



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of the Honorable Chuck Grassley, Chairman
Hearing, "The Future of Medicaid: Strategies for Strengthening American's Vital Safety Net"
Wednesday, June 15, 2005

Welcome to our hearing on the future of Medicaid in which we are going to examine ways to strengthen the nation's health care safety net. First, I'd like to welcome our witnesses and thank them for joining us today. In particular, I would like to thank Governor Huckabee and Governor Warner for being here today. While Medicaid is a program financed jointly by state and federal dollars, the states have the principle responsibility for running this very important program. It is for this reason that the bipartisan proposals by the nation's governors are of such importance and it is these proposals that are the focus of today's hearing.

We are here today to begin a process to strengthen Medicaid. We are at an important juncture with Medicaid, and we need to take decisive action to protect this vital safety net program for the people who need it. Medicaid has overtaken Medicare as the largest health care program and it is rapidly growing as a share of state budgets – doubling since 1990 while education spending has remained flat. States from Missouri, Tennessee, California, Mississippi and my own state of Iowa are struggling under growing costs. Between 1998 and 2003, combined federal and state spending on Medicaid grew by more than 55 percent. When you take into account CBO's forecast for the next ten years, combined Medicaid spending from 1998 through 2015 will grow by more than 275 percent. Spending in the year 2015 will be almost triple what it was in 1998. Many states have already had to take drastic measures to address these growing fiscal pressures.

With a bipartisan voice, the nation's governors have placed Medicaid on the forefront of their agenda. We've been hearing from the nation's governors – both Republicans and Democrats --since the beginning of the year. Their message has been clear -- if we don't work together to control the growth of Medicaid spending right now, these growing fiscal pressures will force states to take even more far-reaching steps to control costs. My hope is that today we begin the process of finding common ground to make good decisions for Medicaid's beneficiaries and the program's financial future. It can be done if we work together.

The causes are complex. More people are accessing Medicaid services. Health care is becoming more expensive. We need to more carefully scrutinize how we pay and how much we pay for Medicaid services. We need to examine whether we are paying too much for prescription drugs. Any ideas we consider should not jeopardize the coverage of optional beneficiaries just because they are optional rather than mandatory. I think we can come up with policies that improve Medicaid's fiscal health without jeopardizing that coverage and in fact, we must. To my friends who don't want us to find any savings in Medicaid, I hope you'll reconsider your position. If we don't find ways to relieve some of the financial pressures the states are facing, we end up jeopardizing the coverage of the very needy people we seek to protect. If the states don't get relief, they're going to have to make some difficult decisions to keep their schools funded and their budgets balanced — decisions that will jeopardize the coverage of current Medicaid beneficiaries. I believe that's why the governors have united to tackle this difficult issue as they will testify today. We have a responsibility to be good stewards of the Medicaid program. We need to spend the next few months making good decisions about how to preserve and strengthen the Medicaid program for the people who truly need it.

