



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
Tuesday, June 28, 2005

Thank you for joining us today as we take a close look at an issue that threatens both the financial sustainability and the quality of care provided by the Medicaid program. Over the next two days we will be looking at some of the fraud, waste and abuse problems that plague the Medicaid program. We will also examine some proposed solutions to rein in many of the problems.

As chairman of the Finance Committee, it's my job to expose problems, flush them out and then work to find solutions with my colleagues. Two days of hearings present an opportunity to address the problems that threaten the long term sustainability of Medicaid, a program that is a safety net for nearly 53 million Medicaid beneficiaries. We have a duty to sustain Medicaid for low-income Americans, including children, pregnant women, individuals with disabilities and the elderly. Coupled with this duty is a duty to taxpayers to ensure that monies spent on Medicaid are actually spent on patient care and not lost to fraud, waste and abuse. This hearing is about finding solutions just as much as exposing problems. We've got serious work to do, and I hope everyone is ready to dig in.

Medicaid is a program at risk. In 2003 the Government Accountability Office designated Medicaid a high-risk program because of growing concerns about the quality of federal oversight and the sheer size of the program. Medicaid spending was nearly \$274 billion in fiscal year 2003. To put that into perspective, that's nearly enough money to cover the entire budget of Iowa for the rest of this century. Making matters more difficult is that spending in Medicaid is expected to double over the next decade. Based on these numbers alone, if we save even 1 percent of the annual budget on Medicaid, billions in taxpayer dollars would be saved. Funds that can be re-invested to provide more care to more people in need.

Fraud, waste and abuse are not new to government programs, especially health care programs. Because the Medicare and Medicaid programs are so big, even a small amount of fraud, waste and abuse is a big deal. In fact, I've been informed that it is virtually impossible to put a number on exactly how much fraud, waste and abuse occur in Medicaid as a whole. I find

Today we will begin to assess what we do know and the call for immediate action should be loud and clear.

Over the next two days we will hear from a number of individuals who have worked hard to document the problems plaguing the Medicaid program. Today we will have two panels. The first panel will outline the many different players who audit, detect, investigate, prevent and prosecute fraud, waste and abuse in Medicaid. The second panel will start our discussion into the areas where abuse occurs, particularly state government efforts to maximize their federal share of Medicaid dollars. Tomorrow's panels will focus on problems with drug pricing, as well as the issue of shifting assets in order to qualify for Medicaid. Each one of these topics presents real problems that need to be fixed.

Shortly we will hear from our first panel, which will include the new Inspector General for the Department of Health and Human Services and the Government Accountability Office. The non-profit organization, Taxpayers Against Fraud, will also testify to program areas within Medicaid that may be particularly prone to fraud, waste and abuse. Next, we will hear from the President of the National Association of State Medicaid Fraud Control Units, who will testify on state efforts to investigate and prosecute Medicaid fraud. Finally, we will hear from a Georgetown professor who served as the Medicaid director during the previous administration.

Our second panel will address various mechanisms that are available to states to increase their federal share of Medicaid dollars. Intergovernmental Transfers and Medicaid maximizing models will be discussed. While state efforts to provide more services is a noble goal, the Government Accountability Office will note that in some cases state consultants may use questionable methods to increase federal funding and profit from contingency fee arrangements with states. Some of these methods are troubling and threaten the long term sustainability of the Medicaid program.

I welcome today's witnesses and thank them for their testimony today. Hopefully this hearing will kick start some necessary and healthy changes to the Medicaid program. The status quo threatens the quality of care offered under Medicaid, as well as the long term financial stability and viability of the program. With that, I welcome the opening remarks of Senator Baucus. I request that all other members' opening remarks also be placed into the record.