

United States Senate Committee on Finance

For Immediate Release

Monday, Jan. 30, 2006

Grassley, Baucus Seek Better Controls to Fight Waste, Fraud at New Jersey Medical School

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, are seeking assurances that the University of Medicine and Dentistry of New Jersey is on the right track toward reversing governance problems that led to allegations of serious Medicaid and Medicare fraud and mismanagement. As leaders of the Senate committee with jurisdiction over Medicaid and Medicare, the senators wrote to New Jersey Gov. Jon Corzine to seek details of his action to straighten out problems at the school – one of the nation’s largest – and to the leader of the federal agency overseeing Medicaid and Medicare to get details of audits, inspections, and complaints involving the university.

“Federal health care programs are already stretched to their limit,” Grassley said. “Any dollar that goes to waste, fraud, or abuse doesn’t help a person in need. Congress and the state leaders are responsible for getting the New Jersey university back on track and recovering any tax dollars lost to fraud or mismanagement. I’m glad the new governor is working on this problem, and I look forward to learning more about his efforts.”

Baucus said, “When providers commit Medicare and Medicaid fraud, they’re violating two sacred trusts – one with their patients, who depend on these programs for health care, and another with their fellow citizens and taxpayers. There needs to be a full explanation of the problems that have been uncovered, and an accounting of the steps taken to stop Medicare and Medicaid abuses and to prevent them from happening again.”

The text of the senators’ letters follows.

January 30, 2006

Governor Jon S. Corzine
Office of the Governor
PO Box 001
Trenton, NJ 08625

Dear Governor Corzine:

We recently learned of the allegations of fraud, corruption, and mismanagement at one of your state’s, and one of the country’s largest, health care universities and medical research facilities, the University of Medicine and Dentistry of New Jersey (UMDNJ). We are alarmed and deeply troubled that these events occurred at such an important research and medical institution.

A January 7, 2006, editorial in the *New York Times* entitled, “New Jersey’s Medical School Mess,”

called for you, as the new Governor, to reign in fraud, corruption, and mismanagement at the UMDNJ. The editorial outlined the wrongdoing by stating that,

“The scope of the wrongdoing at that institution, the UMDNJ, is staggering. More than \$700 million in no-bid contracts were awarded over five years, often to politically connected recipients, some of whom did little or no work for the money. Jobs were filled by patronage. School funds were siphoned off for campaign contributions to elected officials. Lavish perquisites and bonuses were given to administrators. The board was riddled with conflicts of interest. ... The most egregious wrong, to our mind, was the double-billing of Medicaid for the care provided to poor people. ... These sorry events speak to a culture of corruption and cronyism in the state and a paucity of strong oversight and monitoring.”

We are sure that you are troubled by this scandal as much as we are and understand from a January 15, 2006 article in the *New Jersey Star-Ledger* that the UMDNJ will be one of your top priorities in the coming weeks. In fact, we understand that you and Dr. John Petillo have reached a potential agreement whereby he will leave his position as president of UMDNJ.

As Chairman and Ranking Member of the Committee on Finance (Committee), we have engaged in longstanding and aggressive oversight and investigation into abuses of the Medicaid and Medicare programs. We have a responsibility to ensure that these programs, which are a safety net for millions of beneficiaries, are free from corruption and fraud.

To assist the Committee in its oversight and review of this matter, the Committee requests that your office, in conjunction with UMDNJ officials, provide a comprehensive briefing on plans to ensure that the UMDNJ is free from corruption and fraud, and managed and operated in the best interests of the citizens of New Jersey and American taxpayers. The briefing should explain when and how the potential corruption and fraud were first discovered and what efforts, if any, were taken to address the matter at that time. The Committee further requests the names of any UMDNJ internal “whistleblowers” who may have warned university officials and legal counsel of the potential criminal fraud and misconduct, and that those individuals be made available for interview by our Committee staff.

Sincerely

Chuck Grassley
Chairman

Max Baucus
Ranking Member

January 30, 2006

The Honorable Mark McClellan, M.D., Ph.D.
Administrator
Centers for Medicare and Medicaid Services
Department of Health and Human Services
200 Independence Avenue, SW
Washington, DC 20201

Dear Dr. McClellan:

We are sure you are aware of allegations of Medicare and Medicaid fraud and mismanagement that occurred between 1999 and 2004 at the University of Medicine and Dentistry of New Jersey (UMDNJ), one of the nation's largest health care universities.

The full extent of the potential fraud and mismanagement, and its impact on the good citizens of New Jersey and American taxpayers, is not known as of yet, but some estimate it to be in the tens of millions of dollars.

As Chairman and Ranking Member of the Committee on Finance (Committee), we have conducted aggressive oversight into abuses of the Medicare and Medicaid programs. We have a responsibility to ensure that these programs, which provide a safety net for millions of beneficiaries, are free from corruption and fraud.

To assist us in our responsibility for overseeing the Medicare and Medicaid programs, please provide any and all audit and inspection reports of the UMDNJ's facilities since 1999, as well as any complaints your office received regarding these issues during that time. Please provide the relevant documentation to our Committee staff by no later than February 15, 2006.

Sincerely,

Chuck Grassley
Chairman

Max Baucus
Ranking Member