



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Thursday, July 14, 2005

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Grassley asks states for information about use of contingency-fee Medicaid consultants  
Chairman continues work to improve financial management of vital program

WASHINGTON — Sen. Chuck Grassley is asking governors nationwide to provide information about their states' use of private contractors to develop initiatives that increase the federal Medicaid dollars collected by the states.

Grassley's questions follow a Senate hearing he conducted in June to review Medicaid spending, during which the Government Accountability Office (GAO) reported that two-thirds of the states use such consultants to help them get more federal Medicaid money. The report said, "A growing number of states are using consultants on a contingency-fee basis to maximize federal Medicaid reimbursements. As of 2004, 34 states – up from 10 states in 2002 – used contingency consultants for this purpose."

The GAO report also said that "a lack of oversight and clear guidance from the Centers for Medicare and Medicaid Services has allowed states to develop new financing methods that generate additional federal costs." Grassley said that both Congress and federal Medicaid officials had an obligation "to establish clear-cut ground rules and make sure they're followed when it comes to the use of contingency-fee consultants."

In letters sent today to 50 governors and the District of Columbia, Grassley asked for detailed information about how states are using Medicaid consultants and how additional Medicaid dollars raised through such efforts are spent. He also asked each state to describe its mechanisms for recovering payments for services and products that should be covered by a third party, rather than Medicaid, which is to be the payer of last resort.

As chairman of the Committee on Finance, Grassley is working with other lawmakers and the nation's governors to enact common-sense reforms to the federal-state Medicaid program, which provides health insurance for low-income families, uninsured children, individuals with disabilities, and the frail elderly. He also has been investigating the pricing practices of drug companies who bill Medicaid for prescription medicines as part of the effort to improve the program's finances and protect the payment system from abuse.

"Medicaid spending is increasing faster than current budget limitations can afford," Grassley said. "That's why I'm working to find ways to capture savings that will allow us to rein in growth and still expand eligibility to those most in need."

