



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Statement of Senator Chuck Grassley  
On Senate Consideration of  
The Deficit Reduction Omnibus Reconciliation Act of 2005  
Monday, October 31, 2005

Mr. President, today we begin consideration of the Deficit Reduction Omnibus Reconciliation Act of 2005. I want to commend the Chairman of the Budget Committee, Senator Judd Gregg, for his hard work on the Budget Resolution that tasked the authorizing committees with the reconciliation instructions that were met over the past few weeks.

Many of the proposals in the Senate Finance Committee title as well as the other titles of this bill have bipartisan support. Some of them have been proposed by the Administration in its budget. The Finance Committee title also represents nearly a year's worth of work on behalf of members of the Finance committee and our staffs. The Senate Finance Committee title achieves a net of \$10 billion in savings from Medicare and Medicaid by reducing wasteful spending and closing loopholes.

The Finance title also targets resources to preserving and improving Medicaid, SCHIP and Medicare. In particular, the Medicaid provisions in the Finance title will also produce additional resources for states in operating their Medicaid programs. In doing so, this bill protects Medicaid benefits for the most vulnerable in our society.

The Senate Finance Committee title cracks down on Medicaid fraud and abuse by encouraging states to aggressively pursue Medicaid fraud by implementing state false claims acts, which at the federal level is the single most important tool U.S. taxpayers have to recover the billions of dollars stolen through fraud every year.

In addition, the Senate Finance Committee title requires suppliers who do business with Medicaid to have a false claims act education program so that those with evidence of fraud against Medicaid know they may pursue claims, on behalf of the government, in order to recover the stolen funds. In order to fight Medicaid fraud, the Senate Finance Committee title dramatically increases resources to fight fraud and abuse in Medicaid. This will protect state and federal budgets and generate substantial savings from this investment.

The Senate Finance Committee title also achieves savings by helping state Medicaid programs obtain millions in payments owed by third party payors each year. It also produces savings by ending drug manufacturer gaming of the system by closing the authorized generic loophole so that appropriate rebates are paid to states.

The Senate Finance Committee title helps preserve services to beneficiaries by ending overpayments to pharmacies by reforming the broken system used to reimburse pharmacists for prescription drugs,

which is based on the flawed Average Wholesale Price formula.

There have been thirteen reports in the last 5 years from the Congressional Budget Office, the Inspector General's office and from the Government Accountability Office all calling for reforming the Medicaid pharmacy payment formula and ending overpayment for prescription drugs. These overpayments have been costing states and the federal government billions of dollars.

The bill also includes provisions to protect rural pharmacies, and encourage greater use of cost-saving generic drugs. In addition, the Finance title also balances the savings derived from pharmacy payment reforms with an increase in the rebate paid to state Medicaid programs by drug manufacturers from 15.2 percent to 17 percent.

On the Medicare side, the title calls for the phase-out of the budget-neutral modification to the Medicare Advantage risk adjuster. This provision will help ensure that the health-status risk adjuster required under the Balanced Budget Act of 1997 meets its objective of providing accurate payments to plans based on their enrollees' health.

The Title also repeals the Medicare Advantage Regional Stabilization Fund. When we worked on the MMA, the idea was that if the fund was not needed, then the dollars were to return to the U.S. Treasury. We have strong regional P-P-O participation. Regional PPOs are in twenty-one (21) out of the twenty-six (26) regions.

The Finance Committee Title of this bill also preserves access to health care for seniors in Medicare by providing a 1.0 percent payment update to all providers paid under the Medicare Physician Fee Schedule. This replaces the 4.4 percent payment cut physicians are scheduled to receive in 2006.

The Part B premium is affected due to changes included in the Title that affect Part B spending. While some provisions lower Part B spending, other provisions increase Part B spending. However, there is no effect on the Part B premium until 2007.

It is also important to keep in mind that the Part B premium increase does not affect low-income beneficiaries. In fact, I worked hard to extend the Q-I program so Part B premiums would continue to be covered for these individuals.

Avoiding the physician payment cut has strong support in the Senate. In July of this year, 89 Senators from both sides of the aisle sent a letter to the White House Office of Management and Budget calling for removal of Part B drugs from the physician payment formula. This change, which the Administration has the authority to make, would permit Congress to address the long-standing problem with the Medicare formula for reimbursing physicians.

Certainly, we are all concerned about any impact on the Part B premium. But this Senate is almost unanimous in its support of addressing this as evidenced by the 89 signatures calling for changes in the formula by the Administration. To be clear about this, the changes in physician fees called for in that letter would also increase the Part B premium.

It is important that we take steps to maintain access to physician services in the Medicare program. The benefits in Medicare are not worth much if beneficiaries cannot find a doctor who will see them. Another important area addressed by the Senate Finance title is long term care costs. Recognizing

that Long-Term Care Costs account for significant spending in the Medicaid program, this bill makes key improvements in long term care for seniors and the disabled.

Consistent with a proposal by the President, this bill includes a “Money Follows the Person” rebalancing demonstration program. This program would direct grants to states to increase the use of home and community based services, rather than institutional services.

The title also provides new options for private coverage of long term care through Long-term Care Partnerships and promotes availability of Programs of All-Inclusive Care for the Elderly (PACE) in rural areas.

Mr. President, the Finance Committee title of this bill also addresses a number of Medicare priorities while also achieving savings in other areas of Medicare.

First, the Finance Committee title would extend the hold-harmless provisions for small rural hospitals and sole community hospitals from implementation of the hospital outpatient prospective payment system. Second, it would expand coverage of additional preventive benefits under Federal Qualified Health Centers and, third, it would extend the Medicare Dependent Hospital program, which provides financial protections to rural hospitals with less than 100 beds that have a greater than 60 percent share of Medicare patients.

Mr. President, another issue I suspect that we will hear a good deal about is the impact that Hurricane Katrina had when it devastated hundreds of thousand of our fellow Americans, along the Gulf Coast. This title would provide for a much needed “down-payment” to those states who have suffered as a result of Hurricane Katrina.

The Finance Committee title of this bill also provides funding to strengthen and improve the Medicaid and SCHIP programs.

The Senate Finance Committee title includes temporary provisions that will stem these state short falls and ensure that states are not forced to curtail or end SCHIP coverage for vulnerable low income children.

In order to continue to improve the Medicaid and SCHIP programs, the Senate Finance Committee title also includes outreach and enrollment efforts so that children eligible for public health assistance receive that assistance.

Mr. President, this legislation also addresses a fundamental flaw in our current Medicare payment systems. Right now, Medicare payment policies do not encourage high quality care. We need to reward quality and provide the incentives to invest more in health care information technology and other efforts to improve health care quality.

Finally, Mr. President, the Senate Finance Committee title includes the Family Opportunity Act. The Family Opportunity Act was motivated by the circumstances of individual families – the Melissa Arnold family and the Dylan Lee James family. Both families relied on Medicaid health services for their child with disabilities and both families risked losing eligibility for Medicaid as a result of financial eligibility rules that continue to create disincentives for the parents to work or seek better employment opportunities. Then they describe how Dad or Mom could comfortably support their

family, but must remain poor in order that their child receive the health care coverage they need. These parents want to work and provide for their families, but must put the health care of their child first. If we are able to successfully pass the legislation before the Senate, we will achieve important savings that help put our fiscal house in order as well as preserving benefits and ultimately expand access through the Family Opportunity Act for families in Iowa and across the nation.

In closing, Mr. President, the Finance Committee title of this bill achieves significant savings in Medicare and Medicaid by reducing wasteful spending and closing loopholes. It then directs much of those savings to making improvements in these programs that expand access to health care services, protects health care coverage for kids and protects access for Medicare beneficiaries.

I have two summaries of the Finance committee title and I ask Unanimous Consent that they be included in the record at this time.