

STATEMENT OF CHAIRMAN GORDON H. SMITH
Aging Committee Hearing
“Sound Policy, Smart Solutions: Savings Money in Medicaid”
July 20, 2005

Thank you all for coming today. It is a pleasure to welcome you to the Aging Committee for its second in a series of hearings on the Medicaid program.

I am pleased that our distinguished witnesses are able to join us and share their insight into how this program works and where improvements can be made to make it more efficient and reduce fraud and abuse.

As I have said many times, our goal as elected officials, in fact stewards of our communities’ most vulnerable should be to improve Medicaid, not undermine it or take steps that are penny wise and pound foolish.

Therefore, this hearing will focus on sound policy and smart solutions. We will hear from both government and outside experts who will help us understand two key components of the program – how Medicaid pays for prescription drugs and how the so-called spend-down process works. In doing so we will discuss areas where policy changes are needed and that hopefully result in budget savings.

I disagree with those who would claim the program is broken and should be dismantled, but on the other hand I don’t believe Medicaid is perfect. Therefore, I will continue to explore areas where changes can be made and savings can be found.

As I mentioned, we will be reviewing how state governments pay for prescription drugs. Many government entities have studied this process. Just last month the Office of the Inspector General for the Department of Health and Human Services testified that “the Medicaid program remains vulnerable to abuse and continues to pay too much for drugs.” Further, a report by the General Accountability Office highlighted the need for better oversight of the Medicaid “best” price system to ensure appropriate rebates are being made. These are all indications that Congress must take a close look at this system and determine if improvements should be made.

Concerns also have been raised about the loopholes that exist in Medicaid’s spend-down process that allow people to exploit the process by hiding assets so they can prematurely qualify for the program. We must closely review and consider these issues and develop responses that block intentional fraud while protecting people who truly qualify for care. It is a delicate balance, but one that we must strive to achieve.

I think all would agree that this has been an arduous process since February’s consideration of the budget. It is one fraught with potential mistakes that could negatively impact our nation’s oldest and most vulnerable. That is why it is so critical that we proceed cautiously and thoughtfully when considering changes to Medicaid.

And while we have just two months before the Finance Committee is required to report its reconciliation bill to the Budget Committee, much work remains. To further this process and ensure that it can be a bipartisan effort, I am actively seeking out colleagues from both sides of the aisle who are interested in working together to craft a bipartisan solution for reconciliation. I am pleased with the responses I have received, but know much work remains.

I look forward to working with my colleagues on the Aging Committee to provide our constituencies with a voice on this most critical issue.

Thank you.