"Medicaid Fraud and Overpayments: Problems and Solutions"
Opening Statement of Chairman Ron Johnson
June 27, 2018

Good morning and welcome.

The U.S. health care financing system is broken and increasingly is dominated by the government. By transitioning to a third-party payment system, we have separated the consumer of health care products and services from the direct payment for them. Most consumers don't know what treatments costs, and except for the cost of insurance or copays, they really don't care. We have removed the benefit of free market competition from health care, and costs have predictably soared. Since 1960, the share of all health care spending paid by government has more than doubled, from about one-fifth to just under half. The result: Overall health spending now consumes nearly 20 percent of the nation's GDP.

Central to this unsustainable growth is Medicaid. When President Lyndon Johnson signed Medicaid into law in 1965, he extolled the new Medicare program—but didn't even mention Medicaid. That first year, Medicaid enrolled just four million people, at a cost of $222 per enrollee.

Today, Medicaid is the nation's largest health insurer. It covers about 70 million people—one in five Americans—at a total cost to taxpayers of $554 billion per year. Per enrollee, Medicaid now costs nearly $8,000, a 3,491 percent increase over 1966. This strain on the American taxpayer will only continue to grow. Federal Medicaid spending is expected by 2025 to rise 96 percent above its 2014 level, in significant part because of Obamacare's Medicaid expansion. The Centers for Medicare & Medicaid Services, which runs Medicaid with the states, significantly understated its projections for how much that expansion would cost.

With federal Medicaid spending growing at an alarming rate, it is more important than ever that each Medicaid dollar is spent on someone in need. But we know that is far from the case. The Medicaid program doles out $37 billion a year of improper payments, a 157 percent increase since 2013. Medicaid accounted for 26 percent of all the improper payments made by the federal government in fiscal year 2017.

Medicaid's financial problems were highly predictable. The Government Accountability Office first deemed Medicaid a "high risk" program in 2003. Since then, the GAO has consistently reported on Medicaid's vulnerability to waste and fraud, and the need for the CMS to take proactive measures to reduce improper payments. The inspector general of the Department of Health and Human Services found that three states, principally California, spent over $1 billion in federal Medicaid funds on behalf of more than a half-million ineligible or potentially ineligible people. Apparently, CMS has no plans to recoup these funds.

The first steps in solving any problem are admitting you have one and then properly defining it. To that end, we are pleased to welcome Gene Dodaro, the comptroller general, who will testify about the GAO's work identifying Medicaid fraud and recommending solutions to CMS. We also welcome Brian P. Ritchie, the assistant HHS inspector general for audit services.

Last week, I also released a staff report that finds that CMS has failed to adequately police Medicaid fraud and overpayments. We look forward to having CMS Administrator Verma testify in the near future about the report's conclusions and the steps CMS is taking to tackle Medicaid fraud and overpayments. I thank our witnesses for their service, and I look forward to your testimony.