

Opening Statement of Chairman Ron Johnson
“Unintended Consequences: Medicaid and the Opioid Epidemic”
January 17, 2018

As submitted for the record:

Good morning. The dramatic increase in drug overdose deaths throughout America has appropriately been labeled a national health care crisis. In 2016, there were nearly 64,000 overdose deaths, making drug overdoses the leading cause of accidental fatalities. As a result, much attention has been paid to what caused this epidemic and what can be done to end it.

This Committee has worked to examine the root causes of the opioid crisis for some time. We have held field hearings across the country to hear from doctors, law-enforcement officials, local government leaders, and families affected by the opioid crisis. In 2016, after a lengthy, bipartisan investigation, the Committee issued a 359-page report detailing evidence of opioid over-prescription and drug diversion at a VA medical center in Wisconsin.

Last summer during the debate over health care reform, I read an article by scholar and political economist Nicholas Eberstadt in *Commentary* magazine titled “Our Miserable 21st Century.” Citing Alan Krueger, the chairman of President Obama’s Council on Economic Advisors, Eberstadt wrote that “nearly half of all prime working-age male labor-force dropouts—an army now totaling roughly 7 million men—currently take pain medication on a daily basis.” Eberstadt asked how so many millions of unemployed men could afford a constant supply of pain medication. He surmised, “one main mechanism today has been the welfare state: more specifically, Medicaid. . . . Medicaid [has] inadvertently helped finance America’s immense and increasing appetite for opioids in our new century.”

Intrigued by this article, I asked my staff to research cases in which Medicaid was used to obtain opioids and then illegally traffic them. In a few short days, we identified 261 defendants involved in opioid-related Medicaid fraud. Building off that initial research, we have identified more than 1,000 instances involving Medicaid and opioid abuse. This research, summarized in a staff report that I am releasing today, presents evidence that federal spending on health care is being used as a funding source that helps to fuel the opioid epidemic.

There are undoubtedly many causes to the opioid epidemic, making it easy to point multiple fingers of blame. Most agree that development, marketing, and medical training regarding drug usage—and the resulting over-prescription of opioids—have played a role. In addition, drug traffickers take full advantage of America’s unsecured borders to flood heroin and fentanyl into lucrative domestic markets. But we must not ignore the growing evidence that one of the contributing causes appears to be connected to federal spending itself.

Medicaid is not alone in creating these perverse incentives. Other federal programs are also being exploited to obtain opioids. In preliminary research, my staff found hundreds of examples of opioid-related fraud in the Medicare program, and similar fraud schemes in connection with Veterans Affairs benefits and food stamp programs.

The purpose of this hearing is not to deny the benefits that federal spending on healthcare provides to millions of Americans. Nor does it seek to assert that federal spending is the primary cause of overdose deaths. The purpose of this hearing is to draw attention to the often-overlooked reality that federal programs, like Medicaid, create incentives for fraud and abuse involving opioids. With the evidence we have gathered, we must recognize that federal spending

on healthcare—while certainly doing good—is also being used as a funding source that helps to fuel the opioid epidemic.