



Committee On Finance

Max Baucus, Chairman

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STATEMENT OF SENATORS MAX BAUCUS AND CHARLES GRASSLEY ON THE GENERAL ACCOUNTING OFFICE REPORT MEDICAID: HCFA REVERSED ITS POSITION AND APPROVED ADDITIONAL STATE FINANCING SCHEMES

We appreciate the work of the General Accounting Office (GAO) in preparing this report about the implementation of new Medicaid upper payment limit policies. Since July 2000, the Centers for Medicare and Medicaid Services (CMS) (formerly HCFA) has informed states that it intended to change the upper payment limit rules and to limit states' ability to generate additional Federal funds through financing arrangements with local-government providers. While curtailing these financing arrangements remains CMS' stated policy, this GAO report raises serious questions about how CMS has handled its implementation.

Specifically, it remains unclear why, between January 2001 and April 2001, CMS changed its policy on whether pending state plan amendments would be reviewed under the old, more permissive upper payment limit policy, or under the new final regulation that limited such arrangements. As this report makes clear, CMS' decision to permit pending state plan amendment applications to be reviewed under the old standard – a decision that could cost the Federal government hundreds of millions of dollars – has not been fully explained. We intend to find out what happened here. These events raise eyebrows in light of CMS' clearly-stated intention to curtail this kind of financing arrangement.

The report number GAO-02-147 and can be obtained at their website at www.gao.gov/ or by contacting Jeff Nelligan, Managing Director for Public Affairs at either (202) 512-3823 or e-mailing him at nelliganj@gao.gov

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