

Report Finds HHS Has Failed to Ensure Fiscal Integrity of Medicaid in FL, VT Demonstrations

Reps. John D. Dingell (D-MI), Chairman of the Committee on Energy and Commerce, Henry A. Waxman (D-CA), Chairman of the Committee on Oversight and Government Reform, Frank J. Pallone (D-NJ), Chairman of the Energy and Commerce Committee's Health Subcommittee, and Senator Sherrod Brown (D-OH), member of the Committee on Health, Education, Labor and Pensions, today released a Government Accountability Office (GAO) report...

NEWS RELEASE

Committee on Energy and Commerce

Rep. John D. Dingell, Chairman

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This report is a follow-up to two July 2007 GAO reports on Section 1115 Medicaid waiver programs in Florida and Vermont. Today's report found that these programs have caused serious negative implications for beneficiaries, resulted in costs that exceeded federal limits, and were developed and approved by HHS without appropriate public input.

"This report highlights the Administration's dedication to dismantling the beneficiary protections in Medicaid," said Dingell. "It's clear that we need to evaluate CMS's improper use of the 1115 Medicaid waiver programs and ensure that these programs are being operated in accordance with federal law. For too long, HHS has been ignoring the rules and approving these programs, causing benefits to shrink and costs to soar."

The GAO found, after extensive review of HHS and State documents, that HHS approved Section 1115 demonstration programs in Florida and Vermont without ensuring the fiscal integrity of the Medicaid program. Generally, Section 1115 of the Social Security Act provides the Secretary of HHS the authority to permit experimental, pilot, or demonstration projects that promote the objectives of the Medicaid statute. However, approved demonstrations cannot cost the Federal government more than it would cost to provide the same benefits without the waiver.

"For an Administration that is constantly seeking to gut Medicaid in the name of fiscal responsibility, it is shocking that they would be so reckless in approving waivers that are clearly inefficient and cause costs to increase," Pallone said. "Once again, beneficiaries are being moved into managed care plans that offer fewer benefits but produce zero savings for the federal government. Clearly, Congress needs to rethink how these demonstrations work and more importantly how the Administration operates them."

For Florida, HHS approved a five-year spending limit for the demonstration that is \$6.9 billion higher than what documentation showed was needed by the State. Florida was allowed to establish a spending limit based on historical spending which included payments that should not have been allowed.

"The Bush administration is quick to cut Medicaid and slow to protect it, in this case from fiscal mismanagement. For them, it's easier to take coverage away from seniors living in poverty and others who rely on Medicaid than to properly manage the program. It is also unconscionable," Senator Brown said.

"The GAO report calls upon Congress to make the section 1115 waiver process more transparent," said Waxman. "I couldn't agree more. As the report indicates, the current process could hardly be less transparent. Given the number of beneficiaries affected and the amount of federal funds involved, that's not acceptable."

GAO concluded that HHS has not addressed long-standing concerns with the demonstration approval process, including the basis for its approval of States' spending limits, and the transparency of the review process. Action is still needed to ensure the transparency of added costs to the federal government associated with section 1115 demonstrations and to maintain Medicaid's fiscal integrity.

Medicaid Demonstration Waivers January 2008 GAO Report

Prepared by the Committee on Energy and Commerce

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