



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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**Opening Statement of U.S. Senator Chuck Grassley of Iowa
Chairman, Senate Committee on Finance
Hearing, Medicaid Waste, Fraud and Abuse: Threatening the Health Care Safety Net
Wednesday, June 29, 2005**

Thank you for joining us for day two of this important hearing. Yesterday we learned about some significant problems with the Medicaid program. At the conclusion of yesterday's hearing, we discussed efforts to correct them and to help reduce the impact that fraud, waste and abuse is having on the sustainability of this important program.

Today we will have two panels again to discuss more problems with fraud, waste and abuse in Medicaid. Our first panel is here to discuss prescription drug pricing, an issue that has been a central health care policy concern the past few years. Medicaid paid nearly \$30 billion for prescription drugs in FY 2004 and the cost of both health care and drugs will continue to rise.

Prescription drug pricing is a very complex area of Medicaid. As recent lawsuits and settlements have shown, drug pricing is an area of Medicaid with significant levels of waste, fraud and abuse. For example, between 2001 and 2004, the Department of Justice and the states' attorneys general recovered nearly \$2.5 billion from various pharmaceutical companies. This amount includes both Medicare and Medicaid. However, these settlements are evidence of systemic, industry-wide problems that needs to be addressed.

The cases and settlements often speak for themselves: Pfizer \$430 million, Schering-Plough \$345 million, TAP Pharmaceuticals \$875 million. And the list goes on. Most of these settlements resulted from cases filed under the federal False Claims Act. As a principal author of the 1986 amendments to the False Claims Act, I have worked to ensure that its provisions are faithfully enforced. Whistleblowers frequently risk everything when bringing false claims cases. I am pleased that our first witness of the day is a brave woman who will discuss her experiences as a whistleblower.

Our whistleblower will be followed by testimony from the Department of Justice and the Office of the Inspector General. We will hear testimony on federal oversight of the Medicaid drug pricing program, including drug pricing fraud and drug company settlements. The Office of the Inspector General will present its recent work, which will show the potential for significant savings in the Medicaid program. The drug pricing panel will also include a representative from the Texas Attorney General's Office, who will provide a state perspective on problems with prescription drug pricing. Finally we have a representative from the Pharmaceutical Research and Manufacturers of America who is here today to discuss the industry's perspective on prescription drug pricing.

Today's second panel will address another trend in the Medicaid program, the transferring of assets to qualify for Medicaid coverage. Six witnesses today will discuss asset transfers in the Medicaid program, including testimony from a long-term care facility representative and a resident of that facility. In addition, the Congressional Research Service will provide its background research on asset transfers and Medicaid estate planning and recovery. A representative from the Oregon Department of Human Services will testify about estate recovery efforts in Oregon. And we will also hear from the long term care industry. Specifically a representative from MetLife is here. MetLife is member of the American Council of Life Insurers. Finally we will hear from the Dean of the Public Policy Institute at Georgetown University and will view a short education video clip on asset transfers.

As I indicated yesterday, this hearing is about identifying problems and fixing them in order to maintain Medicaid as a strong safety net.