should be focusing on the

2273 greatest need our country has right now, which is jobs, jobs
2274 and jobs. I would yield my remaining time to the gentleman
2275 from New York, Mr. Weiner.

2276 Mr. {Weiner.} Thank you very much, and welcome,
2277 Congressman. It is nice to see you back. It is nice to see
2278 people who leave this place with marketable skills. I am
2279 glad at least you do.

2280 I just want to ask a yes or no question, if I could, in
2281 the brief time that Congresswoman Baldwin has yielded to me.
2282 Congressman Istook, is Medicare a single-payer system?

2283 Mr. {Istook.} No.

2284 Mr. {Weiner.} Dr. Goodman, is Medicare a single-payer
2285 system?

2286 Mr. {Goodman.} No.

2287 Mr. {Weiner.} Senator Vitale, is Medicare a single-
2288 payer system?

2289 Mr. {Vitale.} I believe it is.

2290 Mr. {Weiner.} It is single payer in the traditional way
2291 that it is used because there is one person writing the
2292 checks but that doesn't mean that--right? I mean, basically
2293 the Federal Government collects our money in our taxes, in
2294 our payroll taxes and then reimburses doctors, reimburses
2295 clinics, reimburses other--that is a single-payer system. It
2296 doesn't mean that Medicare employs the doctors, it doesn't

2297 mean they employ the clinics, it doesn't mean they employ the
2298 pharmaceutical companies. It is just who passes the money
2299 along. And in the one second I have left, do you know what
2300 the overhead and profits is of Medicare? One point zero
2301 there percent.

2302 Dr. {Burgess.} [Presiding] The gentleman's time is
2303 expired. The chair recognizes the gentleman from Georgia,
2304 Dr. Gingrey.

2305 Dr. {Gingrey.} Mr. Chairman, thank you, and
2306 Representative Istook, let me associate myself with
2307 Representative Weiner in regard to his comments. Thank you
2308 for your service and happy to see you, and thank all three of
2309 the witnesses for your testimony today.

2310 I want to start out by saying that the actions of this
2311 Administration and the Secretary of Health and Human Services
2312 I think border on deception and they leave me with very
2313 little confidence in both Obamacare and the Administration's
2314 ability to enact the law through regulation over these next 3
2315 years. Just last week was the latest example. Secretary
2316 Sebelius right here in this committee told Congressman
2317 Shimkus that the Administration was confident that she could
2318 spend one pot of money, \$500 billion worth of money, twice,
2319 both to pay for Obamacare and increase the solvency of
2320 Medicare. And then next the Secretary testified that she had

2321 used her powers as Secretary to slip in an end-of-life
2322 provider code into Medicare in the dark of night without
2323 allowing for public comment. And finally, she told our panel
2324 and a Senate Finance Committee panel a few weeks ago that a
2325 major long-term-care program created in Obamacare that she is
2326 in charge of was totally unsustainable but only after direct
2327 questioning. No previous announcement to the American people
2328 or to Congress, and of course, I am referring to the CLASS
2329 Act.

2330 With these thoughts in mind, I wanted to ask you,
2331 Representative Istook, section 4002 of the Obamacare bill, or
2332 the Affordable Care Act, created a fund for prevention,
2333 wellness and public health activities. In the language of
2334 Obamacare, it says that these funds are for ``sustained and
2335 national investment in prevention and public health
2336 programs.'' Are the words ``prevention'' and ``public health
2337 programs'' defined in section 4002?

2338 Mr. {Istook.} I am not aware of any definition. I
2339 think that is left to the sole discretion and judgment of the
2340 Secretary.

2341 Dr. {Gingrey.} And so conceivably then Secretary
2342 Sebelius or any Secretary could use these funds for any
2343 purpose that they decide is prevention, correct?

2344 Mr. {Istook.} Oh, yes. They could be extremely broadly

2345 defined.

2346 Dr. {Gingrey.} Wide, wide discretion on the part of the
2347 Secretary of HHS.

2348 Mr. {Istook.} Right.

2349 Dr. {Gingrey.} Let me go to Mr. Goodman. You know, we
2350 all remember the Andy Griffith Medicare ads that the
2351 Secretary ran last year that looked a lot like to me
2352 political advertising for the Affordable Care Act, Obamacare.
2353 Is there anything that would prevent the Secretary from using
2354 these taxpayer dollars to pay for similar political
2355 advertising on provisions in Obamacare in a lead-up to the
2356 2012 elections, as an example?

2357 Mr. {Goodman.} I don't think so, and let me say, those
2358 Andy Griffith ads were extremely deceptive bordering on fraud
2359 because what he talked about were the benefits for seniors
2360 under the bill but didn't mention any of the costs, and for
2361 every \$1 of new spending, there are \$10 of reductions in
2362 spending for seniors. So on net, there is going to be a lot
2363 less spending on senior citizens. You know, that ad made it
2364 sound like boy, once seniors find out how this works, they
2365 are going to like it.

2366 Dr. {Gingrey.} Well, I thank you for that response, and
2367 I wasn't going to use the word ``fraud'' but I guess
2368 ``bordering on fraud'' is acceptable language in your

2369 testimony, and I tend to agree with you on that.

2370 Dr. Goodman, how much authority does Secretary Sebelius
2371 have over Obamacare now that it is being implemented by
2372 regulation?

2373 Mr. {Goodman.} You know, I don't know but every time I
2374 learn about some new exercise of authority, I am shocked. I
2375 have never seen so much authority that has been given to a
2376 Secretary, nothing even close to it, and it bothers me
2377 because, you know, there are elections, Presidents come and
2378 go, Secretaries come and go, and if a Secretary has that much
2379 power, how do we know what is going to happen 8 years from
2380 now, 12 years from now? We are no longer a government of
2381 laws, we are government of people and discretion, whims.

2382 Dr. {Gingrey.} Mr. Goodman, thank you.

2383 In the few seconds I have got left, let me shift to
2384 Senator Vitale. Senator, in your written testimony and what
2385 you said to us here today, you kind of touted what New Jersey
2386 has done in regard to the CHIP program and the fact that you
2387 cover childless adults, and I realize this goes back to
2388 Governor Whitman but, you know, and you talk about the fact
2389 that charity care went way down because you expanded this
2390 cover, the CHIP program. I think it was, what, something
2391 like 400 percent of the federal poverty level in New Jersey.
2392 Are you aware of the fact that most of these hospitals that

2393 provide charity care are not-for-profit, and in that status
2394 as not-for-profit they get tremendous tax breaks, and it is
2395 their obligation to be designated as not-for-profit to
2396 provide this charity care?

2397 Mr. {Vitale.} May I respond, Chairman? Thank you.

2398 Well, you are right, but the fact of the matter is that
2399 the overwhelming amount of charity care has just really been
2400 debilitating for our State's hospitals. It is so
2401 overwhelming that they do meet their charitable obligation as
2402 not-for-profits but to the extent now that there are so many
2403 uninsured accessing health care in the worst and most
2404 expensive manner, in the emergency departments, has pushed a
2405 number of hospitals and into closure in our State, and those
2406 who are surviving are under increasing pressure from those
2407 who are uninsured.

2408 Dr. {Gingrey.} Mr. Chairman, reclaiming--I realize my
2409 time is expired and I appreciate your indulgence. If you
2410 could just let me make this one comment? I mean, the point I
2411 am making is that these hospitals, they are designed not-for-
2412 profit, and it doesn't mean that these patients are going to
2413 the emergency room to get their care. Most of these
2414 hospitals have outpatient clinics and the ability to provide
2415 the same level of care that they would be getting if they
2416 were signed up for SCHIP or in one of these exchanges that

2417 the good senator is referring to, and I will yield back and I
2418 thank you for your indulgence.

2419 Dr. {Burgess.} Thank you. The gentleman from New York
2420 is recognized for 5 minutes.

2421 Mr. {Weiner.} The problem is, they are not paid for.
2422 Ultimately, they have to pay for it. The bill fairy doesn't
2423 come in and say to any kind of hospital we are going to go
2424 pay your bills.

2425 By the way, Dr. Goodman, calling Andy Griffith a fraud
2426 is outrageous. He is one of the most beloved Americans. I
2427 am just kidding.

2428 Let me just, Senator Vitale, let me ask you a couple of
2429 questions. There has been a lot of discussion by the two
2430 gentlemen to your right about the inflexibility and the
2431 Federal Government control that is being taken by this bill.
2432 Let me just ask you a couple of questions. State insurance
2433 commissioners were still kept in charge of State insurance
2434 policies in the 50 States. Is that correct?

2435 Mr. {Vitale.} Yes.

2436 Mr. {Weiner.} And didn't the Affordable Care Act not
2437 only do that but empower them with additional tools they
2438 didn't have before on behalf of the residents of the State?
2439 Is that correct?

2440 Mr. {Vitale.} That is correct.

2441 Mr. {Weiner.} Is it also correct that under the federal
2442 Affordable Care Act the exchanges if the States so choose are
2443 going to be set up as State-run, State-governed exchanges?
2444 Is that correct?

2445 Mr. {Vitale.} That is correct.

2446 Mr. {Weiner.} Isn't it also true that despite the
2447 efforts of many of my Republican friends and perhaps the
2448 gentlemen to your right, efforts to nationalize tort reform
2449 were resisted? Isn't tort reform still the purview of the
2450 States under this law?

2451 Mr. {Vitale.} It is and always has been.

2452 Mr. {Weiner.} Isn't it also true that the expansion of
2453 Medicaid between now and 2017 is entirely picked up by the
2454 Federal Government? Is that true?

2455 Mr. {Vitale.} Yes.

2456 Mr. {Weiner.} Isn't it also true that in 2018, 2019,
2457 2020 and 2021, if there are fewer poor people, fewer people
2458 bankrupted by health care costs, for example, more people
2459 working, more people employed, the number of Medicare
2460 beneficiaries if your State is successful will go down, will
2461 it not?

2462 Mr. {Vitale.} Yes, it will.

2463 Mr. {Weiner.} And with it will be Medicaid expenses,
2464 will it not?

2465 Mr. {Vitale.} Yes.

2466 Mr. {Weiner.} So in fact, if you are a well-governed
2467 State and the economy does better, meaning less, God willing,
2468 20 percent of the economy is health care, and people are
2469 employed more like they have been increasingly--more private
2470 sector jobs have been created under President Obamacare than
2471 under 8 years of President Bush--if it continues that way,
2472 Medicaid expenses could go down. Is that correct?

2473 Mr. {Vitale.} That is correct.

2474 Mr. {Weiner.} Now, if I can talk to you a little bit
2475 about some of the things that are required in here and just
2476 get your feedback on them. One is this notion of standards.
2477 The gentlewoman from Tennessee says oh, one size fits all,
2478 but let us assume for a moment the citizens of New Jersey
2479 through their State rights say that we are going to have
2480 certain health care standards that are robust, we want to
2481 make sure that our insurance actually covers people, and the
2482 State of Tennessee says no, we are going to have a scaled-
2483 down program that has virtually no benefits but lower cost,
2484 isn't it very likely that citizens of New Jersey if they can
2485 go to that lower standard, the healthy ones will say wait a
2486 minute, I don't need a lot of insurance, I am going to go to
2487 the lower standards, won't there be a race to the bottom,
2488 less insurance and ultimately the same thing we have now,

2489 which is people who are underinsured? Wouldn't that be the
2490 effect?

2491 Mr. {Vitale.} That will be the effect, yes.

2492 Mr. {Weiner.} So the effect of having standards across
2493 State lines is to make sure there is fair competition between
2494 States.

2495 Next is this notion of mandatory coverage that is
2496 enshrined in Romneycare. Are you aware that under the
2497 mandatory policies of Romneycare that with the subsidy, a
2498 very similar model that we set up, under Romneycare, a grand
2499 total of 0.67 percent chose not to take the subsidy and buy
2500 insurance? Are you aware of that?

2501 Mr. {Vitale.} Yes.

2502 Mr. {Weiner.} It is a very tiny number because actually
2503 this is going to come as a surprise, the American people when
2504 given a subsidy, they want the insurance.

2505 Now I would like to talk a little bit about Dr. Goodman
2506 and Congressman Istook's solutions. They say why don't we
2507 look at what Walmart does and they are able to lower costs if
2508 we just give people money, they will go out and buy
2509 insurance. Well, if you don't believe in the laws of big
2510 markets and you don't believe in the laws of the economy that
2511 more people joining together can negotiate for lower prices,
2512 you can do something. Maybe my father when he retired at 61

2513 with an incidence of prostate cancer was not yet eligible for
2514 Medicare, he went out as an individual and said I am going to
2515 try to buy insurance so the insurance company said one of two
2516 things: one, we don't want you, you are going to get sick,
2517 our business model is paying out as little as possible, or
2518 two, they said \$17,000 to \$20,000 a year from my retired
2519 father. And the reason is very simple. Under Dr. Goodman's
2520 model, we can all be given money to go out and spend and
2521 people like me and Congressman Istook, who is healthy as an
2522 ox, he will be able to get insurance, but what do you do with
2523 the people who the insurance company says I don't want it.
2524 Under Dr. Goodman's model, there are no standards, everyone
2525 just gets a check. What you are doing is deconstructing one
2526 of the most powerful models that Walmart uses, which is when
2527 you get large pools of people, you are able to hold costs
2528 down. If you don't believe me, look at how auto insurance
2529 works. It aggregates risk over the whole pool. You say to
2530 each every citizen, go out and buy for yourself, you are
2531 resisting the ideas of a free marketplace and how it works
2532 and works best. And I have got news for you, Dr. Goodman.
2533 Do you know who is going to love your idea? Insurance
2534 companies. They love the idea of just give the money, we
2535 will get some people come in with the money but we will get
2536 to decide who we want and who we don't, and you ignore the

2537 idea that sometimes what you have got to say is you know
2538 what, let us pool people together, and for those of you who
2539 are wondering, the idea of expanding Medicare, the boogeyman
2540 of the single-payer system, is based on that model because we
2541 have all these citizens, we hold down costs and we aggregate
2542 everyone together. That is the way the system works
2543 correctly. I thank you.

2544 Mr. {Pitts.} The gentleman's time has expired. The
2545 chair recognizes the ranking member for a unanimous consent
2546 request.

2547 Mr. {Pallone.} Mr. Chairman, I would ask unanimous
2548 consent to include the testimony of Jeff Levy of the Trust
2549 for America's Health and from Alan Weil of the National
2550 Academy for State Health Policy, and I would also like to add
2551 a facts sheet on your proposal, the chairman's proposal, to
2552 block mandatory funding in the Affordable Care Act. This was
2553 prepared by Mr. Waxman, our ranking member. I believe you
2554 have all of these.

2555 Mr. {Pitts.} Without objection, so ordered.

2556 [The information follows:]

2557 ***** COMMITTEE INSERT *****

|
2558 Mr. {Pitts.} In conclusion, I would like to thank our
2559 witnesses, former Congressman Istook, Dr. Goodman, Senator
2560 Vitale, for their testimony. I would like to thank them and
2561 the members for participating in today's hearing. I remind
2562 the members that they have 10 business days to submit
2563 questions for the record, and I ask the witnesses to please
2564 respond promptly to the questions. Members should submit
2565 their questions by the close of business on March 23rd.

2566 With that, this subcommittee hearing is adjourned.

2567 [Whereupon, at 1:50 p.m., the Subcommittee was
2568 adjourned.]