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REVIEW OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES' FISCAL YEAR 2008 BUDGET

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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REVIEW OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES' FISCAL YEAR 2008 BUDGET

TUESDAY, FEBRUARY 6, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The committee met, pursuant to call, at 10:05 a.m., in room 2123, Rayburn House Office Building, Hon. John D. Dingell (chairman of the committee) presiding.

Present: Representatives Markey, Boucher, Towns, Pallone, Rush, Eshoo, Stupak, Engel, Wynn, Green, DeGette, Capps, Doyle, Harman, Allen, Schakowsky, Solis, Gonzalez, Inslee, Baldwin, Hooley, Weiner, Matheson, Butterfield, Melancon, Barrow, Hill, Barton, Upton, Stearns, Deal, Whitfield, Shimkus, Pickering, Fossella, Pitts, Walden, Terry, Ferguson, Rogers, Myrick, Sullivan, Murphy, and Burgess.

Staff present: Sharon Davis, Elizabeth Ertel, Bridgett Taylor, Amy Hall, John Ford, William Garner, Jessica McNiece, Christie Houlihan, Ryan Long, Melissa Bartlett, Brandon Clark, Katherine Martin, and Chad Grant.

OPENING STATEMENT OF HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

The CHAIRMAN. The committee will come to order. The purpose of today's hearing is to receive before the full committee, testimony from the distinguished Secretary of Health and Human Services regarding the President's fiscal year 2008 budget request. Mr. Secretary, we welcome you.

On occasions when a hearing is conducted at the full committee level, the Chair, after consultation with my dear friend Mr. Barton, will be following somewhat different procedures with regard to opening statements and questions.

Consistent with the rules and past practices of the committee, the chairman and ranking member of the full committee then will be recognized for 5-minute opening statements. The chairman and the ranking member of the relevant subcommittees will be recognized for 3-minute opening statements.

All other Members will be recognized for a 1-minute opening statement, but they may waive their statements for an additional 1-minute of questioning during the first round.

The Chair wishes we could do this a little differently, but the situation is we have a very large committee and to do the business and show courtesy to all, this is probably the best solution. We used it during the past Congress where Mr. Barton and I worked it out, and it was generally satisfactory to the Members.

Now I will recognize Members who are here when I call this hearing by order of their seniority on the full committee. Once all these Members have had an opportunity to deliver or waive a statement, I will recognize all members of the committee in the order that they arrived at the hearing.

Sharon Davis, the chief clerk of the committee, will keep a careful accounting of the attendance for purposes of ensuring that this is fairly and properly carried out.

The Chair will recognize Members for the purposes of questioning Secretary Leavitt under the same procedures that I have outlined.

Before we proceed with the hearing, the Chair reminds our good friends and colleagues that the committee will be conducting two additional full committee proceedings this week. As previously noted, one, the full committee will reconvene on Thursday, February 8 at 10 a.m. to receive testimony of the Secretary of Energy regarding the President's fiscal year 2008 budget request. And Members and their staff are invited to a briefing by the Intergovernmental Panel on Climate Change regarding its recently announced fourth assessment report on February 9 at 10:00 a.m.

The Chair suggests very strongly that my colleagues should be there.

The Chair now recognizes himself for the purposes of an opening statement.

Today we will hear about the President's fiscal year budget from the Secretary of Health and Human Services, our friend Secretary Leavitt.

Forty-six million Americans today lack health insurance. This problem warrants immediate attention. The administration, however, continues to shred the health safety insurance net.

First the President has missed, and regrettably, an historic opportunity to reduce the number of uninsured children. Seven out of 10 uninsured children qualify either for Medicaid or the State children's health insurance program, SCHIP, but are not yet enrolled. The President, however, makes cuts in the program ensuring that we will not reach those children and that more children and their parents will become uninsured.

Second, rather than working with the States to bolster health care coverage, the administration cuts key benefits; $50 billion in overall calls to Medicaid coming on top of last year's $28 billion in cuts. It also induces the States to provide bare-bones packages and high-deductible plans that make little sense for the working poor.

Third, the President proposes billions in tax breaks to encourage people to move from employer-sponsored coverage into high-deductible or bare-bones health plans in the unregulated insurance market. Studies have documented that this will cause employers to drop insurance coverage that they provide their workers today.

Fourth, the President directly attacks the institutions that serve the uninsured and the underinsured, cutting upward of $50.4 billion from hospitals, public providers and medical education.

On Medicare, the budget is as noteworthy for what is absent as what is included. The budget fails to address the documented problems in part D drug benefit or include one dime to address pending Medicare physician payment cuts, a very serious problem.

According to the American Medical Association, physicians will see a 10 percent payment cut next year and cumulative cuts of more than 40 percent over the next 10 years. Moreover, the President would increase part D premiums for more Medicare beneficiaries, as well as the part D premium. Likewise, the budget does not propose any of the MedPAC-recommended cuts to HMO and private health plan payments, which alone would save tens of billions of dollars over that time.

Instead, it proposes $252 billion over the next 10 years in cuts to Medicare fee for service, the program that enrolls the vast majority of our seniors today. In the public health service budget, there are several other proposals causing concern. Instead of existing programs being invested in what would affect children's health and adolescent health, the President's budget creates a new adolescent health promotion initiative with a budget of 17 million for a country of 300 million people. The public health safety net takes another beating in this budget.

Programs for training health professionals, substance abuse prevention, and chronic diseases are but a few examples. The budget for National Institutes of Health does not keep up for inflation, much less providing for needed increases where they could be spent for the public good.

I am alarmed that the budget does not provide adequate resources for public health threats for bioterrorism. The Trust for Americans' Health says that reduction in the bioterrorism in public health preparedness programs is particularly troubling.

We are cutting core boots-on-the-ground support for emergency disaster response, leaving the country at unnecessary levels of risk. While this budget provides increases for the Food and Drug Administration, I remain concerned that these increases will not be adequate to allow Food and Drug to properly ensure safety of drugs, food, cosmetics and medical devices. This is a disturbing message that we find in the President's budget.

The Chair notes that I have completed my statement with 32 seconds remaining, and I now recognize my dear friend Mr. Barton for 5 minutes.

OPENING STATEMENT OF HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BARTON. Thank you, Mr. Chairman. And if you feel a little rusty, I can just show you what I good fellow I am; I will be happy to take over at any time, until you feel unrusty.

It is time to have our full first committee hearing on the on part of the President's budget in health items and we do have our very eminent Cabinet Secretary, Governor Leavitt here. We welcome you, sir.

This committee has a proud history of legislating and doing oversight in health care. In the last Congress we reauthorized for the first time in a generation the National Institutes of Health. We reauthorized the Ryan White AIDS Act and we also passed legislation to spur development of bioterrorism countermeasures. That is just a few of the examples of things that actually became law that originated in this committee in the last Congress. In the 110th Congress we have a new chairman who is going to do an outstanding job, I am sure, and I am sure that he wants to be active on health care.

I will not be surprised if the emphasis changes. We have already seen a lot of the Presidential want-to-be candidates on the Democratic side talking about health care, and if they follow through, we are going to see lots of proposals that would require tax increases, government mandates and many, many more government bureaucrats involved in health care for the average American and the average American family.

I personally think we ought to have more choices in health care and I think those choices ought to be based on market forces and openness and transparency as opposed to mandates and bureaucracy.

We will have some spirited hearings and some spirited debates about that in this committee.

Mr. Dingell has told me that he plans to reauthorize the State Children's Health Insurance Program which we commonly call the SCHIP program. That program expires this year. It is under the jurisdiction of this committee. And we certainly want to be involved in that.

The new congressional majority has already passed a piece of legislation on the House floor requiring the Secretary of HHS to go out and negotiate Medicare part D prescription drug benefits for the senior citizens. Mr. Dingell taught me, when I was a junior member of this committee in the minority, that you held hearings and you held markups and you actually had a regular-order process to do major things like that. We have not done that so far. Some on the majority decided to legislate before they knew what they were talking about.

But maybe we are coming back to the old way of doing things if this is the start of today's hearing. I certainly hope so.

I do think that we need to look at the Medicare program and we need to look at the Medicare part D prescription drug benefit program. The numbers that I have been given show that the premiums are 42 percent lower than expected, the cost is 30 percent lower than anticipated, and that the seniors that have chosen to participate in the program have somewhere between a 70 and 80 percent satisfaction.

So that seems to me that it is a program that is working. Costs are coming down, options are going up, and people are satisfied.

We also need to look at the larger Medicare program. We need some long-term reforms in Medicare. And I am sure this committee is going to look at that. We have a funding problem in Medicare over time. The program is going bankrupt and I am hopeful that Chairman Dingell will take a systematic view of the overall program.

The President in his State of the Union address announced two new innovative solutions for affordable health insurance. I am sure that the Secretary is going to talk about that in his statement. We do have millions of uninsured Americans. We do need to find a way to find health care and health insurance for those Americans that don't have it today. The President has announced two programs to do that.

He has a tax deduction for basic insurance called the President's Affordable Choices Initiative. This would provide States with incentives to make basic affordable private health insurance available to their citizens and the Secretary of HHS would be able to redirect Federal payments away from institutions to individuals in eligible States.

I think this is an idea that makes some sense. I certainly hope that we will take a serious look at it in this committee. And I also know that will have to be done in the Ways and Means Committee.

I see that my time has expired, Mr. Chairman, so let me say that we on the minority side look forward to working with you and those in the majority in the health areas to find better health care at affordable costs for all citizens in America.

The CHAIRMAN. I thank the gentleman.

The gentleman from New Jersey Mr. Pallone for 3 minutes.

OPENNIG STATEMENT OF HON. FRANK PALLONE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PALLONE. Thank you, Mr. Chairman. Mr. Chairman, what a difference 2 weeks makes at the White House. Yesterday President Bush sent his budget proposal to Congress that completely contradicts statements he made on health care 2 weeks ago during his State of the Union address. He specifically stated then that when it comes to health care, government has an obligation to care for the elderly, the disabled, and poor children. Yet yesterday the President proposed a budget that includes serious cuts to the very programs that serve these vulnerable populations; that is, Medicare, Medicaid, and the State children's health insurance program, SCHIP. So once again it appears as though the President's previous statements are nothing but empty rhetoric.

And I am most alarmed about the President's proposal to reauthorize the SCHIP program. Under the President's plan, the Federal Government would reduce payments to States who cover children above 200 percent of the Federal poverty line. This would mean a drastic reduction in aid from my home State of New Jersey which covers kids up to 350 percent of the Federal poverty line. If enacted, I have no doubt that it would spell disaster for low-income children in New Jersey and across the country.

As Congress works to reauthorize SCHIP, I urge the President to scrap his plan and work with Democrats to put forward a realistic proposal that maintains current eligibility standards and improves outreach and enrollment efforts.

I also have serious concerns about the mix of Medicare and Medicaid proposals included in the President's budget. Once again, the President has put Medicare and Medicaid on the chopping block. Instead of trimming the fat currently going to managed care com-

panies, the President would slash reimbursements to providers and burden beneficiaries with higher premiums.

Noticeably absent from the President's budget once again is any mention of the physician payment fix. Apparently, ensuring physicians receive adequate payments is not a priority for this administration.

And finally, Mr. Chairman, let me reiterate my firm opposition to the President's new health insurance tax proposal, and I stress tax proposal because that is what it is. This will be disastrous for consumers because it forces them into the unstable and uncertain individual insurance market. As with health savings accounts and associated health plans, the President's new proposal could potentially increase the number of Americans without insurance, especially among our most vulnerable citizens who need it most.

And I am also firmly opposed to his plan to divert DSH payments away from our safety net hospitals. I whole-heartedly agree with the President that we need to do more to reduce the ranks of the uninsured; however, I disagree with the means he is proposing to get us there.

As Congress considers possible solutions to this growing problem, we should be guided by the principle of first do no harm. Unfortunately the President's latest budget proposal fails to meet this basic test.

And I have a lot of concerns in addition to the President's budget proposal, too many to mention now, but I look forward to asking the Secretary some questions later today and thank him for being with us.

Thank you, Mr. Chairman.

The CHAIRMAN. The Chair thanks the gentleman.

The Chair recognizes now the distinguished gentleman from Georgia, Mr. Deal, for 3 minutes.

Mr. DEAL. Mr. Chairman, I will reserve my time for questions.

The CHAIRMAN. The gentleman reserves his time.

We will now recognize Members in the order announced earlier.

The Chair recognizes next the gentleman from Michigan, Mr. Stupak, for 1 minute.

OPENING STATEMENT OF HON. BART STUPAK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. STUPAK. Thank you Mr. Chairman.

Welcome to the committee, Mr. Secretary. As chairman of the Oversight Subcommittee, I can tell you that we have quite a backlog of business with HHS. This morning I offer my commitment to work with you to expose the truth of how a sizeable bureaucracy has been functioning. The subcommittee will not be requesting documents or interviews that we don't need, but we will expect your cooperation in assuring that the committee has the information necessary to fulfill our constitutional responsibility to see that law is sufficient and is being administered properly.

We have particular concerns about the compromises to both food and drug safety at FDA. We are concerned about the Department's ability to protect this country from bioterrorism and natural threats such as pandemic flu. We intend to examine issues of ethics and conflicts of interest that seem to plague your agencies. We

want to work with you to examine problems and to call attention to your successes.

On a personal note, a good start would be if you can answer questions I put to your predecessor back in July 2004 regarding the 1 800 adverse side effects numbers for prescription drugs. It has been almost 5 years and nothing has been done.

Also by February 15, 2006, questions to you concerning Accutane specifically, with over 300 suicides reported by Accutane users, what is the FDA doing to protect users other than posting warnings on the FDA Web site?

Thank you for coming. And I look forward to asking a few more specific questions later.

The CHAIRMAN. The Chair recognizes now the distinguished gentleman from Michigan, Mr. Upton, for 1 minute.

Mr. UPTON. Thank you, Mr. Chairman I am going to reclaim my time under questions so I will waive my opening statement.

The CHAIRMAN. Gentleman chooses to reserve his time. We now recognize the distinguished gentleman Mr. Walden for 1 minute.

OPENING STATEMENT OF HON. GREG WALDEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. WALDEN. Thank you Mr. Chairman.

Mr. Secretary welcome. We are delighted to have you here today. I realize in the budget of any size for a family of four or a family of 300 million you have to make some tough choices. And I want to commend the President for the additional 224 million for community health centers. I think this is something that I hope Congress will certainly enact. I have seen firsthand the importance of these community health centers across my district.

I am also pleased to see the President recommend a modest increase in funding for State offices of rural health. Ours in Oregon does a fantastic job. I am disappointed, however, that the President recommended eliminating funding for other rural health programs, such as rural hospital flexibility grants which fund quality improvement efforts at critical access hospitals and small rural hospitals. Representing a district that is more than 70,000 square miles in size, with many, many very small, isolated, rural communities, this program is essential for them. I will submit the rest of my comments for the record and I will look forward to hearing your comments.

The CHAIRMAN. Without objection, the balance of the statement is inserted in the record.

The Chair recognizes now the distinguished gentlewoman from Colorado, the vice chairman of the committee, Ms. DeGette.

Ms. DEGETTE. Mr. Chairman, I will reserve my time for questioning.

The CHAIRMAN. Gentlewoman reserves her time.

The Chair now recognizes the distinguished gentlewoman from California, Ms. Capps.

Mrs. CAPPS. Thank you, Mr. Chairman. I would reserve my time as well.

The CHAIRMAN. Gentlewoman reserves her time.

The Chair now recognizes the distinguished gentleman from Pennsylvania, Mr. Doyle.

OPENING STATEMENT OF HON. MICHAEL F. DOYLE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

Mr. DOYLE. Thank you, Mr. Chairman. It is a pleasure to get to call you that this morning. And thank you, Mr. Secretary, for coming down to help explain the President's priorities.

It has been said that our budget is a statement of the Nation's priorities, and I for one am disappointed that it continues to be a bigger priority for our President to cut taxes for those who have plenty and to cut aid for those who have little.

This President's Iraq policy costs us over $100 billion a year. And the burden for paying for that is placed squarely on the backs of seniors, children, and the working poor and not those who have plenty to give.

Medicare cuts, Medicaid cuts, hardly enough funding for SCHIP to cover the children already in the program today. At a time when the President is pushing to take people from uninsured to underinsured, he proposes cutting support funds for the hospitals that serve as the last refuge for those folks and as a public health safety net.

And finally, while the President claims his budget is fiscally responsible, it will hamstring our economy over the long run, adding another $3 trillion to the national debt over the next 5 years alone.

Mr. Secretary I look forward to hearing how this budget will do more good than harm.

The CHAIRMAN. The Chair now recognizes the distinguished gentleman, Mr. Murphy, for 1 minute.

OPENING STATEMENT OF HON. TIM MURPHY, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

Mr. MURPHY. Thank you, Mr. Chairman. And thank you, Mr. Secretary, for being here. Although I am pleased that there is a number of things that continue to be funded in the President's budget, I would like to ask that part of the thing that may come up is—maybe not necessarily in this hearing but maybe in the future—when you look at some examples of where we can be saving money and not just looking at the way that Congress usually deals with making cuts. These include such things as saving $50 billion and 90,000 lives by providing incentive payments or working with hospitals to reduce infections; to expand the number of volunteer doctors at community health centers and making sure that every family has a neighborhood doctor; to eliminate higher discriminatory copayments under Medicare for our Nation's seniors seeking mental health services; and also to work to establish regional collaborations to work on health information technology. All issues that I know are near and dear to you and the President.

And I look forward to hearing your comments and working together with you to make sure we bring health care into the 21st century and also make sure we really work to reduce health care costs and not just deal with the costs of health insurance. Thank you, Mr. Chairman I yield back.

The CHAIRMAN. The Chair thanks the gentleman.

The Chair recognizes now the distinguished gentlewoman from California, Ms. Harman.

OPENING STATEMENT OF HON. JANE HARMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. HARMAN. Thank you, Mr. Chairman. I apologize to you and our witness that I must leave soon for a memorial service for a dear friend, and I want to take my 58 seconds and flag an issue that I know is on everyone's mind, and that is pandemic flu preparedness.

This budget includes another $1.2 billion on top of the $6.1 billion that we have already appropriated. But just in recent weeks we have seen a mutated avian flu virus kill two people in Egypt, and the scary part was that this virus was resistant to Tamiflu which at the moment is our primary post facto countermeasure.

This is a dynamic evolving threat. We need a dynamic evolving response. I don't think anyone on this committee—and I am sure Secretary Leavitt is encouraged by how we responded to Katrina, and this is Katrina times 100. So I would urge you, Mr. Secretary, to make clear in this testimony and in your future statements how your Department will be ready, how your strategy will guarantee that this enormous potential threat will be handled.

I think it is up there, Mr. Chairman, among the top horrors that could confront America if we don't act effectively. Thank you.

The CHAIRMAN. The Chair recognizes now our good friend and colleague, Mr. Burgess.

OPENING STATEMENT OF HON. MICHAEL C. BURGESS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BURGESS. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for being here. I too am pleased that the budget makes a continued commitment to expanding health centers. Fully funding this initiative represents just one side of the coin, however. There are many entities that are willing and able to establish a community health clinic in many more areas of the country, none more so than the portion of north Texas that I represent. However, many archaic programs hinder the development of a medical home for millions of more Americans.

I believe that while additional funding is essential, the committee must turn a critical eye toward the rules that govern the community health center as well as the Federal agency itself. When we again take up the important work of reauthorizing this program, I hope to work with you, Mr. Secretary, and you, Mr. Chairman, to address this important issue.

STR remains a critical issue before our Nation, but I, just like the Secretary, I believe, feels that is an issue that requires a legislative fix and not a Federal agency fix.

Another issue I would like to discuss is the state of the health care system in New Orleans. Having visited that area several times after Hurricane Katrina and discussing the situation on the ground with health professionals, I have great concerns that the money appropriated for rebuilding and relief in that area could be used in a more efficient manner.

I am also concerned with the Federal agencies that assist hospitals, and other health care providers that are actually more of a hindrance than a help, but certainly look forward to hearing your comments on that. I yield back.

The CHAIRMAN. The Chairman thanks the distinguished gentleman.

And now the Chair recognizes the distinguished gentlewoman, Ms. Solis, for 1 minute.

OPENING STATEMENT OF HON. HILDA L. SOLIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Ms. SOLIS. Thank you and good morning, Mr. Chairman, and Members.

And, Secretary Leavitt, thank you for coming here. As you know, health care access is one of our big priorities here in the Congress. Forty-six million Americans are uninsured, and that includes 1 in 3 residents in my district who don't have a form of coverage and 14 million Latinos nationally who don't have any health care coverage.

Eighty-three percent of the uninsured, as you know, are working families. And yet the proposed budget appears to leave our seniors and children with fewer choices and higher costs. Nine million children, including 1 in 5 Latino children, are uninsured and yet the President wants to reduce SCHIP eligibility for many of our children.

Our safety-net providers and hospitals are also struggling, and they make that very well known to us when we go home to our districts. Communities of color bear the impact of the lack of health care, struggling disproportionately from chronic diseases such as diabetes and obesity, and yet the budget fails to place a priority on culturally and linguistically competent care.

We must do better for all Americans. And I urge the administration and Secretary Leavitt to work with us and place a priority on ensuring access to quality, affordable, culturally and linguistically competent care in all of our communities.

And I thank you, Mr. Secretary, and look forward to working with you.

The CHAIRMAN. The Chair thanks the gentlewoman.

The Chair recognizes now the gentleman from New Jersey, Mr. Ferguson, for 1 minute.

Mr. FERGUSON. Mr. Chairman, I will waive my opening statement for additional questions.

The CHAIRMAN. Gentleman waives 1 minute; he will have that added to his time.

The Chair recognizes now my good friend and colleague, Mr. Pitts, for 1 minute.

Mr. PITTS. I will waive, Mr. Chairman.

The CHAIRMAN. Gentleman has waived his 1 minute.

The Chair recognizes now my good friend, Mr. Whitfield.

Mr. WHITFIELD. Mr. Chairman, I waive my opening statement as well.

The CHAIRMAN. Gentleman has waived his opening statement.

The Chair recognizes now our good friend, Mr. Terry.

Mr. TERRY. Waived as well.

The CHAIRMAN. Gentleman has waived his time.

The Chair recognizes now the distinguished gentleman, our good friend and colleague, Mr. Stearns from Florida.

OPENING STATEMENT OF HON. CLIFF STEARNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. STEARNS. Thank you, Mr. Chairman. I appreciate the Secretary being here. I praise the implementation and oversight of Medicare part D. In my congressional district I have heard nothing but overwhelmingly good news. And I have The Villages, which is the largest adult community in the Nation, and I have heard nothing but positive news.

In fact recently in the Gainesville Sun, they printed a letter by one of my constituents, Mrs. Rannel James. She and her husband are both in their seventies. They have been married almost 50 years and they wrote, quote, Medicare part D has been a great experience for our family. We saved nearly $250 a month because of Medicare part D on our medications, and we look forward to continuing this savings next year.

This benefit has given them coverage, and, it appears from their letter, peace of mind, which is most important.

And also recently I think all of you saw the Washington Post editorial that appeared on November 2, 2006 talking about this prescription drug—how it is working and we don't need to change it.

And so, Mr. Chairman, I am just very pleased that the Secretary is here and I want to compliment him and his staff for what a great job they are doing with the implementation of the Medicare part D program.

The CHAIRMAN. The Chair recognizes now the gentleman from Washington, Mr. Inslee.

OPENING STATEMENT OF HON. JAY INSLEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. INSLEE. Thank you, Mr. Chairman. I was just looking at a newspaper. Someone described this budget as a dead on arrival document that gets everyone in a tizzy. So perhaps we should keep that in mind. But I think this budget is important to discuss—even though it will not pass—in illustrating how a priority is helping—a misprioritization is hurting Americans' health.

When Americans go to get health care and it is not there—if this budget were to pass, because of the cuts to the disproportionate share program for hospitals that help serve our 47 million Americans who do not have insurance, and they wonder where their health care went, it went into the sands of Iraq. And this policy document, this budget, makes very clear that the President has made a priority on the escalation to pour our taxpayer dollars into the sands of Iraq rather than to our Nation's uninsured and to our seniors, both of whom will have reduced access to health care.

And the principal message I would take from this budget is we would rather escalate in Iraq than escalate our efforts to provide health care in America. And we will be talking about that this afternoon. Thank you.

The CHAIRMAN. The Chair recognizes now our good friend from Michigan, Mr. Rogers, for 1 minute.

Mr. ROGERS. Mr Chairman, I waive my opening.

Mr. STUPAK. Gentleman has waived.

The Chair then will recognize our friend and colleague, Mr. Hill, for 1 minute.

OPENING STATEMENT OF HON. BARON P. HILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. HILL. Thank you, Mr. Chairman.

Mr. Secretary, thank you for appearing before us today. I first want to say that I am happy to see that the President has made health care an issue and it has become a priority for him. I believe it is very important to ensure access to affordable health care to all of our citizens. An ailing workforce is terrible, not only because people are suffering, but because it costs the government millions of dollars for illnesses that could have been prevented. However, I do not believe by penalizing those who already have employer-sponsored health insurance by raising their taxes is the way to do so.

That aside, it seems that the President and some of my colleagues on the Hill are attempting to develop some system of universal health care. While some may see ensuring affordable health care for all citizens as a government responsibility, others may view it as the responsibility of the private sector or individuals.

I believe that these individuals have essentially skipped over one of the most important debates that Congress should have: Is affordable health care a right or a privilege? If Congress decides that affordable health care should be a constitutional right, it may then include all relevant players, insurance companies, pharmaceutical companies, hospitals, doctors, et cetera, in devising a program.

Mr. Secretary, I look forward to your testimony today and specifically to finding out if you and the President have ever discussed whether or not affordable health care should be a citizen's constitutional right.

The CHAIRMAN. The Chair recognizes now the distinguished gentleman from Illinois, Mr. Shimkus, for 1 minute.

Mr. SHIMKUS. I will waive, Mr. Chairman. Thank you.

The CHAIRMAN. Gentleman has waived.

The Chair recognizes now our dear friend and colleague from Wisconsin, Ms. Baldwin.

OPENING STATEMENT OF HON. TAMMY BALDWIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Ms. BALDWIN. Thank you, Mr. Chairman.

And thank you, Secretary Leavitt, for joining us this morning. Our Nation is in the midst of a health care crisis. Nearly 47 million Americans are uninsured, and an additional 16 million are underinsured. So an aggregate 63 million Americans either have no health insurance or only sporadic coverage, or have insurance coverage that leaves them exposed to high health care costs.

And we all know this is unacceptable. But what is even more unacceptable is that the President's budget proposes harsh cuts to both Medicare and Medicaid, programs that actually do provide af-

fordable comprehensive health care, and it offers a reform proposal that I fear will make many Americans worse off.

In addition, this budget includes substantial cuts to health care providers, those who are actually providing the needed care to the 47 million uninsured Americans.

Lastly, this budget proposes to fund the State child health insurance program at a level which we all know will fall far short of the amount needed to continue to provide health care to the children currently covered; this, at a time when we ought to broaden SCHIP to cover all uninsured children in America.

This budget misses opportunity after opportunity and is a disappointment to the nearly 47 million Americans who have no health insurance at all. Thank you, Mr. Chairman.

The CHAIRMAN. The Chair thanks the gentlewoman.

The distinguished gentleman from Utah, Mr. Matheson.

Mr. MATHESON. Mr. Chairman, I will waive.

The CHAIRMAN. Gentleman waives.

The Chair recognizes now the distinguished gentleman from Texas, Mr. Gonzalez.

Mr. GONZALEZ. Waive the opening.

The CHAIRMAN. Gentleman has waived.

The Chair now recognizes our dear friend from California, Ms. Eshoo.

Ms. ESHOO. Mr. Chairman, I will defer.

The CHAIRMAN. Gentlewoman has deferred.

The Chair recognizes now the distinguished gentleman from North Carolina, Mr. Butterfield.

OPENING STATEMENT OF HON. G. K. BUTTERFIELD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. BUTTERFIELD. Thank you, very much, Mr. Chairman.

Mr. Secretary, let me join my colleagues in thanking you very much for your testimony today and your willingness to come down and engage in this process.

The reason I am sitting on the third tier is because I am one of the newer members of this committee. In fact, this is my very first hearing. So thank you very much for being a part of it after.

I represent the 15th poorest district in the Nation, eastern North Carolina, and we have a health care crisis in my congressional district. And I know you are sensitive to that. But I want you to encourage your Department and the administration to become more attuned to rural health issues.

My health centers are doing the best that they can do. My hospitals are engaged in good quality health care, but they are not paying the bills. And many of our hospitals are challenged, and some are even threatened with going out of business.

And so thank you for what you do, and I look forward to being an advocate on health care issues. And I look forward to working with you.

I yield back.

The CHAIRMAN. Gentleman's time has expired.

Chair recognizes now the distinguished gentleman from Maryland, Mr. Wynn.

OPENING STATEMENT OF HON. ALBERT RUSSELL WYNN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. WYNN. Thank you, Mr. Chairman. And I welcome you, Mr. Secretary. I appreciate your presence here.

Today I want to reiterate a point that was made by several of my colleagues, and that is my concern about the cuts to Medicaid and Medicare. This will affect in Maryland, my State, 627,000 Medicare patients and 485,000 Medicaid patients.

And the way we are affecting them is that we are reducing reimbursements to the physicians. And that is something that this Congress only a few months ago said was unacceptable. We understood there was a crisis that occurred when we did not reimburse physicians adequately.

Moreover, we are going to hurt hospitals, disproportionate share hospitals and other hospitals that take in our uninsured population that you have heard about from many of my colleagues. So I think this is a very unwise policy.

And then to increase premiums on this population of patients and customers I think is equally unwise, because we are in a health care crisis, as has been mentioned.

I share the concern of my colleagues regarding the SCHIP program. We have 137,000 uninsured youth in my State alone. Many people now—in fact, there is a broad consensus that what we ought to do is start by universally covering our young people, those under 18. This policy moves in the opposite direction.

Third, I want to mention LIHEAP. It is ironic that on one of the coldest days this region has experienced, we are looking at a budget that underfunds the LIHEAP program for low-income home energy assistance by $3.3 billion. We authorized $5 billion for LIHEAP, and this administration comes in woefully short of that.

And the problem becomes when we have programs from places like Venezuela who try to help, people say, oh, that is awful, we should not accept their assistance. But we in this country do not provide the necessary assistance for the poor when they confront these drastic weather conditions. So perhaps if we could do better, we would not have to accept charity from places like Venezuela.

Finally, in closing I want to say my district is home to FDA. I am very proud and appreciative of that fact. But it was woefully underfunded by about $150 million——

The CHAIRMAN. Time of the gentleman has expired.

Mr. WYNN. Thank you Mr. Chairman. I relinquish my time.

The CHAIRMAN. The Chair recognizes now the distinguished gentleman from New York, Mr. Towns.

OPENING STATEMENT OF HON. EDOLPHUS TOWNS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. TOWNS. Thank you very much, Mr. Chairman, for holding this hearing today. And thank you, Mr. Secretary, for coming.

I am concerned that much of what the administration proposes is an escalating war on our public health system.

The proposed reductions may virtually eliminate the health safety net for millions of our poor citizens. And that is wrong. These

proposals will shift the weight of paying for that care onto already overburdened cities, counties, and States.

The proposed cuts to Medicare and Medicaid for chronic disease programs, the lack of physician payment reform and the administration's inability to adequately fund health information technology is hurting this Nation's ability to provide effective quality care and to reduce health disparities among communities of color.

I am deeply concerned that this administration is going in the wrong direction, and we should seize this moment to change the direction that we are going in.

On that note, Mr. Chairman I yield back.

The CHAIRMAN. Time of the distinguished gentleman has expired.

The Chair recognizes now the distinguished gentleman from Illinois, the Reverend Rush.

Mr. RUSH. Thank you, Mr. Chairman. Mr. Chairman, I yield.

The CHAIRMAN. Gentleman defers.

And now the Chair recognizes the distinguished gentleman from New York, Mr. Engel.

OPENING STATEMENT OF HON. ELLIOT L. ENGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. ENGEL. Thank you, Mr. Chairman, and welcome, Mr. Secretary. I must say that I am very much appalled at the budget released yesterday. Budgets are a reflection of priorities. And this one, in my opinion, sends a message that the health care needs of children, seniors, hospitals and communities are sacrificed for the administration's other priorities.

The proposals within the budget strike the foundation of patient care, assaulting it from every possible angle. The children's health insurance program will see its funding cut from last year. And, worse, the amount allocated for its reauthorization is less than half the amount required to maintain coverage for current beneficiaries.

While this alone will undoubtedly compound the number of uninsured, the hospitals and other safety-net providers have their funding slashed as well.

The fiscal year 2008 budget calls for billions of dollars in draconian Medicare and Medicaid cuts, including $2.7 billion for New York hospitals and health centers just 2 weeks after CMS issued a regulation that limits States' abilities to draw down needed Medicaid dollars from lawful intergovernmental transfers. One of the most ill-thought-out proposals is the President's call for diverting up to $30 billion in essential payments to safety-net hospitals to States that promote private health insurance, like my State of New York, regardless of the scope of coverage. We can increase coverage effectively by expanding existing comprehensive——

The CHAIRMAN. Time of the gentleman has expired.

The Chair recognizes now the distinguished gentlewoman from Illinois, Ms. Schakowsky.

OPENING STATEMENT OF HON. JANICE D. SCHAKOWSKY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Ms. SCHAKOWSKY. Thank you, Mr. Chairman. And thank you, Mr. Secretary. I feel like I am watching the old movie, Groundhog Day. We are living the same budget over and over again. Once again, the President has placed a higher priority on more tax cuts and a misguided war in Iraq than on meeting the Nation's health care needs.

Despite a record number uninsured and medical bankruptcies, his budget either cuts critical health care initiatives or fails to provide adequate resources to meet the challenge before us.

I have many of the same concerns that I did last year: proposed cuts in Medicare, Medicaid; nurse and health professionals training; the National Cancer Institute; preventive and mental health and provider payments that will jeopardize access to quality and timely care.

I am also disappointed in the low funding levels for SCHIP. This year, like last year, I believe the President's diagnosis of the problem is the reverse of the actual problem.

Americans are not paying too little for health care or getting too much. They are paying too much and getting too little. Shifting more costs onto the already overburdened backs of Medicaid and Medicare beneficiaries is the wrong answer. So too is the proposal to have U.S. taxpayers subsidize highly inefficient individual health policies instead of more cost-effective public coverage.

The movie Groundhog Day ends happily when Bill Murray comes to his senses, changes his behavior, and moves forward. Although the President's budget proposals show no sign of changing, I am confident under your leadership, Mr. Chairman, the Congress will move in a different direction to meet our health care priorities.

And I would just like to add my support to what Dr. Burgess said about Katrina victims. We need to do more.

The CHAIRMAN. The time of the distinguished gentlewoman has expired.

Chair recognizes now the gentleman from Georgia, Mr. Barrow, for 1 minute.

OPENING STATEMENT OF HON. JOHN BARROW, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. BARROW. Thank you, Mr. Chairman, and good morning, Mr. Secretary. In addition to all of the concerns which have been raised, which I share, I have three areas of emphasis that I want us to focus on at some point today. That is SCHIP, SCHIP and SCHIP.

I got a State that has the fifth highest number of folks enrolled in that very successful and very effective program. As a result of that, we are most adversely affected by a funding formula that rewards folks for getting on board but doesn't maintain them once they get on board. I want to know what the administration is going to do to help meet the funding shortfall in States like Georgia that have a lot of folks getting on board.

I also want to know what the administration is going to do about refunding the formula, the funding formula, how to reform it so we don't have this shortfall on a year-to-year basis. Thank you.

The CHAIRMAN. The Chair thanks the distinguished gentleman.

The gentleman from New York, Mr. Weiner.

Mr. WEINER. Thank you, Mr. Chairman.

OPENING STATEMENT OF HON. ANTHONY D. WEINER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Recently the President did a victory lap in New York and announced that $25 million would be put towards those that had responded on September 11, stood on that pile digging for their friends and loved ones and are now dying. I can't find it in me to say thanks, though. Twenty-five million dollars is a fraction of the $1 billion or so that is probably going to be necessary; $25 million should not cleanse the Federal Government of its responsibility when it was the Federal Government that said it was safe for these heroic men and women to be there with paper masks over their face. And $25 million is really not a great gift when the rest of the budget cuts New York $2.7 billion.

So I think it is commendable that to some degree your administration has said it is the responsibility of the Federal Government for these folks that are dying little by little, day by day, but I also think that it is shameful to do the victory lap about the $25 million and then hide from the $2.6 billion responsibility.

Well, today you are not going to be able to do that. But I welcome you.

The CHAIRMAN. The Chair thanks the gentleman.

Chair notes that I think we have heard from all the Members who desire to make an opening statement.

Is there any Member who desires to be heard at this time for an opening statement?

Very well, then, Mr. Secretary, we express to you our affection and our welcome. If you would like to have somebody there at the witness table with you, it would be perfectly proper, and the Chair would say you may do so or even encourage you if you so desire.

STATEMENT OF HON. MICHAEL O. LEAVITT, SECRETARY, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Secretary LEAVITT. Thank you, Mr. Chairman. And may I express what a privilege it is to appear before you and this committee on your first committee hearing.

I will accept your invitation at appropriate times. If there are those who can give better answers than I am equipped to, I would like to be able to provide the best information we have available.

This is a complex and a large budget. It required hundreds of people the better part of the year to develop, and there were tens of thousands of individual decisions. Rather than attempt today to select individual items from my opening remarks, I think it would be most helpful if I could just provide some context and move as rapidly as possible to the individual topics that the various members have indicated.

Most of you are aware how this budget is arrived at. The President does, in conjunction with the Office of Management and Budget, lay out a context and does, in fact, provide instructions and themes and priorities.

It is then sent to the various Cabinet members who have the responsibility then to provide instructions to those who lead the Department.

I think it would be important for me to establish that context. It is very clear to me, and I hope to you and the American people, that the President shares the view that every American ought to have access to an affordable basic insurance policy. He shares the view that our homeland should be safe. He shares the view that we should do all we can to provide assistance to those who are in need.

There is also a need to balance our budget. And this budget focuses a priority on balancing the budget by the year 2012.

It is important in the President's mind, in addition to meeting those obligations, that we keep our economy strong. It is important to him that we keep our taxes affordable, that we spend taxpayer money wisely.

Having those priorities given to me as a Cabinet Secretary, I called together my colleagues and gave them a set of guidelines. And I would like to review those with you if I could, because I think it will give you a context to understand the nature of these decisions.

I first of all indicated to them that there were—there would obviously be a need to alter the glide path of the budget if we were going to balance by 2012, and that would, of course require choosing between programs, all of which had noble purposes.

It is clear to me, and I am sure to all of you, if we are to balance the budget by 2012 it does require the selection of priorities between noble projects. And I don't have any question about the fact that there will be differences of view between Members and between the Congress and the administration on what those priorities should be.

My purpose today isn't to reconcile all these disagreements, but simply to make certain you understand, the best I can, the judgments that were made.

Recognizing that the hard choices need to be made, we also recognized there would be new programs, new initiatives, things that were important for us to respond to. And I gave my colleagues essentially four principles to follow in selecting those. And let me enumerate them.

The first was if there were high demand, highly effective programs that are serving people well, we do need to make certain that they are made a priority.

I will give you some examples. Head Start. We protected Head Start in this process. I would also recognize the Indian Health Service. The issue has been raised many times on SCHIP. We believe SCHIP is a priority that needs to be reauthorized. And I am anxious to have a discussion on the basis of which that should be done.

There were a number of Presidential initiatives that the President wanted to assure were met. And my job is to make certain

that they are. I will give you an example. Community health centers. The President made a commitment when he became President to have 1,200 new ones, and, in addition to that, to seek out the counties that had the highest need and make them a priority. This budget will address that.

The third principle was if there are pressing new problems that we need to address, then we need to find room in this budget to do so.

Many of you have mentioned the FDA and the need for greater focus on drug safety. You will see in this budget a response to that, because we see that as a high new priority.

The fourth was to continue to seek funding and to advocate for funding in some areas that we have advocated in the past that have not been funded to the degree we believe they should be. I will give you examples. Health information technology, very important centerpiece on how we can make health care work better. Fraud and abuse. I have been Secretary now for 2 years. It has become evident to me that we need to do more in that area. And this budget requires response to that from a Congress.

The Commissioned Corps, part of our United States Public Health Service. Many of you talked about Katrina. That is a priority.

Those are the four principles that I asked my colleagues to look for in terms of adding new items to the budget.

Now with respect to the more difficult task of how we would balance out the glide pattern so that we could land a balanced budget by 2012, I provided them with six principles, and if you don't mind I will just enumerate them because I think it will give us the basis of some conversation.

You will see some places in this budget where one-time funds were not repeated. Many of you will be advocates, as I am, for the Centers for Disease Control, for example. You will note that there are some one-time funds that we did not repeat in this budget because this construction was done.

Second, we chose to favor programs where there was a direct providing of a service as opposed to the bolstering of infrastructure.

Now again, I would like to be able to bolster infrastructure and provide basic service. But when we are trying to make these judgments, I offered the guidance to my Department that I would like to see them emphasize the actual providing of services.

I will give you a very good example of this. You will see places here where, in advanced nursing for example, we did not increase the funding, and in fact have reduced funding in a couple of places. But we have increased basic nursing by the use of loan forgiveness and so forth.

And we have also funded community health centers. There is an example of where I said if I can't do both, I would rather provide services than infrastructure. So, again, I recognize that those are both noble purposes, but so you will understand why that happened, they made the decision based on that guidance.

The third principle was to look for places where grants had been concluded or where activities had actually been concluded. A good example of this is in the National Cancer Institute. You will see a minor reduction in the overall budget of the National Cancer In-

stitute, but I would like to point out that there it would be an increase in the number of new competitive grants that are provided. Why? Because we chose, rather than to provide an ongoing funding for a grant that had been concluded, to emphasize new grants. And so there will be more competitive grants. We think that is an important strategy.

Now, the fourth would be to eliminate programs whose purposes might be undertaken by a number of different agencies. Now, HHS is a big Department. This is a big government. And it won't surprise any of you to find that on occasion when a noble purpose is being pursued, that there are more people pursuing it than just one department, with one program. And so I have sought out places where I could find budgets that were attacking similar problems and tried to coordinate those. I have looked for programs that we were involved in where there was, in fact, a redundancy.

I think I have probably taken enough time to give you a sense of principles. I am anxious now, Mr. Chairman, to get to the actual specifics of the Members' questions.

[The prepared statement of Secretary Leavitt appears at the conclusion of the hearing]

The CHAIRMAN. Mr. Secretary you are most courteous.

Chair will recognize the present occupant of the chair for 5 minutes.

Mr. Secretary, how much new funding does the administration's budget add to the SCHIP program? I believe the number is $4.8 billion over a period of 5 years. Is that correct?

Secretatry LEAVITT. Mr. Chairman, we view the continuation of SCHIP as a priority and we see it being about $15.4 billion in the future and we——

The CHAIRMAN. New money, Mr. Secretary.

Secretatry LEAVITT. We would add $5 billion of new money plus the $4.4 billion that is currently left over from previous allocations, and then the $5 billion that is in the base that is a——

The CHAIRMAN. Our numbers are $4.8 billion. Are we incorrect? If so, sir, where please?

Secretatry LEAVITT. My understanding is it is a billion a year. I am informed that I rounded up.

The CHAIRMAN. $4.8 billion.

Secretatry LEAVITT. Correct.

The CHAIRMAN. Thank you, Mr. Secretary.

Now, Mr. Secretary, last year's SCHIP covered 4.4 million children. The numbers I get as we review the budget and we consult with the actuaries at CMS is fiscal year 2008, 4.7 million; fiscal year 2009, 4.7 million; fiscal year 2010, 4.4 million; 2011, 4.4 million; 2012, 4.3 million. Are those numbers correct?

Secretatry LEAVITT. Mr. Chairman, I am not able to follow the individual points. Let me give you the principle which we operate——

The CHAIRMAN. Mr. Secretary, I would love to get that but I have to get down to numbers because we are talking about them. I don't mean any disrespect——

Secretatry LEAVITT. Do you want me to read them off again and ask my able counsel to help us.

The CHAIRMAN. If counsel can help us. Are those numbers correct, sir?

Secretatry LEAVITT. I am informed they are correct.

The CHAIRMAN. Thank you, Mr. Secretary.

Now, Mr. Secretary, outside sources, including the Congressional Research Service, estimates it takes three to four times $4.8 billion in the President's budget to keep the children from losing coverage; is that true?

Secretary LEAVITT. We believe that the budget we have provided or that we have proposed is adequate for us to continue SCHIP. We do believe that SCHIP in the future ought not to be covering more adults than it currently covers, and we believe that it should be focused on children who are in the most need. And we look forward to working with Congress to achieve that.

The CHAIRMAN. I hear you, Mr. Secretary, but with great respect, this is not responsive to the question.

Congressional Research Service and others estimate that it takes three to four times the $4.8 billion in the President's budget to keep children from losing coverage; is that correct or not?

Secretary LEAVITT. That would not be consistent with the belief of the administration.

The CHAIRMAN. Well, I am going to ask you to document that. The numbers that we have gotten everywhere tell us that is the case.

Now, Mr. Secretary, your budget provides no new money to help States with the cost of covering children. In fact, it does just the opposite. It cuts other domestic programs by $117 billion over 5 years as compared to the current spending level, and it cuts Medicaid by close to $50 billion over 10 years; is that statement correct?

Secretary LEAVITT. The budget is as you point out.

I would like to make clear that we believe the budget does make responsible changes in the growth rate of Medicaid and, I will add, Medicare, that we can provide the underlying health care that is required for the groups that those programs were intended to serve with the budget that we have put forward.

The CHAIRMAN. Now, Mr. Secretary, here, let us take a family of three whose income is not more than $36,000, and we reduce the funding to the States to take them off the SCHIP program. Is that a fair statement that your package would remove families of three which have income of not more than $36,000 and reduce payments to the States so that they would be removed from the SCHIP program?

Secretary LEAVITT. That would be dependent upon the State, and it would be dependent upon the rules adopted by the State.

The CHAIRMAN. Well, then in the 19 seconds I have remaining, will you assure me that will not happen?

Secretary LEAVITT. I can assure you that it is dependent completely on the State rules, and if you would like to help reconcile that particular example in the State of Michigan, I would be pleased to do that after the hearing.

The CHAIRMAN. In other words, Mr. Secretary, you are advising us to pray, and I do.

Secretary LEAVITT. It is always a good thing, Mr. Chairman.

The CHAIRMAN. Well, with that record, I now recognize my dear friend Mr. Barton for 5 minutes.

Mr. BARTON. Thank you, Mr. Chairman, and I will stipulate the minority also supports prayer. We are pro prayer on our side, and we know we are going to need a lot of it on this committee of this Congress, so we are for that.

What does "SCHIP" stand for, Mr. Secretary?

Secretary LEAVITT. It is the State Children's Health Insurance Program.

Mr. BARTON. State. It means the States are partially responsible and the "C" is for children.

What is your definition of a "child"?

Secretary LEAVITT. Well, that definition, obviously, is established by the States themselves, and the States have the ability to define what they will——

Mr. BARTON. My definition of a "child" would be a youngster, a toddler, or somebody living at home with a legal guardian or his or her parents, somebody normally under the age of, say, 18, but there are some States that is not a child; isn't that correct?

Secretary LEAVITT. I will accept your definition, yes.

Mr. BARTON. And we have now, I think, in the vocabulary an interesting term, "adult children."

Do you think the original SCHIP program was established to cover adult children?

Secretary LEAVITT. No, Mr. Barton, it was not. I was Governor at the time and serving as part of the Governors Association team that dealt with Congress, and I am quite familiar with the historical background on this. SCHIP was intended to serve children, and has done a very good job at that, and we believe it should be reauthorized and that we should be focusing on providing health coverage——

Mr. BARTON. So, as to those States that choose under law—now it is legal—to cover adult children, maybe we should ask those States to pay for the cost of that coverage.

Would that be an unreasonable request to these States?

Secretary LEAVITT. We believe that those adults who are covered—we do not propose to remove them, but we do not propose to allow additional adults to be covered, and think we should focus SCHIP on children.

Mr. BARTON. On children—and, again, your definition and my definition and probably 100 percent of the dais up here on both sides says a "child" is somebody under age, living with a guardian or at home, sometimes in an institutional setting, but definitely somebody who is not yet ready to go out in the world and take care of themselves in most cases. We are in agreement.

Secretary LEAVITT. [Nods in the affirmative.]

Mr. BARTON. What should we do about those—let me ask for some information.

What is the minimum requirement in the law to be covered under the SCHIP program? Is it 100 percent of the Federal poverty limit; 150 percent; 200 percent? What is kind of the minimum?

Secretary LEAVITT. Well, in States where—first of all, those in the lowest income would be covered under Medicaid. Children who had greater income than Medicaid, but under a limit established by

the States, were permitted to be covered by SCHIP. The State was then provided substantial flexibility and the means by which they would be covered.

Mr. BARTON. But what is kind of the basic bar? In Mr. Pallone's State of New Jersey, they cover up to, if I heard him correctly, 350 percent of the Federal poverty limit; 350 percent, is that the normal standard?

Secretary LEAVITT. That is not. It is 200 percent of the poverty level.

Mr. BARTON. The average is 200.

Secretary LEAVITT. Yes. Certain States' approach to the Federal Government received waivers to——

Mr. BARTON. In my home State of Texas, what is it, 200 percent?

Secretary LEAVITT. I think it is 180 in Texas.

Mr. BARTON. So I am at 180. My good friend from New Jersey is at 350. Should the Federal Government pay that delta between 180 and 350 or should the Garden State of New Jersey's taxpayers? If they choose to cover it at 350 percent, maybe they should pay that difference.

Secretary LEAVITT. We do believe that it is reasonable to have State differences in the States, but we also believe that States have an obligation to meet their share of it and that there needs to be some equity in the way——

Mr. BARTON. I mean, that is one reason Mr. Pallone's State is going to spend its SCHIP money in the first 2 months of this year, and the State of Texas last year had a slight surplus which Mr. Pallone's State wanted to take in the negotiations right at the end of the last Congress.

Secretary LEAVITT. SCHIP was designed as a system of allotments, and many States, most States, chose to manage those allotments to where, if they were getting to the point of their budget running out, they slowed enrollment. Other States did not, and those that did not tended to be——

Mr. BARTON. My time has just expired. If the chairman would let me ask one final question.

The CHAIRMAN. Without objection, so ordered.

Mr. BARTON. Thank you, Mr. Chairman.

If a bill that passed the House a couple weeks ago becomes law, you are going to have the authority to negotiate Medicare prescription part D drug prices for all the senior citizens of America. How do you feel about that?

Secretary LEAVITT. I do not believe that any one person is as able a negotiator as an efficient market. The efficient market that has been created is working in a way that has driven prices down and kept customers happy, and we think the system is working well.

Mr. BARTON. Thank you, Mr. Chairman.

The CHAIRMAN. Thanks to the gentleman.

The Chair recognizes now the distinguished gentleman from New Jersey, Mr. Pallone, for 5 minutes.

Mr. PALLONE. Thank you, Mr. Chairman.

I am not going to get into this State-by-State thing because I think it is irrelevant.

The fact of the matter is we know—and the President says when he is of good conscience, that he cares about covering kids and the

uninsured, and whether there is some woman whose kid is on the street and cannot, get health care in Texas versus New Jersey, it does not make any difference to me. I think they should all be covered, and if you listen to the President's rhetoric, he suggests that they should be.

The problem is that even though, Mr. Secretary, you are saying that SCHIP is a priority and works, the reality is that what you are proposing or what the President is proposing is going to cut down on the number of kids that have health insurance. And I think that is a national disgrace, and it goes against the rhetoric that the President is using in his State of the Union address and when he is out on the road. If he wants to cover more kids, he is going to have to put more money up front for the SCHIP program; and effectively, he is not.

A number of children's health experts estimate that it would cost approximately $12 billion to $14 billion over 5 years to keep up with medical inflation to prevent currently enrolled children from losing their coverage. So, if you are giving 5 million in additional dollars—billion—that means less kids are going to be insured and more kids are not going to have health insurance, whether they are in Texas or whether they are in New Jersey or wherever they happen to be, and at least another $35 billion to $45 billion over 5 years is needed to reach eligible but uninsured children. And what you are effectively doing here is cutting back on the eligibility down to 200 percent, but we are not even covering the kids that are currently enrolled with the amount of money that the President is proposing in his budget.

I just have trouble understanding how the President's proposal to reauthorize SCHIP will improve coverage for children because common sense tells me that when you underfund a program and limit eligibility, a number of children are going to end up losing coverage. And I just have a couple of questions.

Do you have a sense of how many uninsured children currently eligible—I say "currently eligible"—for SCHIP will be enrolled because of the President's proposal? Do we have any numbers in that regard?

Secretary LEAVITT. Congressman, could I just respond generally and then to your specific?

It is the belief of the President, and my own belief as well, that every person in America needs to have access to an affordable basic policy. There are two divergent views that are presented on how we should arrive at that point.

One view is that the Federal Government essentially should ensure or provide coverage to everyone. The other view is that there is a basic Federal responsibility to care for those who are the most needy, and then that we have through our State governments a responsibility to assure that there is a market where people can buy a basic, affordable policy.

This week I met with Governor Corzine from the State of New Jersey, who shares that aspiration and desires to see every person have an affordable basic plan. Recognizing that there may be a difference on which children should be covered by SCHIP, we have agreement on the fact that SCHIP is an important component part and that if you are poor or elderly or disabled, or if you are a preg-

nant mother in a low-income situation, or if you are a child needing protection, you will get coverage. SCHIP is a very important part of it.

Mr. PALLONE. Mr. Secretary, I just do not want my whole time to run out.

The problem is this is a budget hearing, and we are talking about dollars, and I have no reason to believe—and if you have some reason to believe otherwise, tell me. I have no reason to believe that the level of funding that is being proposed by the administration is enough to even pay for the kids that are enrolled now, let alone expand it. In most States, there are more kids eligible and not enrolled in the SCHIP program than there are actually enrolled. So if you cannot even keep up with your budget numbers with those who are currently enrolled because of inflation, we are never going to get to the kids that are eligible even under your 200 percent and are children, not adults. We are never going to get to them. And the President goes out and suggests that he wants to do something about it, and for him to say "well, OK, that is up to the States" is not solving the problem because we know that a lot of the States do not have the money.

Secretary LEAVITT. Well, Congressman, let me make clear that we view the proposal we have made as being adequate to cover those children who are currently covered under SCHIP and to cover the program as it is currently constituted. We do not view that SCHIP is the vehicle to cover all children.

Mr. PALLONE. OK. I appreciate that.

Let me just say, because I have only 15 seconds left, at the same time, you have significant cuts in the Medicaid program. Now, SCHIP is simply supplemental to Medicaid and does not cover as many people as Medicaid. If you cut Medicaid, how are you going to make up for the loss of the uninsured there?

Secretary LEAVITT. We are not proposing cuts in Medicaid. We are proposing savers to reduce the growth rate, and at some point as we go through, if you would like to go through individually, I would be very pleased to reconcile the reasoning that we used in how we made those decisions.

The management of a program as big as Medicaid demands that you continue to look for ways to reduce the cost so we can serve more people. It makes no sense for us to allow a business to go forward without refinement.

The CHAIRMAN. The time of the gentleman has expired.

The Chair recognizes now the gentleman from Georgia, Mr. Deal, for 8 minutes.

Mr. DEAL. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here, recognizing the difficulty of anyone trying to explain budgets as large as the one that you preside over, but I thank you for being here and being willing to entertain our questions.

I, for one, welcome the suggested changes that you are proposing to the SCHIP program, and let me tell you why.

First of all, it is a block grant program, as you indicated, and if my figures are correct, the current poverty level in this country is $20,650. If I take that and compare it with the 200 percent of poverty that you are talking about proposing for SCHIP eligibility,

that is $41,300 for a family of four, and I am speaking of a family of four.

Now, if you go from that level to what we find in some States at 350 percent of poverty for a family of four, it takes it up to $72,275, which is the current eligibility level that some States have for their SCHIP program.

Now, quite frankly, in poor States like the State of Georgia and many other States that are considered poor, if we were to extend eligibility for SCHIP and extend it to the family itself, which is being done in some States, at the level of $72,275, my State would be in great shape. But the reality is that is not practical, and I think what is happening with the SCHIP program is an idea that certainly was welcomed at the time but has gotten out of hand. The waivers that have been granted for expansion to the program are at a level that we just cannot simply afford it, and I welcome the changes that you suggest.

Would you give us a brief overview of why you are suggesting the changes to the SCHIP program?

Secretary LEAVITT. I would like to put that, Congressman, in the context of our vision that everyone ought to have an affordable basic plan. We think that SCHIP is an important component of how we insure specific populations, but if we use SCHIP as essentially the engine to pull us toward a point where everyone is covered by the Federal Government, we do not see that as in the interest of the American people or of taxpayers.

We have a vision of SCHIP covering children, meeting the mission that it has been given. We support its reauthorization.

Mr. DEAL. Now, when we look at Medicaid and the reforms that are proposed there, as I understand the proposal, the FMAP formula for all States would be at 50 percent; is that correct?

Secretary LEAVITT. We propose, on administrative expenses only, that it would be at 50 percent. We see a continuation of FMAP as it currently is with respect to the reimbursement of health care costs.

Mr. DEAL. I see. So it is not 50 percent across the board then?

Secretary LEAVITT. No.

Mr. DEAL. OK. Well, obviously, that would cause some concern for the poorer States that are at a higher FMAP level for the reimbursement of services. I appreciate the clarification on that.

Let me also compliment you for the proposals that you have put in place with regard to building on the reforms that we have worked hard to put in place in Medicaid reform during the last Congress. And I know this committee heard from the National Governors Association, who were basically leading the charge for reforming Medicaid, because every State was facing crises with funding their own portion of the Medicaid formula.

Would you briefly highlight some of the proposals that you are making for further amplification of Medicaid reforms?

Secretary LEAVITT. Yes. Thank you, Congressman.

For example, we believe that Medicaid ought to be used for the purpose of paying for health care for those who are less fortunate. We do not believe that it ought to be the means by which we finance schools. There is a proposal for us to eliminate payment for

some administrative functions that schools are billing us for. We want to pay for services, not for administration.

Another example is that we believe that we need to have graduate medical education in our States. We think Medicaid is not the way to do that. We think there ought to be a more rational way of apportioning the burden of medical education.

We also believe that we are overpaying for pharmacy. Medicaid is, by far, the highest-priced pharmacy reimbursement, not just in the Federal system but in the private system as well. And therefore we propose various savers. All of these are savers. None of these are cuts in Medicaid. All of this goes toward reducing the pressure so that we can make this a sustainable program.

Mr. DEAL. Well, obviously, one of the largest components of the Medicaid program is long-term care, and the last time, we tried to make significant changes, and I think we did move in the right direction for the reforms that this past Congress adopted. One of those was how much of an asset can you have in your home and still be eligible for the taxpayer to pay for your nursing home expenses? And we had—because of compromises that were put in place, we originally were at a half a million dollars, and we allowed under the change up to $750,000 if the State elected to go—and you are recommending that $750,000 be removed and that there be a cap at a half a million dollars?

Secretary LEAVITT. No. We believe that a person being able to protect a half a million dollar home is adequate. In some cases, that is even higher than under the bankruptcy statute. It leads, obviously, to a situation where a person has an incentive to acquire a larger home in order to preserve assets. A person with a three-quarter to a quarter of a million dollar equity in their home probably does not need to have public assistance through Medicaid.

Mr. DEAL. Well, I commend you for that position. It was one that we tried to advocate. We did not quite succeed in keeping it at that level, but I commend you for recommending it again.

With regard to Medicare part D, are you generally pleased with the enrollments that have occurred and the projected cost of participating in Medicare part D, and can you give us some updated information as to where that stands?

Secretary LEAVITT. It continues to be very good news.

We added over a million people after the recent reenrollment. We went through the reenrollment with very few of the problems that occurred during the initial implementation during the first 3 weeks. We now have well over 38 million people, 90 percent of those who are eligible. Of those who have enrolled, some were between 70 and 80 percent, depending on the survey that you look at.

People are happy with this, and they are saving money, about $1,200 a year on average. The original estimate was $37 a month. This year the average will be $22. Why? It is because of competition. And do not take my word for it. That is what the actuaries tell us. They tell us that when people are given an opportunity to have good information about cost and quality, they choose high quality and low cost, and the efficient hand of the marketplace is clearly playing out here.

Mr. DEAL. In one of the debates that is ongoing in light of the language that the House adopted recently, allowing or instructing you to negotiate the drug prices, I think one of the assumptions was that if you had the ability to negotiate on behalf of all Medicare beneficiaries that you would be the largest negotiating bloc in the entire health care industry.

My understanding is that there are some private insurance companies who, because they insure people beyond the Medicare population, actually have a larger bloc of population on whose behalf they negotiate prices; am I correct?

Secretary LEAVITT. You are correct. That negotiation, a rigorous negotiation, takes place now, and that is part of the competition that we have seen. Plans, very clearly, have to perform with the highest quality, at the lowest cost, in order to keep a customer. And it is happening now, and there are large-scale, rigorous negotiations taking place, and that is why we are seeing the drop in prices.

Mr. DEAL. Thank you, Mr. Chairman.

Ms. DEGETTE. [presiding]. The Chair recognizes Mr. Stupak for 5 minutes.

Mr. STUPAK. I thank the Chair.

Mr. Secretary, in 2002, I successfully included language in the Best Pharmaceuticals for Children Act that would ensure consumers know that they have the right to report to the FDA, side effects they are experiencing with a drug. This provision was intended to empower consumers and give the FDA more information to help identify adverse events and to take the necessary action. It took the FDA more than 2 years to issue a proposal, despite language in the law that required a final rule within 1 year of enactment. I sent comments in to support a proposal over 2 years ago. Yet no action has been taken by the FDA to finalize a rule.

Mr. Secretary, it has now been 5 years, and the FDA has completely failed to implement this provision. It is estimated that 10 percent of all adverse events are ever reported to the FDA.

Why, Mr. Secretary, has the FDA not taken action on this rule? Can we be assured that the FDA will take action to issue this rule within the next few months?

Secretary LEAVITT. Mr. Stupak, I am not able to give you a response now. I will give you one directly, following our hearing, by letter.

I would like to tell you that I share the concern that you have on drug safety, and that ultimately the best way for us to begin to gather information on adverse effective drugs will be having an effective system of electronic medical records where we will see those kinds of reports on an ongoing and regular basis.

Mr. STUPAK. But with all due respect, Mr. Secretary, we do not need electronic medical records. All this is is a label on your prescription bottle saying, "If you have an adverse effect of this drug, report it to the FDA: 1 (800) FDA–1088." it should not take 5 years when the law says 1 year.

Secretary LEAVITT. I will be responsive to your inquiry. I am not able to at this hearing.

Mr. STUPAK. OK. Well, let me ask you this one.

Short of pulling a drug off the market, the FDA has no real enforcement authority when it comes to pulse market regulation. According to a recent Institute of Medicine report on the future of drug safety, the FDA's regulatory and enforcement options after a drug has been approved generally lie at the ends of the spectrum of regulatory actions: either do nothing, or precipitate the voluntary withdrawal of prescription drugs.

Doing nothing implies not taking action on potential health threats to the public, and precipitating withdrawal implies caving in to the drug companies' financial interests. Therefore, the Institute of Medicine recommends that Congress ensure that the FDA has the ability to require post marketing assessments such as labeled boxes, box warnings and the fulfillment of post market study commitments by pharmaceutical companies. Again, it is something we put in the Best Pharmaceutical Act for children. These conditions may be imposed before both and after approval of a new drug, a new indication or a new dosage, as well as after the identification of new patterns of adverse events. But again, we do not know about adverse events because we do not tell people to report them, because we have been waiting 5 years to do that.

Do you agree with the IOM on this recommendation? Would you suggest to Congress additional enforcement authority for the FDA?

Secretary LEAVITT. We view the IOM report to be an important road map to improvement, and there is a general belief—and I hold this belief—that we can improve in this area. And we look forward to working with you and other Members of Congress to implement in the appropriate way the IOM recommendations.

Mr. STUPAK. Well, the reason why I am asking about drug safety is because that is a concern of ours. It has been 5 years since we have done—and none of this has been implemented. We are not going to allow legislation to go through, saying you have to do things within a year and it is 5 years.

While you may agree with the recommendations, please tell us if you think there are other things the FDA should be doing, and hopefully we have some reassurance the FDA will actually do it.

Let me ask you one more that we have done on O&I while I still have a minute left. In December 2006, Dr. Trey Sutherland, chief of the Geriatric/Psychiatry branch at the National Institute of Mental Health pled guilty to conflict of interest charges brought by the U.S. Attorney's Office. These charges are based on investigative work performed by the Oversight Investigation Subcommittee and supplied to the NIH beginning 3 years ago. It is my understanding that both NIH and the Commission's Corps have failed to discipline Dr. Sutherland even after criminal charges have been sought.

Is there any reason why two of the agencies that you oversee have yet to discipline Dr. Sutherland?

Secretary LEAVITT. Congressman, I am not familiar with that specific case. I would be pleased to find out about it and give you a response in writing.

Mr. STUPAK. OK. I have many other questions on more specifics, but we will be having hearings on drug safety, and in fact, we have one next week starting. So these are issues of concern to the subcommittee, and we will look forward to working with you.

Secretary LEAVITT. Thank you.

Ms. DEGETTE. The Chair recognizes Mr. Upton from Michigan for 6 minutes.

Mr. UPTON. Thank you, Madam Chair.

I appreciate your willingness to come up again. It is a daunting task. I wanted to follow up on Mr. Barton's question on the SCHIP just for a moment.

I know that Michigan is one of those States that does, in fact, have beneficiaries who are over 18 participating. I am just curious to know how many other States are in that same category, and is there a ceiling or a cap in terms of the age of eligible folks who are able to benefit from SCHIP?

Secretary LEAVITT. I do not know the number of States, but I can tell you——

Mr. UPTON. Is it a big number?

Secretary LEAVITT. Well, I know there are three States that have more adults than they do children.

Mr. UPTON. Really? So over 18?

Secretary LEAVITT. That is right.

Mr. UPTON. Wow.

The next question I have involves NIH. I have been one of the leaders, and I thought it was a great victory for this Congress to the degree that we were able to pass a renewal of the NIH reauthorization bill last year under Chairman Barton, and it was with great bipartisan support that it was promoted and passed. And I was part of the team that Speaker Gingrich actually put together back in the mid- to late 1990's, along with Mr. Barton and Mr. McCain and others in the Senate bipartisan group, to double the level of funding for the NIH. And it is my understanding that the CR that we passed this last week was carefully negotiated with not only the administration but on both sides of the Hill, and the funding level for the NIH and the CR that was passed in the House and is now pending in the Senate included $28.9 billion for the NIH for fiscal year 2007. I think that is the right number.

My question is: In the President's budget that we received yesterday, the 2008 budget request is actually less than the CR provided for that we passed in the House last week. And I am just curious to know what your comment might be since you did, I guess, part of the negotiating for that level.

Secretary LEAVITT. Well, much of this is a function of timing. As you know, it is rather complicated what you are comparing to because of the introduction of the continuing resolution, and I think the important thing is here we want to support NIH. The budget that you are saying was prepared would have been prepared in advance of that agreement.

Mr. UPTON. Right. But you could accept a larger increase in the NIH budget knowing that it would otherwise be a reduction from what we passed last week?

Secretary LEAVITT. Well, would I accept it? Obviously, but what the actual——

Mr. UPTON. I do not see your support in the back, so—I know he is listening.

Secretary LEAVITT. That does not change our budget. Let me explain to you, if I can, what we are focused on at NIH.

We have seen substantial new investment over the course of the years. We are focused now on making certain that the research we do continues to focus on new investigators and continues to operate in a way that we are getting new grants. And we are beginning to use more competitive grants, and we are looking also to get more projects that go across the various silos that naturally exist within NIH. You will see that being our focus.

Mr. BARTON. If the chairman will just yield for 30 seconds.

We do support funding NIH at the authorized levels. We had one "no" vote on this entire committee on the reauthorization bill; we had two on the floor, and we had none in the Senate. And we did commit on a bipartisan basis that if we could get that reauthorization through, we would support significant funding increases for NIH, so we are going to continue to press for that.

Mr. UPTON. I am pleased to hear that.

There has been some criticism level in this budget with regard to across-the-board cuts on providers, such as hospitals, under the Medicare market basket update cuts. And my question in this regard is that—we have a number of hospitals, I know, in my district that have done a very good job with health IT, with a whole number of different efficiencies that they have proposed, and my question is: Aren't we at some point penalizing these hospitals that have improved their efficiencies to such a degree that when we just take a slice, an across-the-board cut, that we are actually penalizing these hospitals in contrast to those that have not undertaken the same type of efficiencies? Is there not a better way to do this?

Secretary LEAVITT. In years past, even prior to this administration, there have been a number of occasions where they have not funded the entire market basket. In fact, it would be the rule, not the exception. The rationale we used in developing our proposal, which is 0.65—the market basket is minus 0.65—is we just took half the productivity increase that MedPac suggested that they would see, which is 1.3 percent. We figured let us have taxpayers benefit half, and the hospitals can receive half. Other than that, we concluded to fund the market basket for most hospitals.

Mr. UPTON. You were in Michigan last week and, I know, met with some of my State legislators. In the budget that was sent out yesterday, the preventative health and health services block grant was proposed to be eliminated. One of the provisions that one of my State senators, Tom George, proposed was a greater emphasis on smoking cessation programs; diet; a whole number of different things.

It would seem like this would be a natural way where we could save money, and I am not quite sure how that fits with the elimination of this program.

Secretary LEAVITT. That was actually a continuation from last year.

Mr. UPTON. Simply because you proposed it last year, you did it again this year?

Secretary LEAVITT. You are exactly right. You have got it.

Mr. UPTON. OK. All right. My time has expired. Thank you.

Ms. DEGETTE. The gentleman from Massachusetts, Mr. Markey, is recognized for 5 minutes.

Mr. MARKEY. I thank the gentle lady very much.

So just as coincidence would have it, I am the "no" vote out of all Members of Congress on the NIH reauthorization last year, and the principal reason that I was opposed is that in the last Congress, once again, there was not an increase in the NIH budget that would cover inflation; and as everyone in this room knows, over the last 4 years, there has been actually a 12-percent cut in the NIH budget if you factor in inflation, and the consequence for research is dramatic.

And we know that the President continues to adhere to the position that his tax cuts are sacrosanct, but we realize that a price has to be paid. In my opinion, this is the area that pays the single greatest price, because research is medicine's field of dreams from which we harvest the findings that give hope to the tens of millions of families that are afraid that that disease which has already affected someone else in their family could affect others in their family, whether it be Alzheimer's, Parkinson's, cystic fibrosis, diabetes, you name the disease.

And the Bush administration—Mr. Secretary, I know that you are handed these numbers by President Bush. I just think President Bush makes a terrible mistake. When he is told that he has to make the choice between his tax cuts and research for all diseases in America, I just think he makes the wrong decision. And while it is true that the Republicans did vote for an increase in authorization for NIH, that was before they voted against an increase in appropriations, and the reality is that at $28.9 billion for fiscal year 2007, heading into fiscal year 2008 where there is not going to be an increase, there are tough choices that have to be made in terms of who is going to get funded for the research which is going to hopefully solve, find the clues at least, that can lead to the solving of these incredible diseases which affect American families.

So I know that you are put in an impossible situation here, but I will say this: that it is a moral choice which President Bush is making. It is the wrong choice. Far greater than any threat from any terrorists to the average American is the threat that a disease which they already know exists in their family is going to afflict another person in their family. That is the greatest threat to every family in our country. And if there is an arsenal that could be used in order to give protection to a family, it is this NIH budget. And from my perspective, there is no more important issue that we are going to work on in this Congress. It will be to rectify this disaster area which President Bush, the White House, OMB, have created. And I know that at HHS you would welcome the money, and you would use it well, but I would—again, I appreciate how you are going to try to spread it around in ways that might be more effective, but it is much less money.

So I will give you, Mr. Secretary, a chance to defend the President's tax policies and the consequences that it has for the NIH budget.

Secretary LEAVITT. Congressman, I support the President's budget. I recognize there is a difference in how you might have selected those priorities.

An area where I believe there would be agreement would be how we are choosing to use the number we have, and I would like to

articulate that to you because I think that would—I think you would be heartened by it.

Mr. MARKEY. No. What I am saying is—what I would like you to justify is—President Bush's budget makes health cuts, health research cuts, in order to protect tax cuts. And that I would like you to defend, Mr. Secretary.

Secretary LEAVITT. The President obviously feels it is important for us to have a strong economy, and he views the tax cuts as integral to keeping a strong economy. He believes that $28.9 billion that the American people invest in research every year is a function of a strong, robust economy, and that if we want to see the kind of research investment that we all aspire to have, that it is critical to invest in the strength of the economy.

Mr. MARKEY. Well, again, respectfully, Mr. Secretary, I disagree with President Bush. I think it is a misallocation of resources. Only the NIH can fully fund the cutting-edge research that the private sector will not invest in. And I just hope that he reexamines his decision on this issue. Otherwise, he is going to leave a legacy in the most important research area in all of the world, in a way that really will harm the hope that families need. And I thank you.

Ms. DEGETTE. The Chair now recognizes Mr. Murphy from Pennsylvania for 6 minutes.

Mr. MURPHY. Thank you, Madam Chairman. Again, welcome, Mr. Secretary.

In following up on conversations you and I have had before and in my opening comments here, I wanted to raise again some questions and see if these are things you continue to support. These are issues of how we can save money. Again, so much of the discussion here and on the Hill is about the cost of health insurance, and I know you are an advocate of work on the cost of health care through such issues as transparency and quality improvement, et cetera.

There are a couple of issues I would like to find out specifically from you, and one that I raised earlier has to do with such things as the healthcare-associated infection rates. While we are all concerned about any illnesses or problems that occur or tragedies that occur, natural disasters, et cetera, in our Nation, it still is amazing to me—perhaps appalling is the word—that the Center for Disease Control reports that they have identified that there are about 2 million infections and 90,000 deaths annually from healthcare-borne infections—subtle resistant staph infection to pneumonia, et cetera—and about $50 billion a year is from that.

Now, I am submitting legislation to work on disclosure of that, because Pennsylvania is the only State that requires disclosure and makes that public. I believe about six States require it, but it is not out there.

I am just wondering what some of your thoughts are in working with this Congress or with this committee on trying to directly address the massive expenses that go to such things that are so preventable. So many hospitals have been able to bring these numbers down to near zero, but as a Nation, we continue to pay the bills of those that are not working this. But there is plenty of evidence that it can be done. I just wondered what your thoughts are on how we can work to drive those costs down.

Secretary LEAVITT. I believe Pennsylvania is to be congratulated for their efforts to not only collect but to report information on hospital infections. It is unnecessary and it is preventable, and we need to move aggressively to make the information available and to reduce the infections.

The best thing we can do is to have electronic health information systems that will gather the information, not only for the purpose of reporting, but also to be able to compare actual performance to standards that have been established by the industry themselves.

Mr. MURPHY. I appreciate that and I look forward to working with you on that.

There is a second issue that you and I have spoken about in the past. While the President continues to maintain his emphasis on work in the community health centers, again I hope we can work on dealing with the issue that even—we do not even have enough physicians and nurses to staff the current community health centers. As you know, there is between a 10 and 20 percent vacancy rate for OB/GYNs, for family practice doctors, for psychiatrists. And I have tried to deal with this before by trying to find some way of having doctors even volunteer, and hope we can continue to work on that through such things as allowing them to be covered under the Federal Torts Claims Act. It still is deeply concerning to me, and I hope we continue to work on that.

Finally, I wonder if you can give us some update on the transparency issues. I know that the President signed an executive order last summer on this. Again, in so much of the time we are discussing the budget, we talk about the spending, and I think coupled with that should be how the administration is working towards reform and savings.

Can you give us some information on how that is working and what kind of savings you see coming out of that?

Secretary LEAVITT. Congressman, we often refer to the "health care system." There likely is not, I think, a system you can say is health care. There is no economic system. We have a large, robust, rapidly growing sector, but there is no system. There is nothing that connects them together. We view the future to be a system of competition based on value, and to get to that system, we have to have four things. The first is electronic medical records. The second would be standards of quality that can be independently assessed and compared. The third would be cost assessments that people can compare, and the last would be incentives.

The President created an executive order, putting the purchasing power of the Federal Government to implement those four cornerstones in Federal purchasing. We are now approaching the private sector and other large payors. We now have 10 of the largest 15 payors in the country who are committed to that. We have 51 of the largest 200. We believe that by April we will have nearly 60 percent of the entire health care marketplace beginning to work towards those four cornerstones. We believe, within 2 years, we will begin to see health care based on value in limited areas on limited procedures. Within 5 years, we will see the word "value" or that combination of cost and quality, as being a regular part of the medical lexicon. In 10 years, it will be ubiquitous.

We are clearly moving on a pathway that will lead us to a transparent system of health care. Costs will be reduced because people will begin to pursue high quality and low cost, and we know that when consumers have that information they make those choices. Health care improves and the costs go down.

Mr. MURPHY. Well, I appreciate your continued commitment to this because patient safety, patient quality, and patient choice are three components that are really making sure we work to drive this forward. And I know the RAND Corporation said they estimate electronic medical records could save $162 billion annually in reducing redundant tests and unnecessary hospitalizations. I know people in the health care system—physicians, nurses, everybody in the health care—is dedicated to trying to work towards this quality, but we have to have that information in electronic medical records.

I know you are making progress on this. I would like to see us move farther and Congress move faster on some of these things for standards, but please continue to push those. As part of the budget, it is too often ignored of how we can really drive costs down and not just find new ways of paying for it. So I thank the Secretary for coming here, and I look forward to continuing to work with you.

Secretary LEAVITT. Thank you.

Ms. DEGETTE. The Chair now recognizes herself for 6 minutes. Welcome, Mr. Secretary.

Mr. Secretary, I assume that it is the administration's position that all eligible children for SCHIP or Medicaid should be covered; is that correct?

Secretary LEAVITT. We believe that the program should be focused on children and we do support its reauthorization.

Ms. DEGETTE. Well, you talked to Mr. Barton about this whole concept of adult children, which you are in this budget proposing not to cover any longer; is that correct?

Secretary LEAVITT. We are proposing that those who are covered continue. We believe that we should focus our efforts on children; that is to say, those under 18.

Ms. DEGETTE. Right. Now, all of those adult children who are covered right now are covered under waivers that this administration has given to the States, correct?

Secretary LEAVITT. That is correct, or a previous administration, and we would choose not to continue that practice.

Ms. DEGETTE. OK. So, right now—so, according to CMS, we have 667,000 adults currently covered under the SCHIP program out of 7.3 million people who are covered in SCHIP.

Do those numbers sound right to you?

Secretary LEAVITT. Those numbers sound in the ballpark, yes.

Ms. DEGETTE. OK. So my question to you is, if you eliminate those adults—and by the way, those are not just childless adults who are in extreme poverty who are covered, they are also pregnant women and parents. If you unenroll those people, is it the administration's position that you will now be able to—and in addition to reducing the eligibility to 200 percent of poverty, is it your position you will now be able to cover all of the 2 million, roughly, kids who are eligible but unenrolled in SCHIP at this time?

Secretary LEAVITT. Let me be clear that we do not intend to unenroll adults who are currently in the program. We do intend—we would pursue a policy that would discontinue the enrollment of children——

Ms. DEGETTE. OK, but to answer my question then, if you did not enroll any more adults then, is it your view that you would be able under this budget to enroll all of the rest of the kids who are eligible but unenrolled?

Secretary LEAVITT. It would be our position that SCHIP continue to operate as it does with State allotments, and States should be using those——

Ms. DEGETTE. OK, but it is your goal—if it is the administration's goal to have all of these kids enrolled in health insurance, do you think this budget will be able to achieve that by reducing the eligibility to 200 percent of poverty and not enrolling any more adults? It is a simple question and it goes to the heart of the administration's policy here.

Secretary LEAVITT. The administration's policy is that every American should have access to an affordable, basic plan and that SCHIP is an important tool in being able to provide a portion of those that access, that it is important that we work with Governors like yours to develop plans similar to the ones that he has proposed where we are able to assure that there is some kind of access available to every child.

Ms. DEGETTE. And do you believe this budget will be sufficient to enroll all of those kids, "yes" or "no"?

Secretary LEAVITT. We believe that the budget is sufficient.

Ms. DEGETTE. OK. Now, for a family of four, 200 percent of poverty is equal to $41,300. Under this budget, a family of four making $44,000 would become ineligible for SCHIP coverage. So if this family does not have access to employer-based health insurance, they are going to have to get coverage in the individual insurance market.

How are they going to be able to find affordable insurance for their kids?

Secretary LEAVITT. The individual market does not perform in the way we aspire for it to, and therefore the President has made two very important proposals.

One is to work with States, like the State of California, in developing proposals where there is an affordable, basic plan where the Federal Government is prepared to help with those who cannot afford it, like the one that you spoke of. But there is one problem that no State can solve, and that is the inequity that comes when a person who is a teacher's aide or a construction worker or a student, and does not have access to employer-based insurance, it is the inability for them to buy that in after-tax dollars. And therefore the President has proposed to level the playing field. There is no defendable reason that we provide a tax deduction to one employee who gets their insurance through an employer and not another. So those are two important reforms that we believe will strengthen the individual market.

Now, may I say——

Ms. DEGETTE. If you do not mind, Mr. Secretary, let us talk about that for a minute because I have a chart right here for

Ennis, TX. It is in Mr. Barton's district, and if a family of 250-percent eligibility—so still not a very high income family—is eligible for SCHIP right now, if they have to buy a private insurance policy in Ennis, TX, one of the policies, BCBS, would cost 61.4 percent of their income; one would cost 23.9 percent; and one would cost 24.3 percent of their income. It is hard for any of us, on this side at least, to see how insurance policies this costly, even with the President's tax proposal, would be able to afford those policies even with the tax relief.

Secretary LEAVITT. Let us assume that that couple that you have spoken of in Ennis, TX—let us say one is a teacher's aide and the husband works in construction, and they earn $60,000 a year between them, and that is about—what?—275 percent, I am guessing now, of the poverty level.

Clearly, they would be hard-pressed to have insurance for the reasons that you have spoken of. But under the two proposals that I have mentioned, first of all, there would be an affordable, basic plan available to them.

Ms. DEGETTE. We are hoping the States develop those. They do not have that now, correct?

Secretary LEAVITT. Many States do. Texas, as a matter of fact, does. But let us just say for the purpose of this discussion that the President's proposals were enacted. The way it would be—that couple would receive a $4,500 tax benefit, and therefore the policy that they would purchase would be $4,500 a year cheaper. And let us assume that it was not enough and that the State of Texas decided that they wanted to subsidize the purchase of that insurance policy. We propose that the States would receive from the Federal Government assistance in being able to make certain that not only was a basic policy available but that a basic policy would be affordable.

Now, it is possible that there would be people in Texas who do not qualify for SCHIP that would be helped in this way. We aspire for every American to have access to an affordable basic policy, but SCHIP should not be the vehicle by which we insure every adult and every child in America. There are different ways——

Ms. DEGETTE. And I do not think anybody thinks that.

Thank you, Mr. Secretary, and my time has really expired now.

I would now like to recognize the gentleman from Texas, Mr. Burgess, for 5 minutes.

Mr. BURGESS. Mr. Secretary, thank you for your service to the country. We are indeed fortunate to have a man of your caliber serving in your position at this time.

I think one of the things that perplexes me most of all is the SGR formula, and all of my discussions with Dr. McClellan over the last several years have led me to the conclusion that this is something that requires a legislative fix rather than an administrative fix.

Am I correct in that assumption?

Secretary LEAVITT. The formula is a complex formula. Very few people understand it.

Mr. BURGESS. Yes or no?

Secretary LEAVITT. I personally believe there has got to be a better way.

Mr. BURGESS. I do as well, and that is why I wanted to bring it up, because we talk about the market basket formula. The SGR formula is a finite, fixed amount of dollars, and we slice the pie ever thinner if there are more people who make demands on that pie or submit invoices. The volume and intensity increases, and the reimbursement rates go down. But hospitals, drug companies, HMOs, Medicare, Advantage plans all enjoy market basket updates which the administration has now said perhaps we should look at those market basket updates as a place to arrive at some savings.

So does the administration have a road map by which we may get to a more equitable system of provider funding? Whether it be a hospital or a doctor or an HMO or a drug manufacturer, does the administration have a road map as to how we get there?

Secretary LEAVITT. We believe that at least some portion of physician reimbursement ought to be based on the quality of the services that they render and the outcomes that they produce. We are not at the point at this moment that we can base large percentages of it, but some portion should. The road map includes electronic medical records which allows the information to be gathered on both quality and on performance. It involves having quality measures that can be independently assessed. We are in the process of working with the medical community if you want to——

Mr. BURGESS. So if we do all of those things—Medicare, which is an integrated program—perhaps then the funding silos would not be quite so rigid between the parts A, B, C, and D?

Secretary LEAVITT. That would be our aspiration.

Mr. BURGESS. Let me ask you a question on a completely different front, Hurricane Katrina.

I have been down—in fact, our committee had a hearing a little over a year ago down in Louisiana. Charity Hospital for the first quarter of fiscal year 2006 received, as I understand it, or was due to receive, about $250 million in a disproportionate share of funds, so-called DSH funds.

Is that a correct assumption?

Secretary LEAVITT. Actually it is over $1 billion a year.

Mr. BURGESS. The DSH money that was earmarked for Charity Hospital, where has that gone?

Secretary LEAVITT. Well, let me reconcile this.

Louisiana receives just under $1 billion a year in a disproportionate share of hospital money. Under the Deficit Reduction Act, another $2 billion was allocated for recovery of the gulf region. We have allocated that money to the various States that were impacted, including Texas, to reimburse them for claims that they paid that were not otherwise compensated by Medicaid. We have allocated most of that money.

Mr. BURGESS. Allocated or paid?

Secretary LEAVITT. Actually paid. Paid, yes.

Mr. BURGESS. But the health care infrastructure in New Orleans, as I understand it—and I have not been down there for several months—but the health care infrastructure still is just literally hanging on by its finger nails.

Secretary LEAVITT. And other moneys were made available through other means in dealing with medical infrastructure, and that is an ongoing discussion.

Louisiana properly wrestles right now with what they want the future of their health care system to be. Do they continue to use their charity system where they have two tiers—one for those who are insured and employed and one for those who are not? It is a very important decision, and they have an opportunity to upgrade on a perpetual basis their health care system if they choose that.

Mr. BURGESS. Perhaps that is a great idea for them, but should we not be giving them more encouragement to move ahead and move forward with this since there is a large component of Federal dollars that are involved?

My discussions with doctors on the ground is that they are rapidly leaving the area as they are having to spend their own savings to keep their clinics open to see patients that cannot reimburse them because they have no health care coverage. Wouldn't we be better served by keeping those people on the ground and functioning and working in the gulf coast area, rather than allowing them to disperse throughout the country, and then trying to rebuild it whenever the State gets around to it?

Secretary LEAVITT. Two weeks ago, I sent $71 million to the hospitals and $15 million to the doctors and clinics for the purpose of whatever their need was, but most of them will be spending it on wage upgrades.

Mr. BURGESS. Did that have to go through a State agency for those hospitals and clinics to receive those dollars?

Secretary LEAVITT. It did, but the grant was made in a way that will assure that those dollars are received by the hospitals and clinics that need it.

Mr. BURGESS. I will look forward to following up with that. Let me just ask you a broad question. My time is about up.

President Bush and I actually disagree on the fundamental question of how to deal with immigration reform in this country, and my side lost last November, so I have got to assume the President is likely to get his wish in the coming months. In all of the budgets that we are assessing today, how does the administration propose that we deal with the health care needs of 10 to 20 million people who may be in this country illegally as they then get in line for citizenship?

Secretary LEAVITT. Well, the larger question you ask is how do we pursue uncompensated care? And in my judgment, that is something that ought to be the subject of far more conversation than we have the time to have today.

Ms. DEGETTE. Thank you very much.

The Chair now recognizes Mrs. Capps from California for 6 minutes.

Mrs. CAPPS. Thank you, Madam Chair.

Welcome, Secretary Leavitt, for being here today.

I still am having a lot of trouble understanding how the priorities were determined in this HHS budget, especially after seeing the devastating cut. You have referred to it already. It is from $150 million to $105.3 million imposed on nurse workforce development. This includes the elimination of programs to strengthen advance practice nursing, and it comes after 3 years of flat funding.

Keep in mind that back in 1974, Congress appropriated the equivalent of over 600 million in today's dollars for nurse education

programs. I am sure you are aware that projections are that by 2020 our Nation will see a 29 percent shortage of nurses. HRSA itself reported in April 6, 2006 that nursing schools would need to increase the number of graduates by 90 percent in order to address the overall shortage of nurses. You reference this in your opening remarks about training new nurses. But I would rejoin that you can't train new nurses without nurse faculty and these are the people who need these advanced degrees. And loan forgiveness for nursing students doesn't help if there is nobody to teach them.

And so I want to get on record a very basic question to you. You do believe, don't you, that nurses are an essential part of our ability to deliver quality health care?

Secretary LEAVITT. I do.

Mrs. CAPPS. And I am sure you also agree with assessments by HHS agencies that our nursing shortage is going to continue to grow if current trends continue?

Secretary LEAVITT. And if we continue to use current practices in the way we train them. There are many ways I believe we could expand that with——

Mrs. CAPPS. Right. And as you just said, that is a subject for another discussion. You probably know that enrollment in nursing schools rose only 5 percent from 2005 to 2006, but over 32,000 qualified applicants were denied admission because of the nursing faculty shortage and a lack of clinical placement. So it is pretty clear that decreasing funding for nurse education programs by $44 million is only going to harm our efforts to build a properly staffed nursing workforce.

And I am also considering the emphasis our President places on bioterrorism and the pandemic flu preparedness. I believe it is blatantly counterproductive to divest from the front line of public health workers who could respond in the face of a national health emergency. Preparedness efforts are incomplete in the absence of a properly staffed public health workforce.

And I do want to ask a follow-up question. I do have half my time left. And this is a big topic, but I would with like to know what the rationale is for these cuts in this budget. Just the highlights.

Secretary LEAVITT. Well, let me indicate as I did before that we were following, for example, the GAO assessment which indicated they believe they were an underperforming program. We also believe——

Mrs. CAPPS. They were underperforming programs?

Secretary LEAVITT. That is right.

Mrs. CAPPS. Current nursing schools?

Secretary LEAVITT. The grants that were being offered that we are proposing to be reduced was—GAO believed and we believe wasn't the best way to expend those dollars. I do believe that investing in the development of basic nurse infrastructure is an important one.

Mrs. CAPPS. But you do understand we do have to have some kind of faculty prepared.

Secretary LEAVITT. We obviously do. But I am not certain personally, but you say this is probably a conversation for a different day, but I am not sure that we ought to be dependent completely on the

large medical nursing school method. We have to find ways that will produce more nurses——

Mrs. CAPPS. That could well be, but we have to have some kind of faculty, some kind of specialized personnel to impart the body of nursing knowledge to the second, to the incoming population. Let me go on because maybe we can come back and visit that topic.

I am to understand also, I believe, in this budget that nursing education funding needs to be cut by one-third from last year, yet there is enough money to increase unproven abstinence only education, which the GAO itself concludes uses Federal funds for unproven scientifically inaccurate programs that lack oversight. I want to underscore this budget in actual dollars has 200 million and more in funding for abstinence only education but $105 million for nursing education.

I am going to go on and talk about one other topic. You can come back to that if you want. I just want to make sure that I get another very big concern of mine out on the table, and that is these budget cuts and funding for the National Cancer Institute. It has been brought up before.

In 2004, cancer deaths dropped for the second consecutive year. It is likely no small coincidence that the declining rate of cancer deaths coincided with an increase in NIH funding for many years, and that tells you something about the way the deaths—the way that it required for many years.

But this year NCI funding is being cut. Even now the National Cancer Institute can only approve funding for 11 to 12 percent of applications compared to 25 to 30 percent in past years. I don't think it was ever high enough.

How can you justify impeding progress when this country is so committed to the 2015 goal of eliminating deaths from cancer? You were recently quoted in a National Journal article saying that we all want to invest more, but it is a function of capacity.

And I refer back to my earlier question about the decision to fund unproven risky programs over life saving proven research. I want to ask you what is the justification for cutting cancer research? I know from personal experience—as many of us do—that it is not until stage 3—you talk about new cancer research—but it is not until stage 3 trials that this research comes to bear the kind of fruit that will actually—and literally has—saved thousands of lives.

Cutting cancer research funding I believe will directly impede our ability to reach the goal that was so poignantly expressed by Dr. Von Eschenbach to end deaths from cancer by 2015.

And I would like to have you now respond in the time that I have for how this is going to happen.

Secretary LEAVITT. Congresswoman, let me reiterate the fact that I don't think any of us have not been touched in some way by cancer and there is none of us who don't want to see it end and celebrate our progress. I want to point out we are not eliminating cancer funding. It is still the largest allocation of funding to NIH, in excess of $4½ billion a year. What we have chosen to do this year, however, is begin to award more competitive grants that we believe put us on the cutting edge of science. We continue that commitment——

Mrs. CAPPS. But you would do this in the face of funding abstinence only——

Mr. STUPAK. I am sorry. The gentle lady's time has expired. I now recognize the gentleman from New Jersey, Mr. Ferguson, for 6 minutes.

Mr. FERGUSON. I thank the Chair. Welcome back, Secretary Leavitt. I am sure this is one of the most fun parts of your job. But we very much appreciate you joining us again as a committee and we are certainly very fortunate to have somebody of your caliber and your integrity serving in this very, very difficult capacity. We thank you for your service.

Mr. Secretary, I want to talk a little bit about pandemic flu. You and I have discussed this on a number of occasions before.

We have discussed preparedness. We continue to see reports from Asia and Africa, particularly in Egypt and Nigeria, and now we are even seeing reports in Europe about the spread of avian flu. The last stories I have seen point to 63 deaths from bird flu in Indonesia and, very alarmingly, 11 deaths in Egypt.

For the record since it has been some time since we have had a chance to discuss this, I am sure you would continue to agree that it remains just a matter of time before this or some other pandemic strain mutates and is spread from person to person. If you disagree with that, please feel free to say so. But I continue to be very, very alarmed by that.

To date, my understanding is that you have requested, and the Congress has appropriated, about $6.1 billion for the implementation of the $7.1 billion National Strategy on Pandemic Flu.

I understand you are requesting $875 million, nearly the final billion, that would complete or fully fund the national strategy.

Can you very briefly and generally talk for a second about what has been set aside for both antivirals and vaccines? And what has been spent of what has been set aside for antivirals and vaccines?

Secretary LEAVITT. Our pandemic plan can well be divided into five parts. The first would be the development of vaccines. Much of our $7.1 billion is involved in the development of new research as well as acquiring stockpiles. We continue to make heartening progress. We have released contracts now both on anti—on vaccines but also new antivirals, we have also made progress in the area of adjuvant technologies.

I can tell you by that we are making progress toward our 81 million courses of Tamiflu, for example, where we have—in 2008 we will complete the 20 million course antiviral stockpile purchase to maintain the function of our health care system and to provide antivirals for our first responders and to stockpile an additional 24 million treatment courses for the treatment of influenza.

We currently have—we are working with the States to complete that, all the States have taken advantage, almost all of them, there are four who haven't. So we are making very good progress, and I would say we are on schedule in every one of the five-point plan.

Mr. FERGUSON. I appreciate that. I know that of the final billion that would fund the remainder of the national strategy. I understand that the budget request this year is for $875 million. Again we don't know when budgets are finished around here. We certainly don't know when they are appropriated.

I would ask you to consider that if the administration is going to be submitting a supplemental this year, any kind of an emergency supplemental, whether it is for the war or anything else, that the administration would consider including the final billion dollars that would fund the National Strategy on Pandemic Flu, that that might be included as has been looked at and done in the past.

I see this as a very urgent matter. I think it is a ticking time bomb. It is waiting to explode. And I just think the sooner the better that we fully fund and finalize this strategy. I think it will certainly be in the interest of the health care of our Nation.

In the minute and a half I have left I just want to turn to one other topic.

The budget that we are talking about today embraces the goal of personalized medicine instead of this "one size fits all" approach. I think that is something all of us would support, particularly with new technologies we have today and diagnostics and in other areas. Mr. Secretary, I just wanted to call to your attention legislation that I have supported in the past and will continue to support which would allow this tremendous gift of molecular diagnostics to help identify the types of treatments that are appropriate for each different individual.

It is certainly the way of the future. It is a better way to treat diseases. It is a more humane way. It is a more cost effective way of treating diseases. For example, there is a test which would indicate if someone would respond in a particularly positive way to a breakthrough of breast cancer drug, for instance. As you know, this could make a tremendous difference in finding the most effective and efficient way to treat deadly diseases. And I would ask if you might be willing to work with us to move that type of legislation forward during this Congress.

Secretary LEAVITT. We view that as a land of great promise, and may I also say one of the things that Congress could do that would aid us in accelerating would be passing genetic discrimination protection. There is great worry that as we gather the information that is necessary to do the research and to organize it in a way that will help us make the breakthroughs here that people will be discriminated against and we need to give them the comfort of knowing they cannot be, and that bill I think will probably approach the House of Representatives very soon.

Mr. FERGUSON. Thank you, Mr. Secretary. Thank you, Madam Chair.

Ms. DEGETTE [presiding]. I now recognize Mr. Doyle from Pennsylvania.

Ms. ESHOO. Madam Chairwoman, could I just inquire about the time that the Secretary has? It would be instructive to know.

Ms. DEGETTE. Mr. Secretary.

Secretary LEAVITT. I believe I was scheduled until 12:30.

Ms. ESHOO. May I ask Madam Chair that if we don't have the opportunity to ask questions that we submit them directly to the Secretary and that we receive a timely response?

Ms. DEGETTE. Mr. Secretary.

Secretary LEAVITT. I would be pleased to respond.

Ms. DEGETTE. Without objection, so ordered. Mr. Doyle is now recognized for 5 minutes.

Mr. DOYLE. Thank you, Madam Chair. Mr. Secretary, welcome.

In our dealings in the past when you were over at EPA, I had the pleasure of working with you on some issues and I want you to know I think you have done a good job there and I think you are a good person. I think you also have an impossible task trying to defend this budget given the constraints put upon you by the President.

I want to talk a little bit about the affordable choices and suggest that maybe you need to think about going back to the drawing board on this one.

I have been in the insurance business since 1975. I am licensed in all lines of insurance. I used to sell a lot of health insurance policies.

It seems to me that the end result of the President's proposal of affordable choices is to put many more Americans into the individual insurance market, the most costly of the markets, group insurance obviously being less expensive than individual insurance.

The problem that I find with most working poor that don't have insurance isn't that they can't get insurance. They can't afford insurance.

When you look at the President's proposal, and he cites that a couple making $60,000 a year would save $4,500 in taxes, now that is assuming they are self-employed and are paying the 15.3 percent in Social Security and Medicare tax. But if you have someone who is working poor, working for someone else, their actual saving is more than like $3,400. Now this is a couple making $60,000. Now I don't know about the rest of the country, but in Pittsburgh, PA, the people that I represent, most of the working poor in my congressional district aren't making $60,000. They are making between $20,000 and $30,000 and their employers aren't offering them insurance. And the deduction that the President proposes would put far less dollars back in their pockets than the $3,400 cited by a couple making $60,000. I don't believe a couple making 60,000 could find individual insurance for $300 a month. And I certainly know a couple making 20 to 30,000, they would be placed out of the market.

The second point I want to make, though, and get your response to is the impact this has on those same families. This is like a double whammy. What we are basically asking the working poor in this country to do is to trade reduced retirement benefits in the future for some assistance in trying to buy health care today.

And the reason I say this is that the formula that determines what you get in Social Security payments is based on how much you pay into the system and how much your employer pays into the system.

And for those people that are making $100,000 a year, the people that are at the max and above, under this formula they would get about a 15 percent reduction in their benefits of Social Security. But when you apply the same formula to the working poor, people making between $20,000 and $30,000 a year and they are getting this $15,000 exemption to Social Security, their benefits—I saw a study that was done by, I will get the name of the organization,

the Tax Policy Center in Washington, estimated that their benefits could be cut up to 50 percent.

So it is sort of a double whammy. On the front end we are not giving the working poor enough dollars to go out and purchase insurance in the private market, in the individual market. And on the back end we are cutting their Social Security benefits because of this $15,000 exemption that they have taken advantage of.

So my question is, how does the administration propose to make up this huge loss of retirement income and this plan for the very people who rely on their Social Security payments the most? I mean, I don't believe the administration has something against working poor, but it just seems to me that they get it on both ends of this deal. They don't get enough money to buy insurance in the private market and they get their Social Security benefits reduced on the back end. And I think that is a terrible dilemma to put our people in and I just wonder how the administration proposes to make up for the loss of retirement income.

Secretary LEAVITT. Congressman, there are two parts of the proposal that the President has put forward. The first is that every State should have an affordable basic insurance plan that is accessible to every citizen.

That means they first of all need to make certain that it is available for sale, and then second of all they need to make certain it is affordable.

That is an important distinction because the tax benefit has not been intended to be the sole means by which a person who could not afford health insurance——

Mr. DOYLE. How is this done, Mr. Secretary? How do you force or compel States to offer this affordable insurance? Since we are a free market people here and we are not going out to the insurance industry and be heavy handed with them and tell them they are going to have to cut their premiums and lose money. How does that happen?

Secretary LEAVITT. The President has asked I meet with all the Governors in the next 100 days. I will see almost all of them. Pennsylvania, your Governor is working on such a plan. The Governors of California, Texas, Washington, Wisconsin, Michigan—I can go all the way across here and I am currently receiving proposals from your Governors to do exactly what I have suggested and that is creating an affordable basic plan.

But they are going to need help in two ways to make their plans work. They can't solve the problem of the discrimination that they receive on taxes. And there is no way to justify that. We have to fix that one way or the other.

The second thing they need help is they could use some Federal money to help subsidize those who can't even afford a basic plan. And that is all we are proposing.

Mr. DOYLE. What are you going to do for the working poor and the back, though, with their retirement benefits?

Ms. DEGETTE. Gentleman's time has expired.

Mr. DOYLE. That is a big concern, too.

Mr. STUPAK. Mr. Secretary, I would like to take this moment to ask you, we really do appreciate you being here with us this morning and a lot of good questions on both sides of the aisle. I count

seven Members here who have not had time to question. And I am just wondering, I know you are scheduled to be here until 12:30. Is there any way you could extend that to 1 o'clock so we can give the Members who are remaining the ability to ask their questions?

Secretary LEAVITT. How about 1:10?

Ms. DEGETTE. That would be great. Thank you very much, Mr. Secretary.

Mr. SHIMKUS. Could the chairman yield? Maybe we close the list, how Members come back and forth. So if those Members present——

Ms. DEGETTE. I would add Mrs. Eshoo to that list.

Secretary LEAVITT. I want to make sure Mr. Matheson from Utah gets his question.

Ms. DEGETTE. Absolutely, Mr. Secretary. Now we know where the power lies. Now we recognize Mr. Whitfield for 6 minutes.

Mr. WHITFIELD. Thank you, Madam Chairman, and Mr. Secretary, we are delighted you are with us today and I want to congratulate you on the tremendous job you do at HHS.

In August 2005, the Congress passed and the President signed a law establishing a national prescription drug monitoring program.

Former Secretary Thompson supported the legislation. You supported the legislation. And last year we worked out—and the legislation housed that program at HHS. And we passed that legislation because prior to that without authorization from anyone, some members of the Appropriations Committee established an earmark that provided funding at the Department of Justice, and they—it was a mechanism that really didn't provide incentives and has not been successful in establishing a program at every State.

And last year, we worked out an agreement so that the new program at HHS would receive $5 million and the old program at Justice would receive $5 million until we could get them meshed together at HHS.

And in this budget that you have just submitted, there is no money requested for the NASPAR program and I would like to know why and was that a decision that HHS made or was it a decision that OMB made?

Secretary LEAVITT. Congressman, I know what an irritation this is to you. And I am sorry. It is a program we support. It is a program we would gladly administer. However, it is a decision that was made at OMB to view it more of a law enforcement program. I say that not as a matter of complaint other than just explanation that we are in a place where we don't control that decision. And I am happy to sponsor more conversation between you and those who do.

Mr. WHITFIELD. Well, thank you, Mr. Secretary. Madam Chairman, I would like to say I think it would be appropriate for our committee to get a letter over to OMB on this issue and also to work with the appropriators to see to it that the authorized program at HHS, where it should be, receives proper funding. And I would yield my time to anyone that wants it. But that is—yes, I would yield to Mr. Pallone.

Mr. PALLONE. I just wanted to support your efforts myself and Ed and a number of us on this committee worked very hard to get

the NASPAR program authorized and we do think it is very important. And I don't hear you saying you disagree. So I think we should initiate that letter. I would be glad to cosponsor it with my colleague from Kentucky and try to get some of this funding in during the appropriations process. And I appreciate your bringing it forward because I do think it is crucial.

Mr. WHITFIELD. I yield the time to Dr. Burgess. Did you want time, Dr. Burgess?

I yield back the balance of my time.

Ms. DEGETTE. Thank you. I now yield to Ms. Solis for 5 minutes.

Ms. SOLIS. Thank you, Madam Chair, and thank you, Mr. Secretary, for staying to hear our questions. I have several. And the first one I would like to start out with is December 15, 2006, a Congressional Hispanic Caucus Task Force on Health sent you a letter. And we have yet to get a response back. And it is regarding your interpretation of documentations that are now going to be required for newborns.

And I wanted to ask you if we could get a response or if we can expect one and how soon? And also if you could please explain how that policy is somehow going to help us achieve eliminating health care disparities with respect to underrepresented communities.

Secretary LEAVITT. Congresswoman, I will confess to you that we worked awfully hard so I wouldn't have to answer the question, why haven't you answered my letter? Most of our letters are current and I will follow up to find out why yours isn't.

Ms. SOLIS. And I would like to submit the letter we sent for the record if I could request unanimous consent, Madam Chair.

Secretary LEAVITT. When was this letter?

Mr. STUPAK. It was December 15.

Secretary LEAVITT. It may be that we count that as a current letter and we are working on it.

Ms. SOLIS. And so when can I expect a response? Soon. OK. Can you explain to me a little bit about that regulation and how you see that fostering identifying these underrepresented groups?

Secretary LEAVITT. You will get a better response in the letter because I am not certain I am in a position to enlighten you very much on it.

Ms. SOLIS. OK. One of the questions I had—and you didn't go from your text that you submitted—but I wanted to ask you about your Adolescent Health Promotion Initiative, $17 million. Does that include extending the Abstinence Only Program?

Secretary LEAVITT. That is a separate proposition.

Ms. SOLIS. One of the concerns I have and something that the Hispanic community and the caucus is very concerned about is the increase, actually the upsurge or upping of teenage pregnancies amongst the Latino population. It is well above, I would say, in some cases 20 percent. In fact the statistics prove that 51 percent of Latino teens get pregnant at least once before the age of 20 and for African American it is 57 percent become pregnant at the age of 20. So obviously the abstinence program is not working well. And one of the concerns we have is that information be provided in a culturally competent, linguistically competent manner. And I have yet to see any evidence that is happening in all the years of funding for these programs.

Can you respond to that?

Secretary LEAVITT. We provide information to people in lots of different ways and the abstinence program is one of those that we pursue. And there are those who believe that it ought to represent—and I am among them—at least part of what we teach and part of the way we teach. And it is part of the ideology of the administration, and you can expect that we will continue to offer those proposals.

Ms. SOLIS. OK, ideology I guess is one of the words that would concern me there. Because in many instances it is hard to reach these youngsters as it is and having nontraditional modes of outreach would be very, I think, very important and a much improved effort to get to these youngsters. But also employing some new methodology, maybe looking at what works for us in our communities along the area of—I don't want to say social work but people who are out there promoting health care prevention. And you probably are well aware of these programs, one of which I am familiar with, and I am hoping that we can get support through the SCHIP program, is promotoras program, and it currently exists in and along the border, becoming the fronteras, and they also exist in the State of California and other parts of the country actually, and some of the counties and local municipalities have taken it upon themselves to create these programs to extend campaigns of information to the local immigrant community—not just Latino—but other hard pressed groups. So I would hope that that might be something that we could discuss with you about extending services by way of outreach campaigns to these at-risk communities.

Secretary LEAVITT. I think you would find that many of those campaigns have at least some Federal money in them. And my point is that we do feel strongly that abstinence is an important message and that it is effective and it can be demonstrated.

Ms. SOLIS. But it is not effective when the percentages keep going up in these very——

Secretary LEAVITT. You can make the same charge of the other programs that you advocate then. If the fact that we continue to see an increase is a function of the fact that the programs aren't working, then you would have to make the same indictment of both.

We are all working at this. We all want to see those rates come down. There are some good signs that they begin to. But we believe that it is important to have abstinence as part of what is taught.

Ms. SOLIS. One of the other concerns I have is with respect to the ability to train future physicians, not only in the nursing area but in the medical field and, as you know, Hispanic serving institutions don't receive as much monetary support in terms of adequately outreaching and recruiting to the Latino community to prepare for that potential growth and service that is going to be needed in coming decades.

And I would hope that you would reconsider your formulas for funding to help promote for more recruitment, especially given the fact that in States like California, where you have a number of medical institutions, we are not seeing that kind of support coming through the Federal Government.

Secretary LEAVITT. Could I briefly comment?

Ms. DEGETTE. Yes.

Secretary LEAVITT. Actually, we believe as you have suggested that our funding ought to be oriented toward areas and specific communities of need and not allocating money on a general basis. And many of the programs you see reduced in the area of nursing and other professional development you will see were reduced because they did a uniform across the board, and we would either rather target our money into areas where there are specific needs.

Ms. DEGETTE. The Chair now recognizes Mr. Shimkus of Illinois for 6 minutes.

Mr. SHIMKUS. Thank you, Madam Chairman. Secretary, welcome. I always appreciate your calm and thoughtful approach in, as we all know, a difficult large Federal bureaucracy that has many tentacles and it reaches throughout our society. So I appreciate it. And I appreciate you staying past 12:30 because I get to visit with you for a few minutes.

I am going to have three primary areas. One is kind of a macro issue and then I will go down to a few specifics. The first one is on the overall debate on Medicaid funding. One of my frustrations is—I think we talked about this before—is F-MAP funding, the differential between States—you know that as your former position—and then the games that those of us who are of not at the high levels of F-MAP ratios, the things we have to do to try to make up for what we feel is a loss. And that is the IGT, that is the hospital assessment.

In 2 years left in this administration I would really ask that we try to make a bold move. It would be tough for Members across the country to defend inequities in a Federal system. And there will be some States who to rectify the differences would have to make some tougher choices. And I understand that. But I just feel that until we, if we keep doing this gamesmanship and find these other ways, it just distorts the system and makes it very difficult for people to understand, and we develop new programs to compensate for the loss of revenue, and if you could respond just briefly I will go to the other two.

Secretary LEAVITT. Congressman, that is essentially our view. We would like to see us have a straight-up formula where people put up real dollars and the games that are played and have historically distort the system and——

Mr. SHIMKUS. But you could help lead with that by a debate on the ratios.

Secretary LEAVITT. There is no question that funding formulas are tough and they are the toughest debates in Congress, and that is where they start and that is where they get set. We administer them as best we can. But funding formulas happen in Congress.

Mr. SHIMKUS. Let me, maybe we should have hearings on the funding formula for F-MAP and address the differential between States. And I think that is what you are highlighting. I would be receptive to that.

The President's Health Centers Expansion Initiative has successfully increased the total number of health centers to over 3,800. When I first became a Member of Congress, now my district has changed a little bit, I did not have a single community health cen-

ter. Now in my enlarged district of parts of 30 counties in Illinois, I have 13. And it has been a very, very successful program.

The President's High Poverty Counties Initiative has been outlined as a next step. Can you explain that a little bit more fully for me?

Secretary LEAVITT. The President made clear he would like to have 1,200 new ones during the period of his service. We are going to achieve that, Congress being willing. He also then later said, and I want 180 of those to be targeted at the highest need areas, that is to say the areas with the highest levels of poverty, so some portion of the allocation each year is given priority for those counties.

Mr. SHIMKUS. And the great thing about the community health centers that they do bring in the community involved and there is a partnership. And again it has been very, very helpful.

The last thing I want to ask about is this recent GAO report on the AMP. We in the Deficit Reduction Act, which was hotly contested and debated and passed, tried to get a handle on this process. This recent GAO—and to the great excitement of some of our constituents and the local pharmacists and those people.

The GAO report makes a premise that the AMP, as stated, would be less than the cost of the retail pharmacist for the purchase of the drug.

Obviously that wasn't our intent. We want to get it to where it is competitive, where we can control costs, but we don't—the local pharmacists play a critical role in the health delivery process. And if they are not going to be compensated for just a break even, then they are not going to provide that service. So can you address that and what steps you might be doing to relook at the AMP and how we can get to some accommodation?

Secretary LEAVITT. Congressman, I spent a lot of time behind pharmacy counters in the last year talking to pharmacists, and it has become clear to me that most of them could run for mayor in their town and win.

They are very popular people because they meet needs and they obviously need to be supported. I just need to tell you we fundamentally disagree with the conclusions of the GAO report on this. We just disagree with their conclusions, and we will offer more information about that later. We know that they need to be supported. We just can't come to the same conclusion they did.

Mr. SHIMKUS. I have 20 seconds left, and the other issue that we debated before was dispensing, nature of a dispensing fee. What are your thoughts on that?

Secretary LEAVITT. That remains a State option.

Mr. SHIMKUS. My time has expired. Thank you, Madam Chairman.

Ms. DEGETTE. Mr. Secretary, I am pleased to tell you that by working collectively in a bipartisan manner, all of the other Members have agreed to limit their time who are here. So we hope you can stay for all of these.

Secretary LEAVITT. As long as Congressman Matheson gets to answer his question.

Ms. DEGETTE. Well, we are going to put him last so you will stay. I am now pleased to recognize Ms. Baldwin for 5 minutes.

Ms. BALDWIN. Thank you, Madam Chairwoman, and thank you, Mr. Secretary. We heard in the State of the Union Address as the President was discussing health care matters a brief reference to State innovations, and that is going to be the subject of my second question, to sort of find out some more particulars surrounding that proposal.

But I wanted to start with a different State innovation, and that is in Wisconsin its very successful prescription drug program called Senior Care. Senior Care in Wisconsin provides affordable drug coverage to over 100,000 Wisconsin residents at prices that are significantly below the part D prices, and I believe it is a shining example of what every government program should be.

Senior Care is easy for seniors to enroll in. It involves a one-page form that they have to fill out. It is cost effective. And studies in our State have shown that for every dollar spent on Senior Care, it leverages an additional $4.35 from other non-Federal sources.

It is comprehensive because it has no doughnut hole like part D, and for all of those reasons and others it is an extremely popular program. I am a big fan of the program and I receive an unbelievable amount of feedback from constituents praising the program, but also begging me to do everything within my power to make sure that that program is allowed to continue.

As you may recall, Senior Care operates under a pharmacy plus waiver. That waiver is set to expire in June of this year. And Wisconsin has submitted its waiver renewal application in June of last year. The entire Wisconsin delegation, Republican and Democrat alike, have sent you a letter supporting this application, and yet we have not received a response to waiver application and we are interested in knowing about the renewal process.

So I am asking you, Mr. Secretary, what assurances you can give me and Wisconsinites that this successful and cost effective program will be allowed to continue?

Secretary LEAVITT. Ms. Baldwin, thank you for your effective and cheerful advocacy. I am quite aware of Senior Care and I have spent a fair amount of time with Governor Doyle reviewing the waiver. As you are fully conscious, Senior Care came about before part D was on the scene and it now does provide hundreds of thousands of Wisconsin residents the benefit of part D.

We continue to analyze the waiver request. I think I have been quite clear with the Governor, however, that the Federal Government is relying on part D for most of what we are providing seniors and while we have enacted, we are heartened by the success of part D in Wisconsin.

Ms. BALDWIN. We are heartened by the success of Senior Care in Wisconsin. Obviously there is a necessity of certainty. As we plan ahead, I would like to hear from you when we might expect——

Secretary LEAVITT. Senior Care can certainly continue. The issue is whether or not the Federal Government contributes money in Wisconsin and not in other States for that purpose, and so that becomes the issue.

Ms. BALDWIN. Of course, of crucial importance to us.

Let me just return to the issue of State innovation. As you heard, I was, I took note and was delighted to hear the President high-

light the issue of State innovation in his State of the Union Address. And I think that we can all agree that the proposals that we are seeing in States like Massachusetts, California, Maine and my home State of Wisconsin represent real progress in the debate about how we best expand access to health care.

I have authored bipartisan legislation to promote such things. However, I noted the President's proposal involving State initiatives is limited to initiatives that use the private sector to expand coverage, and I don't think we should limit the States in that way.

We should really encourage thinking outside of the box, innovations beyond that narrow array that the President may be talking about, and I am wondering if the administration is opening to allowing States to test other initiatives as well.

Secretary LEAVITT. We are interested in two things. One, affordable basic plans. Let me just restate that. Basic plans. And that, second, making them affordable. I just mentioned looking across the dais you mentioned Wisconsin. I was recently in Texas. I met with Governor Perry, who has put forth a proposal. I have been in California. I have been in Tennessee. I have been in New Jersey. I have been in virtually—I can't say every State, but most States right now are very focused this. But there are two problems they cannot solve on their own—at least one of them, and I have mentioned it a couple of times today.

They can't resolve this discrimination that occurs between people who buy it in the employer market and those who don't have that opportunity. And we have to solve that problem if we are going to see the kind of innovation that you and I both aspire.

The second part of this dilemma is that once you have a basic health plan there are still going to be people who can't afford it.

And that is the point at which we need to step up and be able to help people who can't even afford the basic health plan, and we are looking for opportunities to do that.

Ms. DEGETTE. The gentleman from Mississippi, Mr. Pickering, is recognized for 4 minutes.

Mr. PICKERING. Thank you, Madam Chairman. Thank you, Mr. Secretary, for your leadership and thank you for all the help you have given to my home State of Mississippi as we recover from Katrina.

Let me quickly go through some questions.

First, as you know, we passed a Combating Autism Act in the last days of the last Congress which increases the authorized funding to around $168 million, and that includes funding for you as Secretary to lead education, early intervention and detection, CDC has significant funding, and then NIH is a coordinating agency.

My question is do you support fully funding those authorized levels or what is the current plans in the President's budget, and as the Secretary, for funding these initiatives?

Secretary LEAVITT. We will, in fact, use whatever the Congress appropriates in the most efficient way we possibly can. We recognize that the discussion of how much of the authorization will be funded will be part of what is resolved hopefully in this Congress.

Mr. PICKERING. So you support whatever Congress appropriates is your answer?

Secretary LEAVITT. I think you know that I support whatever the President proposes.

Mr. PICKERING. Do you know what the President has proposed on autism funding?

Secretary LEAVITT. I don't.

Mr. PICKERING. Do you know if he proposed anything in that funding in his budget and as it relates——

Secretary LEAVITT. I have had magically appear in front of me information that with tell me we have proposed $123 million in 2007 and $123 million in 2008.

Mr. PICKERING. Now, where that is relevant that is CR, is not specific. It does not give you, I believe, any direction. So the $123 million as it relates to autism, if you could, please let me know how you will break that down between your office, the CDC and NIH.

Secretary LEAVITT. That might be better able to respond in writing to you. It is not an issue that has happened recently enough that I don't know that that policy has been developed.

Mr. PICKERING. I appreciate and look forward to working with you on these very critical issues. As you know, one in 166 of America's children is now diagnosed with some autism-related spectrum disorder, which is more than pediatric cancer, diabetes and AIDS combined. So we look forward to creating the emphasis and priority as we combat something that affects families across the country.

And the other question that I would like to ask and this deals with the efforts in the last Congress and as we go forward on an issue your budget reflects the emphasis on using health information technology to create efficiencies and transformation of our health care delivery system.

And on this, there is one component that I would like to ask and this is as it relates to remote monitoring of patients, whether it is diabetes or those who suffer from congestive heart failure.

Do you support incenting remote monitoring through the physician fee schedules?

Secretary LEAVITT. I support, first of all, developing standards that will allow us to assure that remote monitoring is compatible with other parts of the electronic medical record.

Second, to the degree that we are able to identify clear financial benefits from it, then it is something very clearly we ought to consider.

Mr. PICKERING. I look forward to working with you on both of these efforts on the standards and on whether remote monitoring can be used extremely well.

And just in closing, and this is not a question but just an encouragement that I hope that you go back and look at the pharmaceutical, the A&P price. The GAO standard is independent analysis. I realize that there is a disagreement but I do hope that you can go back, listen to all sides and find a better solution than simply to disagree.

Secretary LEAVITT. Thank you.

Mr. PICKERING. Thank you.

Ms. DEGETTE. Chair recognizes Mr. Gonzalez from Texas for 4 minutes.

Mr. GONZALEZ. Thank you very much, Madam Chair, and welcome, Secretary Leavitt. Thank you for your service and your patience.

Whether it is policy or physics, but I like to think semi in terms of for every action there is always an opposed and equal reaction. So what is going to be the reaction or consequences of what the President is proposing? You seem to proffer that it all is going to be a good reaction. But there are those that would disagree with you and the administration.

So what I always do is I go back home and I ask the people in the health care field what are their greatest fears regarding the President's proposal. This is from the Texas Medical Association. The TMA just reported the results of their 2006 physician survey which is done every 2 years in the fall. Below are some of the results compared to the 2004 survey. 2004 we are talking about new patients being accepted by physicians in the State of Texas under Medicaid. It used to be 45 percent—only 45 percent in 2004. In 2006 it is a decline to 38 percent. Doctors accepting new Medicare patients in 2004, 68 percent. Today or last year; that is, during the survey, it is 62 percent. In 2002, those Medicare patients, the new ones, were being accepted by about 75 percent of the physicians in Texas.

So one of the possible reactions is we are going to have fewer doctors tending to the patients under both Medicare and Medicaid. And I just will want your opinion when I finish with the other two examples.

The next concerns, expressed by Methodist Hospital out of San Antonio, quote, health care providers in today's world must deal with costs associated with emergency preparedness, bad debt, the uninsured and expansion of services and facilities to better serve their community. How can the end result of these cuts not trigger an increase in health care costs to the private sector which would correspondingly increase the cost of health care insurance for everyone? So again this is going to be the reaction is not a positive one. It drives the cost of health care insurance up.

Last, Christa Santa Rosa Children's Hospital, the President budget aims to redirect Medicaid DSH funding from supporting institutions to private health insurance. Some hospitals serving high proportions of indigent patients rely heavily on Medicaid DSH. The President's budget has a double hit toward hospitals, and there are also cuts proposed on the Medicare side.

As we talk about the needs for hospitals to improve quality and incorporate health information technology, are you concerned that this budget will make those things even more difficult?

Secretary LEAVITT. Quick response. With respect to reimbursement rates, as you are probably aware, reimbursement rates by Medicaid are set by the State, and if they are beginning to see slippage in their patient acceptance that is something the State very clearly ought to deal with.

With respect to Medicare, we monitor those very carefully and it sounds to me as though they are relatively stable in Texas, although it is something we are concerned about on a continual basis.

Bad debt. We think that the bad debt is built into the rates that the hospital charges us and we think it is unreasonable for us to be paying both reimbursements for their bad debt and paying a rate that builds it in as an expense. As you pointed out, they build it into the expense. And if bad debt goes up, then what the bad debt reimbursement amounts to is essentially a foundation support for their overhead.

With respect to health care indigent care, there are three areas that I am concerned about and we have to be very careful about. One is, despite efforts to have efforts to have every person have affordable basic insurance, there are going to be people who don't have it and hospitals need a way to get paid for that care. That is a given.

Second, there are some public hospitals that very clearly need to have some support to keep their doors open. We need to provide that. But if we are successful, as we aspire to be, in getting high numbers of people who are currently having their medical bills perpetually paid by the Federal Government, if we can get them insured then there is no reason that we would need to pay the same amount of money that we are currently paying to the hospitals.

Some of that money ought to be used to help people get insurance. And so we are just looking for where that balance is. And we want to work with Congress to say, where is the balance? We want to work with States to make certain that we are not——

Mr. GONZALEZ. Thank you for a very over optimistic outlook on the President's policies.

Ms. DEGETTE. The Chair now recognizes Mr. Matheson from Utah for 4 minutes.

Mr. MATHESON. Thank you, Madam Chairwoman, and in my first hearing it is great to have my Governor and friend Secretary Leavitt here before us. Being now on the front row, you get a chance to ask questions after everyone else has and they have raised a number of issues that are very important to all of us, SCHIP, SGR. Even you mentioned the graduate medical education.

In an effort to try to have something different to talk about as one of the last questioners, I feel like we are all talking about these issues, they are all of great importance and we are ignoring kind of a broader issue at the macro level, and that is I feel that our health care system in this country is on a path that is not sustainable.

The fact of the matter is this country spends more by far than any other country in the world on health care per capita, and by various measures our outcomes are not as good as a lot of other countries.

And if we are ever going to get around this effort to make sure children have access to health care or make sure we are training good doctors or all these other issues, it seems to me we also need to address the issue of we have a system that seems to be going down a path where costs are growing above inflation every year and you have to wonder how long that is going to last.

In the ridiculously limited amount of time we have to talk about this, I would just like to highlight three things to see what your thoughts are.

One is we often hear the lifestyle choices in this country affecting and driving a lot of health care issues. If we could get people to stop smoking, to eat well, to exercise, we would have a more healthy population. I certainly don't support any Government mandates on that activity. I am sure you don't either, but are there efforts we can do to try to address that dynamic to create a more healthy population?

Second, I just heard this weekend at a retreat we were attending that in our health care system in the United States administrative costs represent 34 percent of all the money spent on health care. And the next highest country in the world, according to the presenter, was Canada, where it is 18 percent of administrative cost. This is private and public, not just government. And that differential from 34 down to 18 is hundreds of billions of dollars.

Are there thoughts about how we can work out a health care system in a way that would get more dollars going to actually providing services to patients and less in the administrative components of what we are doing?

And finally, the notion proffered by a lot of people is that if we can actually achieve some form of universal access it actually represents a cost savings to our country. And I just want to throw these three items out to give us more transformational thinking about what can we do to get a handle on this cost situation and from a public policy arena how should we be looking at this?

Secretary LEAVITT. I could not agree more with my friend from Utah on virtually every point you raised. We are surrounded by economic systems. I have a credit card I got from a bank. You have a different bank. But they use the same system to optimize the value we get. I have a cell phone. You have a cell phone. We buy them from different vendors, but they work together. It is an economic system. I fly on an airline. It is a different airline than you do, but they use the same system. There is an economic system in all of these sectors of our economy.

There is no system of health care in the United States. What we have is a sector that is without the discipline of a system that connects it. It has to be electronically connected. There has to be quality standards that can measure it. We have to figure out what the cost is so people can know it and compare it and then we can begin to deploy incentives.

When we do people will begin to drive value up by having better control of costs. I could not agree more, and I would look forward to working with you and other members of this committee to drive that home.

Mr. MATHESON. I appreciate that. I think we need to get away from a lot of the partisan rhetoric that dominates the issue. I think there are practical ideas we can work on, and I look forward to doing that with you. Thanks so much.

Ms. DEGETTE. Thank you so much. Last but not least, Mr. Green from Texas for 4 minutes.

Mr. GREEN. Thank you, Madam Chairman, and again welcome, Secretary Leavitt. And I am the last one because I just came in this morning from Houston because we did a paying for college workshop last night, as we have done for a number of years in our district, and it really works.

I have two quick questions. One is that the President proposes $25.7 billion in Medicaid cuts in 2008, including $5 billion in Medicaid cuts through currently proposed regulation. Is there a state-by-state analysis of that?

Secretary LEAVITT. Well, what we are proposing is a series of savers. Running any program, you would expect that as Secretary I would periodically say it just doesn't make any sense that we pay that way or that we do it this way. We are proposing a group of actions that we think are just good management decisions.

Mr. GREEN. My concern is that Texas is one of the States that we utilize intergovernmental transfers for our safety net. And I have gotten letters over the last few years saying that what Texas does as compared to other States there is no problem with it, with using this for the safety net, that we utilize it.

Without knowing the effects of regulations on the States, are you prepared to offer States any assurance that critical medical services relied on by Medicaid and uninsured patients will continue if we are using again the IGT that had been OKed in the past?

Secretary LEAVITT. There is nothing inherently wrong about an intergovernmental transfer unless it is taking Federal money, recirculating it and using it as the match for Federal money. That doesn't work for us nor should it for any taxpayer.

What we want is a program based on a partnership with the State where both partners are putting up real money.

Mr. GREEN. OK. Again I think we tried to deal with that through our committee process before.

My next question is you and the President have shared many of the Members' commitment and expanded the reach of our community health centers, and I am glad Mr. Shimkus brought it up, and I worked closely with our FQHCs in my own area and seen firsthand the quality they have. I noticed the President's budget has a $224 million increase.

Now the CR that the House passed last week was $206 million. Now is it the intent to have $224 million on top of that $206 million for the current year, so it would be $224 million for the next year?

Secretary LEAVITT. Mr. Green, I am going to confess to you that all these different things you are trying to compare to just confused me. But I will tell you we do intend to meet the President's objective of having 1,200 and the actual number we have to reconcile with somebody who has all four of those budgets in front of them.

Mr. GREEN. Obviously, I would be happy about that, if we could get the 206 through the Senate and then get 224.

And to follow up on that on the program of the, High Poverty County Initiative, I represent Harris County in Houston, Texas, and you were there during Katrina and you saw that our infrastructure is not what it is in other States and particularly urban areas.

My concern about going to only certain counties we have so few FQHCs per population in Harris County, the fourth largest city, and the third largest city in country actually has 80, and we are nowhere near half that. In fact we are probably about a third. And if there are no new funds in health center programs, how will it be that in counties that are underserved, very urban counties like

Houston, Harris County, TX, that we will be able to deal with that? Again we have 800,000 uninsured Americans living in our county today. And these FQHCs are really the only net that we have to bring those folks in.

Secretary LEAVITT. I have been aware of the increase in community health centers in your area. Actually I was there for the announcement of, I think, four not too many months ago. So I am pleased we are making progress. It is one of the areas in our budget where there is substantial new money, and for the reasons that you have articulated.

Mr. Green. Thank you, Mr. Secretary, and again welcome. Thank you, Madam Chairman.

Ms. DEGETTE. Secretary Leavitt, thanks again, and on behalf of the whole committee, for coming today and for graciously extending your time. These are tough issues and we will look forward to working with you in the coming session.

The committee stands adjourned.

[Whereupon, at 1:00 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

TESTIMONY OF HON. MICHAEL O. LEAVITT

Chairman Dingell and Congressman Barton, thank you for the invitation to discuss the Department of Health and Human Services' budget proposal for fiscal year 2008.

For the past 6 years, this administration has worked hard to make America a healthier, safer and more compassionate nation. Today, we look forward to building on our past successes as we plan for a hopeful future.

The President and I have set out an aggressive, yet responsible, budget that defines an optimistic agenda for the upcoming fiscal year. This budget reflects our commitment to bringing affordable health care to all Americans, protecting our nation against public health threats, advancing medical research, and serving our citizens with compassion while maintaining sensible stewardship of their tax dollars.

To support those goals, President Bush proposes total outlays of nearly $700 billion for Health and Human Services. That is an increase of more than $28 billion from 2007, or more than 4 percent. This funding level includes $67.6 billion in discretionary spending.

For 2008, our budget reflects sound financial stewardship that will put us on a solid path toward the President's new goal to achieve a balanced budget by 2012.

I will be frank with you. There will never be enough money to satisfy all wants and needs, and we had to make some tough choices.

We take seriously our responsibility to make decisions that reflect our highest priorities and have the highest pay-off potential. We recognize that others may have a different view, and there are those who will assume that any reduction signals a lack of caring. But reducing or ending a program does not imply an absence of compassion. We have a duty to the taxpayers to manage their money in the way that will benefit America the most.

I would like to spend the next several minutes highlighting some of the key programs and initiatives that will take us down the road to a healthier and safer nation.

TRANSFORMING THE HEALTH CARE SYSTEM

Helping the Uninsured

• The President has laid out a bold path to strengthen our health care system by emphasizing the importance of quality, expanded access, and increasing efficiencies.

• The President's Affordable Choices Initiative will help States make basic private health insurance available and will provide additional help to Americans who cannot afford insurance or who have persistently high medical expenses.

• It moves us away from a centralized system of Federal subsidies; and,

• It allows States to develop innovative approaches to expanding basic health coverage tailored to their populations

• The President's plan to reform the tax code with a standard deduction ($15,000 for families; $7,500 for individuals) for health insurance will make coverage more affordable, allowing more Americans to purchase insurance coverage.

Value-driven Health Care

The budget provides funds to accelerate the movement toward personalized medicine, in order to provide the best treatment and prevention for each patient, based on highly-individualized information.

It provides $15 million for expanding efforts in personalized medicine using information technology to link clinical care with research to improve health care quality while lowering costs; and,

It will expand the number of Ambulatory Quality Alliance Pilots from 18 sites in fiscal year 2008.

Health IT

• The President's budget proposes $118 million for the Office of the National Coordinator for Health Information Technology to keep us on track to have personal electronic health records for most Americans by 2014 by supporting our efforts to:

• Implement agreed upon public-private health data standards.

• Initiate projects in up to twelve communities based on recommendations of the American Health Information Community. These projects will demonstrate the value of widespread availability and access of reliable and interoperable health information.

• Develop the Partnership for Health and Care Improvement, a new, permanent non-governmental entity to effect a sustainable transition from the AHIC.

ADDRESSING THE FISCAL CHALLENGE OF ENTITLEMENT GROWTH

The single largest challenge we face is the unsustainable growth in entitlement programs such as Medicare and Medicaid. The administration is committed to strengthening the long-term fiscal position of Medicare and Medicaid and to moderating the growth of entitlement spending. The fiscal year2008 budget begins to address Medicare and Medicaid entitlement spending growth by proposing a package of reforms to promote efficiency, encourage beneficiary responsibility, and strengthen program integrity.

Medicaid

Medicaid is a critical program that delivers compassionate care to more than 50 million Americans who cannot afford it. In 2008 we expect total Federal Medicaid outlays to be $204 billion, a $12 billion increase over last year.

The Deficit Reduction Act (DRA) that President Bush signed into law last year has already transformed the Medicaid program. The DRA reduced Medicaid fraud and abuse and also instituted valuable tools for States to reform their Medicaid programs to resemble the private sector.

In fiscal year 2008, we are also proposing a series of legislative and administrative changes that will result in a combined savings of $25.3 billion over the next five years, which will keep Medicaid up to date and sustainable in the years to come. Even with these changes, Medicaid spending will continue to grow on average more than 7 percent per year over the next five years.

Along with the fiscally responsible steps we are taking with Medicaid, we are following the same values in modernizing Medicare.

Medicare

Gross funding for Medicare benefits, which will help 44.6 million Americans, is expected to be nearly $454 billion in fiscal year 2008, an increase of $28 billion over the previous year.

In its first year, the Medicare prescription drug benefit has been an unparalleled success. On average, beneficiaries are saving more than $1,200 annually when compared to not having drug coverage, and more than 75 percent of enrollees are satisfied with their coverage. Because of competition and aggressive negotiating, payments to plans over the next ten years will be $113 billion lower than projected last summer.

We also plan a series of legislative reforms to strengthen the long-term viability of Medicare that will save $66 billion over 5 years and slow the program's growth rate over that time period from 6.5 percent to 5.6 percent.

Similarly, we are proposing a host of administrative reforms to strengthen program integrity; improving efficiency and productivity; and reduce waste, fraud and abuse-all of which will save another $10 billion over the next 5 years.

PROMOTING HEALTH AND PREVENTING ILLNESS

We are also taking steps in other ways to transform our health care system. Helping people stay healthy longer also helps to reduce our nation's burden of health care costs. The President's budget will:

• Fund $17 million for CDC's Adolescent Health Promotion Initiative to empower young people to take responsibility for their personal health.

• Strengthen FDA's drug safety efforts and modernize the way we review drugs to ensure patients are confident the drugs they take are safe and effective.

• Enhance FDA and CDC programs to keep our food supply one of the safest in the world by improving our systems to prevent, detect and respond to outbreaks of food borne illness; and,

• Include $87 million to increase the capacity for the review of generic drugs applications at the FDA and increase access to cheaper generic drugs for American consumers.

PROVIDING HEALTH CARE TO THOSE IN NEED

SCHIP expires at the end of fiscal year 2007 and the President's budget proposes to reauthorize SCHIP for five more years, to increase the program's allotments by about $5 billion over that time, to refocus the program on low-income uninsured children, and to target SCHIP funds more efficiently to States with the most need.

The President's budget proposes nearly $2 billion to fund health center sites, including sites in high poverty counties. In fiscal year 2008, these sites will serve more than 16 million people.

We propose increasing the budget of the Indian Health Service to provide health support of federally recognized tribes to over $4.1 billion, which will help an estimated 1.9 million eligible American Indians and Alaskan Natives next year.

We are also proposing nearly $3 billion to support the health care needs of those living with HIV/AIDS and to expand HIV/AIDS testing programs nationwide.

In addition, we are requesting that Congress fund $25 million in fiscal year 2008 for treating the illnesses of the heroic first responders at the World Trade Center.

PROTECTING THE NATION AGAINST THREATS

We must continue our efforts to prepare to respond to bioterrorism and an influenza pandemic.

Some may have become complacent in the time that has passed since the anthrax-laced letters were delivered in 2001, but we have not. Others may have become complacent because a flu pandemic has not yet emerged, but we have not.

• The President's budget calls for nearly $4.3 billion for bioterrorism spending.

• In addition, we are requesting a $139 million in funding to expand, train and exercise medical emergency teams to respond to a real or potential threat.

• Our budget requests $870 million to continue funding the President's Plan to prepare against an influenza pandemic. The budget requests funding to increase vaccine production capacity and stockpiling; buy additional antivirals; develop rapid diagnostic tests; and enhance our rapid response capabilities.

• In fiscal year 2008, the Advanced Research and Development program is requested within the Office of the Assistant Secretary for Preparedness and Response (ASPR). Total funding of $189 million will improve the coordination of development, manufacturing, and acquisition of chemical, biological, radiological, or nuclear (CBRN) Medical Countermeasures (MCM).

ADVANCING MEDICAL RESEARCH

The research sponsored by NIH has led to dramatic reductions in death and disease. New opportunities are on the horizon, and we intend to seize them by requesting $28.9 billion for NIH.

Our proposal in fiscal year 2008 will allow NIH to fund nearly 10,200 new and competing research grants, continue to support innovative, crosscutting research through the Roadmap for Medical Research, and support talented scientists in biomedical research.

PROTECTING LIFE, FAMILY AND HUMAN DIGNITY

Our budget request would fund $884 million in activities to help those trying to escape the cycle of substance abuse; children who are victims of abuse and neglect; those who seek permanent, supportive families through adoption from foster care; and the thousands of refugees that come to our country in the hopes of a better life.

IMPROVING THE HUMAN CONDITION AROUND THE WORLD

If we are to improve the health of our own people, we must reach out to help other nations to improve the health of people throughout the world.

Our budget requests $2 million to launch a new Latin America Health initiative to develop and train a cadre of community health care workers who can bring much needed medical care to rural areas of Central America.

CDC and NIH will continue to work internationally to reduce illness and death from a myriad of diseases, and in so doing will support the President's Malaria Initiative; the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria; and the President's Emergency Plan for AIDS Relief.

These are just some of the highlights of our budget proposal. Both the President and I believe that we have crafted a strong, fiscally responsible budget at a challenging time for the Federal Government, with the need to further strengthen the economy and continue to protect the homeland.

We look forward to working with Congress, States, the medical community, and all Americans as we work to carry out the initiatives President Bush is proposing to build a healthier, safer and stronger America.

Now, I will be happy to take a few questions.