

BIGGER THAN SOCIAL SECURITY  
CRISIS

HON. DENNIS J. KUCINICH

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 8, 2005

Mr. KUCINICH. Mr. Speaker, I wish to bring the following article to the attention of my colleagues. This article discusses how the savings from creating a truly competitive market for prescription drugs, as is proposed by the Free Market Drug Act, could be used to eliminate any projected shortfall in Social Security. The American people demand that we focus our attention on the very real crisis that the soaring price of prescription drugs presents to their daily lives.

[From the Center for Economic and Policy Research, Apr., 2005]

BIGGER THAN THE SOCIAL SECURITY CRISIS:  
WASTEFUL SPENDING ON PRESCRIPTION DRUGS  
(By Dean Baker)

EXECUTIVE SUMMARY

President Bush started a national debate on the future of Social Security when he announced his plan for private accounts shortly after the November election. In order to promote his plan, he has argued that Social Security faces a serious long-term funding gap.

It is easy to show that the projected funding gap for Social Security is relatively minor. The Social Security trustees estimate that the gap over the program's 75-year planning period is equal to 0.6 percent of GDP over this period. The non-partisan Congressional Budget Office (CBO) estimates this gap at 0.4 percent of GDP. By comparison, the increase in annual defense spending since 2000 has been equal to 1.0 percent of GDP, more than 1.5 times the size of the shortfall projected by the Social Security trustees and 2.5 times as large as the shortfall projected by CBO.

Given the size of the projected Social Security shortfall it is reasonable to argue that attention should be focused on bigger problems. One glaring example is the soaring price of prescription drugs, which is imposing huge costs on both the private and public sectors. This paper examines the relationship between the potential savings from creating a free market in prescription drugs and the size of the Social Security shortfall.

Specifically, it calculates the savings that the federal government could accrue in Medicare if drug research was publicly financed and then the resulting patents were placed in the public domain, as proposed in the Free Market Drug Act (FMDA). This would allow prescription drugs to be sold in a competitive market, like other products. By eliminating government imposed patent monopolies, drug prices would decline by approximately 70 percent.

This paper calculates that the savings to the federal government from having drugs sold in a competitive market could reach \$110 billion annually by 2014. By the end of the period (in 2080) the annual savings would be equal to 1.2 percent of GDP. The cumulative savings over the 75-year planning horizon would be \$3.3 trillion (in discounted 2005 dollars); this is slightly larger than the \$3.2 trillion Social Security shortfall projected by the CBO. In other words, if the federal government's savings on prescription drugs from the FMDA were attributed to the Social Security trust fund, it would be more than enough to make Social Security fully solvent over its 75-year planning period.

The enormous potential savings from developing a free market in prescription drugs

should be a powerful argument for moving in this direction in any case, but the possibility of using the savings to eliminate the projected Social Security shortfall could make the policy even more attractive. Of course, the savings to the private sector from having drugs sold in a free market would be even larger than the savings to the federal government.

However, the most important benefit is that the FMDA would eliminate the incentives that government patent monopolies create to conceal or misrepresent research findings, as was recently exposed with drugs like Vioxx and Celebrex. If research is no longer financed by government patent monopolies, the perverse incentives they create will be eliminated. This will lead to better health care, in addition to much lower drug prices.

THE HIPAA RECREATIONAL IN-  
JURY TECHNICAL CORRECTION  
ACT

HON. MICHAEL C. BURGESS

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 8, 2005

Mr. BURGESS. Mr. Speaker, I am pleased to join my colleagues Congressman BLUNT and Congressman STRICKLAND in introducing legislation that would prohibit insurers from denying payment to health plan participants for injuries sustained while engaged in certain recreational activities like horseback riding or motorcycling.

In January 2001, the Department of Labor, the Internal Revenue Service and the Health Care Financing Administration, issued a rule in accordance to the Health Insurance and Portability and Accountability Act of 1996 (HIPAA) that was designed to guard against discrimination in coverage in the group health market. These rules prohibited health plans from denying coverage to people who engage in recreational activities like horseback riding and motorcycling. However a loophole was created that allowed insurers to deny payment for services based upon the source of the injury.

The rule states that: "While a person cannot be excluded from a plan for engaging in certain recreational activities, benefits for a particular injury can, in some cases, be excluded based on the source of the injury." A plan could, for example, include a general exclusion for injuries sustained while doing a specified list of recreational activities, even though treatment for those injuries, a broken arm for instance, would have been covered under the plan if the individual had tripped and fallen.

This loophole creates a situation that is especially unfair to people who ride motorcycles, horses, snowmobiles, or any other form of motorized recreation. Millions of Americans enjoy these activities safely every year within the framework of state laws and utilizing proper safety precautions. Should something extraordinary occur resulting in an injury, these individuals deserve the same consideration when it comes to their medical expenses as every other American. They should not be denied payment for health services for the mere fact that the injury occurred on horseback or on a motorcycle.

The legislation that we are introducing today will remove any ambiguity when it comes to participation in certain recreational activities or

modes of transportation should an injury occur. I want to thank Mr. BLUNT and Mr. STRICKLAND for joining me on this legislation. I look forward to working with them along with the multitude of groups that have made this legislation such a high priority, especially the American Motorcyclist Association and the Motorcycle Industry Council. I urge all of our colleagues to join us as cosponsors and stand with America's riders.

IN RECOGNITION OF MRS.  
DORETHA WARD KENT ON THE  
OCCASION OF HER RETIREMENT  
FROM WILSON COUNTY SCHOOLS

HON. G.K. BUTTERFIELD

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, June 8, 2005

Mr. BUTTERFIELD. Mr. Speaker, I rise today to honor an outstanding American citizen, Mrs. Doretha Ward Kent, on the occasion of her much deserved retirement. For 25 years, Doretha Kent faithfully and diligently served in various capacities with the Wilson County School System and as a community volunteer.

Mrs. Kent was one of three daughters born to William and Dora Ward of Stantonsburg, North Carolina. She attended Springfield High School and then further pursued her education at Wilson County Technical Community College where she received an Associate Degree in Computer Technology.

Mr. Speaker, Mrs. Kent dedicated 20 long years of her life as a Teacher's Assistant at Wells Elementary School where she nurtured and helped to develop the young minds of thousands of students. She spent five years as a Media Assistant at Beddingfield High School highlighting the positive activities of students. Mr. Speaker, I am certain that both educational institutions will truly miss the valuable services that Doretha Kent provided over the years.

In addition to being a dedicated public servant Mrs. Kent founded NC Love in Action, a medical assistance program aimed at helping disadvantaged citizens of Wilson County. She is a member of Mt. Zion FWB Church and serves on the Usher Board and Finance Committee.

My relationship with Doretha Kent is one of personal friend and fellow community leader. We have worked together for so long in our effort to improve the quality of life for all of our citizens. I am honored to sponsor this tribute on this occasion.

Mr. Speaker, I ask my colleagues to join with me in honoring this great woman of uncompromising moral integrity and devotion to God and community. Her service to her community, the State of North Carolina, and the United States of America are greatly appreciated.