

United States Senator Orrin G. Hatch
Opening Statement
Senate Committee on Finance Hearing on
Perspectives on Medicaid from Select Governors

July 14, 2011

I want to begin today by thanking the Chairman of this Committee, my friend and colleague, Max Baucus, for scheduling this hearing today. Though Republicans and Democrats do not necessarily agree in the details, I think that there is some agreement that the nation's Medicaid program — as currently constituted — is unsustainable. The opportunity to hear from the nation's governors, the individuals on the ground who are responsible for administering this program, while also balancing their state budgets, is an important one.

Medicaid was originally created as a safety net program for the nation's poor. Fewer than five million individuals used Medicaid services in the program's first year. Today, however, nearly one in four Americans is on Medicaid, and half of those newly covered by PPACA will be on Medicaid. The liberal Center for American Progress tellingly wrote the other day that House Budget Committee Chairman, Paul Ryan's, Medicaid proposal would be bad for the middle class. That says it all. A program initially created to support the nation's destitute, has been transformed into a spending program for the middle class.

From what I can see, this is not only disastrous for federal and state taxpayers, but it fails beneficiaries themselves who are in a failing program.

There are four core features of Medicaid that show the need for significant reform. First, the impact of this program on federal spending has become a genuine problem. Over just the next ten years, the federal government will spend \$4.6 trillion on the Medicaid program.

Second, Medicaid is now crowding out other critical needs in state budgets, such as education and law enforcement. Medicaid now represents 22 percent of state budgets, and the expansions of Medicaid in the health care law amount to an additional \$118 billion burden on the states.

Third, it is not clear that all of this spending gets us the right results. Study after study shows incredibly poor outcomes for Medicaid beneficiaries, especially when compared to privately covered patients.

And finally, Medicaid is rife with fraud. Earlier this week, the Government Accountability Office — or GAO — issued a report concluding that we are not even able to accurately gauge the amount of fraud in Medicaid because we do not have the technological tools to track it.

There has to be a better way, and as the Ranking Member on the Senate Finance Committee, I am working every day to personally ensure that we get this program under control. As it currently exists, Medicaid threatens the fiscal integrity of the nation and the states, and it fails to provide an adequate quality of care to those who

depend on it.

I believe that we already have an existing model for successful reform. In 1996 a Republican Congress and a Democratic President succeeded in one of the greatest reforms of a major entitlement program in our nation's history, when it took up welfare reform.

Medicaid is failing patients and is a target for waste, fraud, and abuse, not because the states are doing a bad job, but because Washington's bureaucracy has tied states' hands, preventing them from making meaningful changes and reforms that make sense at a local level.

Solutions for sustainable Medicaid reform will come from the states – not just Washington. My goal is to empower the states to design and implement innovative Medicaid solutions that work for states.

In May, along with House Energy and Commerce Committee Chairman Fred Upton, I wrote the nation's governors, asking for their ideas on Medicaid. A majority of the nation's governors responded with a request for flexibility and transparent, accountable budgeting.

Today, we have two of those governors today. I could not be more pleased that you are here to give us your perspective. My state's governor, Gary Hebert, has shown again that the Utah Way can be a model for other states. The success of Primary Care in Utah shows that states can create innovative and efficient solutions, if they are given some relief from Washington mandates.

And Governor Haley Barbour, as the Republican Governors Association's policy chair, has been leading the effort to put energy behind Medicaid reform.

This hearing is part of a collaborative process with the nation's governors to reform the Medicaid program. In my role as the Republican leader of the Senate Finance Committee – with responsibility for entitlement programs – I am determined that this process will end in a comprehensive Medicaid reform law.

I want to be clear though. For those on the ground in the states, this is not a Republican or a Democratic issue. Former Tennessee Governor Phil Bredesen has called Medicaid, "an obsolete and broken system."

I wish that I could say that I disagree. But the more that one looks at this program, the more clear it is that this program cries out for fundamental reform. Only then can we restore fiscal integrity to the federal and state governments, and only then can we deliver a higher level of care to those who depend on this system.

I look forward to the testimony of our esteemed witnesses, and I thank them for taking the time to share their experiences with us today.

