

Opening Statement by Rep. Henry A. Waxman
Hearing on Intergovernmental Transfers
Subcommittee on Health
March 18, 2004

Mr. Chairman,

Every Member of this Committee is aware of the critical role the Medicaid program plays in providing health care services to some 50 million Americans, persons who are the most vulnerable and who frequently have the most complex and difficult health care problems. As Secretary Thompson pointed out in his testimony last week, Medicaid is now the largest publicly funded health care program in the United States, larger indeed than Medicare.

Further, Medicaid is a program that has always faced severe funding problems, largely because it depends on a significant State contribution. This is a true structural problem because at the very time when the economy weakens, and people lose jobs and health care coverage and need Medicaid's help, State revenue bases weaken as well, making the State contribution doubly difficult.

States and localities have long dealt with the fiscal demands of Medicaid by using a combination of funding sources. Intergovernmental transfers of local funds have been a recognized and explicitly legal source of funding for the program.

In many States, including my own State of California, these funds have been used in conjunction with the DSH program and upper payment limit rules to support not just critical local public hospitals, but Children's Hospitals and private institutions which serve large numbers of uninsured patients. They have helped maintain institutions that provide needed community services, such as trauma care, burn units, and maternity care.

I am sure we will hear today of instances where there have been abuses of Medicaid funding, where inappropriate intergovernmental transfers have been used to leverage Federal dollars that have then been used for purposes other than health care. No one condones using scarce Medicaid dollars to build roads.

But action has already been taken to close the loopholes in the law that led to these abuses. I am not saying that all problems have been eliminated, but the most egregious abuses—which continue to be cited as reasons for cutting back on Medicaid funding—are already being addressed. The upper payment limit regulations now being phased in have, in effect, essentially stopped the ability to use large differentials in payments to draw down large Federal dollars for other State budget purposes.

But I want to make one thing clear. I frankly think we have squeezed too much with those regulations capping payments to public hospitals in the aggregate at 100% of the Medicare rate. Given the critical needs of public hospitals and Children's hospitals in this country, and the number of high cost and uninsured patients they cover, the decision of the Clinton Administration to set the limit for public facilities at 150% of the Medicare rate was much more appropriate.

I do not object to maximizing the use of Federal dollars to support health care in these vital institutions. I do not see it as an abuse of the program. If Medicare, Medicaid, and private payors all cut payments to their lowest levels, these institutions will collapse under the weight of the uninsured and public services.

Finally, let me add that, as critical as I have sometimes been of States' administration of the program, I think they have a legitimate complaint about the way that the Bush Administration continues to lay out one set of financing rules for States to rely upon and then summarily changes them. State budgets and systems are complex, and any Federal proposal to change the law in these areas should be accompanied by notice, opportunity for public comment, and respectful transition periods. No one is helped when the Federal partner makes and unmakes its decisions so suddenly.

All of us want Medicaid dollars to stay in health care. All of us want them spent on the poor, the disabled, and the uninsured.

But at this time of critical need, with safety net institutions tottering on the brink and the number of uninsured rising every day, I again would urge this Committee to take a very cautious approach to interfering with a long-established and fragile system of fiscal support for this program.