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SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

HEARING: "A Prescription for Waste: Controlled Substance Abuse in Medicaid"

Opening Statement of Senator Thomas R. Carper, Chairman

Over the past several months, the American people and those of us in Congress have been engaged in an unprecedented conversation about our nation's health care system. In fact, it may be the most important issue many of us will ever work on. There are a few things we disagree on, but almost everyone agrees that the system is broken. We have seen a dramatic rise in health care costs that is simply unsustainable for American families, for businesses and for our nation as a whole.

In 2007, we as a nation spent over $2.2 trillion on health care. That's nearly 16% of the nation's Gross Domestic Product. As you can see on the chart behind me, in 2007, the average American spent over $7000 on healthcare. Compare that with 1985, where the average was just under $2000. There's been a lot of talk around here about trying to "bend the cost curve" of health care and this is the curve we are talking about. The slope is simply too steep for many of us to climb anymore.

While there are a number of reasons for the rise in health care costs over the past few decades, it is clear that prescription drugs are one of the main drivers of this increase. As you can see in my next chart, in 1985, the average American spent about $90 a year for prescription medicines. Today, they spend over $700 - an increase of nearly 740 percent.

The way medicine is practiced has changed over time. Drugs are now offered to patients who just a few years ago may have been recommended surgery, or received no treatment at all. A new generation of painkillers has been developed to bring comfort to patients who before may have had to simply live with their pain. Their benefits have been proven, but so have some of their potential dangers. While these drugs bring relief, they also have the potential for patients to become dependent or addicted to their powerful effects.

The next chart behind me shows this impact.

Between 1994 and 2004, the population of the United States grew 12 percent, while at the same time the number of prescription drugs dispensed grew 68 percent. The only thing that

has outpaced this figure is the rate of abuse of those drugs, growing over 80 percent. In fact, more Americans abuse prescription drugs than the number who abuse cocaine, heroin, hallucinogens, Ecstasy, and inhalants – combined.

The Drug Enforcement Administration classifies drugs that are most likely to be abused into a specific category called "controlled substances." A few months ago, we asked the Government Accountability Office to see whether some Medicaid beneficiaries might be abusing the system to obtain these powerful drugs to fuel their own addictions or to sell on the street.

The Government Accountability Office investigated controlled substance prescription claims in five states – New York, North Carolina, California, Illinois and Texas. In total, they make up over 40 percent of all the controlled substances claims paid for by Medicaid.

What GAO found were tens of thousands of Medicaid beneficiaries and providers involved in fraudulent or abusive purchases of controlled substances through the Medicaid program.

GAO found three major sources of fraud and abuse involving controlled substances. The first included beneficiaries engaged in a practice commonly known as "doctor shopping." Over 65,000 Medicaid beneficiaries in the states GAO examined were going to six or more doctors for the same type of controlled substance.

In one case, GAO found two beneficiaries working together to acquire oxycodone, a powerful prescription painkiller, from over 25 prescribers and 9 different pharmacies. In these types of cases, beneficiaries were either feeding their addiction or selling the extra pills on the street. Drug dealers made the profit, while Medicaid footed the bill.

Fraud and abuse of the Medicaid system also appears to be going on beyond the grave. Comparing Medicaid claims to social security data, GAO discovered thousands of controlled substance prescriptions were "received" by dead beneficiaries or "written" by dead doctors.

In one case, a beneficiary submitted a Medicaid application using the social security number of a person who had died in 1980. This beneficiary stayed on the Medicaid rolls for three years and during that time received thousands of controlled substance pills and over $200,000 in medical treatments.

GAO's report also found that more than 65 doctors and pharmacies the government knew were bad apples, but weren't taken out of the Medicaid system. Providers who were barred from federal health care programs for fraud and abuse convictions were still writing or filling prescriptions through Medicaid.

In one specific case, a physician who had been banned after being convicted for writing fraudulent controlled substance prescriptions was still having his prescriptions paid for by Medicaid nearly two years after the incident.

The problems outlined in GAO's report have fairly simple solutions that in many cases already exist. Proper data sharing agreements and basic fraud prevention controls would go a long way in stopping much of the abuse we will be discussing today. Unfortunately, each state has developed its own individual approach, without regard for the best practices and models available to them. This has resulted in programs full of holes.

It is clear that the Centers for Medicare and Medicaid Services need to do a better job of providing guidance and regulatory enforcement for the states. At the same time, states need to take greater responsibility for preventing and rooting out fraud, waste and abuse from their own backyards.

As a recovering governor, I understand the unique challenges that come along with running a state Medicaid program. As many of you have heard me say before, "If it's not perfect, make it better," and we all share a responsibility to do just that with Medicaid.

GAO's findings are troubling and I look forward to an honest and frank discussion today about what needs to be done to make sure these abuses don't continue. As a member of the Finance Committee, we've had a lot of discussion about how to pay for health care reform. I share the President's belief that any plan we pass in Congress this year should not add a dime to our deficit going forward. One of the ways we can do that is through cutting the fraud, waste and abuse in our current public health care system. We can go a long way in paying for health care reform by eliminating the sort of abuse we will be discussing today.

Finally, before I close, I have one last chart I would like to share.

The dangers of prescription drug abuse have become better known in the past few years as celebrities and other public figures have succumbed to their lethal effects. However, less widely publicized are the millions of American teenagers who abuse the same drugs. And, unfortunately, they're doing so at a rate which should cause alarm. One out of five teenagers in America has abused, or is abusing, prescription drugs. This is a drug problem that could impact any American home with a medicine cabinet. As a father, I certainly find this an alarming statistic.

I make this point so that it's clear that, while there is a financial cost to the fraud and abuse of controlled substances paid for by Medicaid, let's not forget there is a human cost as well. Prescription drug abuse is the fastest-growing addiction in the United States. The difference between a "street drug" like cocaine and a prescription pain pill is that in many cases the federal government is paying to feed this addiction with taxpayer money.
Aside from our financial responsibility, we have a social responsibility to ensure that our public health care system isn't used to further intensify and subsidize a public health crisis.

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