

U.S. SENATE COMMITTEE ON FINANCE

MEMORANDUM

TO: Reporters and Editors
RE: GAO Report on Medicaid upper payment limit schemes
DA: Tuesday, March 16, 2004

Sens. Chuck Grassley and Max Baucus today commented on a new report of the General Accounting Office (GAO) regarding the federal government's oversight of methods used by some states to draw down additional federal dollars for state Medicaid programs. Grassley is chairman and Baucus is ranking member of the Senate Committee on Finance.

Grassley and Baucus asked the GAO to study the actions of the Centers for Medicare and Medicaid Services (CMS) following Congressional action in 2000 aimed at phasing down such inappropriate financing arrangements. Transition periods were established for 18 states that had been receiving excessive payments.

The GAO report released today found that a decision by CMS to grant eight-year transition periods to two states was inconsistent with the government's stated goal to minimize excessive payments. In the report, the GAO recommends that CMS take action to protect the fiscal integrity of the Medicaid program by establishing criteria for transition-period decisions and reconsidering the transition periods allowed to these two states. The GAO also spells out specific recommendations to further improve CMS oversight of the states' calculations of upper payment limits and urges Congress to continue efforts to close the upper payment limit loophole.

The new report is titled "Improved Federal Oversight of State Financing Schemes is Needed" (GAO-04-228). It follows a GAO report requested by Grassley and Baucus in 2001, "Medicaid: HCFA Reversed Its Position and Approved Additional State Financing Schemes" (GAO-02-147), which questioned the legitimacy of giving one state a transition period at all. Medicaid is a federal-state partnership that provides health care to an estimated 53 million low-income Americans, including children, pregnant women, individuals with disabilities and the elderly.

Grassley comment – "The government has taken a step in the right direction by establishing guidelines for reviewing financing arrangements proposed by the states. But those guidelines need to be applied consistently, and clear-cut parameters still need to be spelled out to the states about what's acceptable. Until that's done, the federal government is a facilitator in financing arrangements that fundamentally alter the traditional federal-state relationship in the Medicaid program. The integrity of the program and the taxpayers are paying the price."

Baucus comment – "This report shows once again that when it comes to the federal-state partnership on financing Medicaid, all stakeholders have played a role in trying to shift costs in one

direction or another. As I argued last week in our debate over the budget, finding a solution to promote fiscal integrity in Medicaid must be done carefully, in partnership with states, and with strict attention to the welfare of the 53 million Americans who rely on Medicaid, including over 20 million children. We need a policy on Medicaid financing that is clear to all parties and applied uniformly to all states."