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COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

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

HEARING: "New Tools for Curbing Waste and Fraud in Medicare and Medicaid"

Delawarean Testified on the Delaware Senior Medicare Patrol Program's Success in Reducing Fraud

WASHINGTON – Today, Sen. Tom Carper (D-Del.), Chairman of the Senate Subcommittee on Federal Financial Management, held the hearing, "New Tools for Curbing Waste and Fraud in Medicare and Medicaid."

For more information on the hearing or to watch the webcast of the hearing, please click HERE.

A copy of Sen. Carper's remarks, as prepared for delivery, follows:

"Today's hearing will focus on two of our nation's health care programs, Medicare and Medicaid, and steps that have been taken and should be taken to curb waste and fraud in those programs.

"As we hold this hearing today, our nation still faces considerable economic challenges. Partly as a result of those challenges, we've faced record budget deficits in recent years. In addition, our national debt stands at more than $14 trillion, well over double what it was just ten years ago. The debt as a percentage of GDP has risen to 63 percent – up from 33 percent a decade ago. The last time it was this high was at the end of WWII. That level of debt was not sustainable then, and it is not sustainable today.

"A wide variety of ideas have been put forward on how to reduce our budget deficit and begin whittling down our debt. Last fall, a majority of the bi-partisan deficit commission appointed by President Obama provided us with a roadmap to reduce the cumulative federal deficits over the next decade by some $4 trillion. A number of the steps we would

need to take to accomplish this goal will likely be painful.

"While most Americans want us to reduce the deficit, determining the best path forward will not be easy. Many Americans believe that those of us here in Washington aren't capable of doing the hard work we were hired to do – that is to effectively manage the tax dollars they entrust us with. They look at the spending decisions we've made in recent years and question whether the culture here is broken. They question whether we're capable of making the kind of tough decisions they and their families make with their own budgets. I don't blame them for being skeptical.

"We need to establish a different kind of culture in Washington when it comes to spending. We need to establish a culture of thrift to replace what some would call a culture of spendthrift. We need to look in every nook and cranny of federal spending – domestic, defense and entitlements, along with tax expenditures – and ask this question, 'Is it possible to get better results for less money? If not, is it possible to get better results for the same amount of money we're spending today?'

"Today, we are here to examine the steps that have been taken and should be taken to save billions of dollars in waste and fraud in Medicare and Medicaid. Medicare and Medicaid are two vital programs that provide health care for our nation's seniors, people with disabilities, and low income children, among others. Last year, Medicare paid out about $509 billion to care for 47 million beneficiaries. Medicaid expenditures for the federal government and our states were an additional $381 billion, covering over 68 million people. And these numbers are expected to grow as our population becomes older.

"Americans' increasing reliance over time on Medicare and Medicaid presents another opportunity for criminals to take advantage of these programs. And they do try to take advantage. Medicare made an estimated $47.5 billion in improper payments in fiscal year 2010. And this does not even include an estimate for the Medicare prescription drug program, which I'm told could add more than $5 billion to the total. For Medicaid, the improper payments figure is $22.5 billion.

"Moreover, Attorney General Holder estimates that Medicare fraud totals as much as $60 billion dollars each year. And Medicare and Medicaid continue to be on the Government Accountability Office's list of government programs at "high risk" for waste, fraud and abuse—as they have been since 1990.

"An improper payment occurs, as most of you probably know, when an agency pays a vendor for something it didn't receive or, maybe, even pays them twice. It can occur when a doctor is reimbursed by Medicare for a procedure that never took place or, perhaps, one that wasn't necessary and shouldn't have taken place at all. These kinds of mistakes occur every day in the private sector and across government. But what disturbs me about the problem here in the federal government is that we seem to make expensive, often avoidable mistakes, at a rate much higher than a business or the average family would

tolerate or could afford.

"So it's easy to see how urgent it is that we step up the pace of our efforts with Medicare and Medicaid, that we sharpen our pencils, and eliminate to the best of our abilities the problems that lead to waste and fraud. Success in doing so will help us achieve our deficit reduction goals. It will also lengthen the life of the Medicare trust fund, now forecast to run out of money in 2017.

"The good news is that we are seeing renewed commitment to curb waste and fraud in Medicare and Medicaid. President Obama and Secretary Sebelius have set a goal of reducing the Medicare fee-for-service improper payment rate by 50 percent by 2012. That is very aggressive and represents the kind of goals we need. Congress also has put Medicare waste and fraud in its sights.

"The Affordable Care Act, which was enacted almost a year ago, includes a number of provisions aimed at enhancing our efforts to fight waste, fraud, and abuse in Medicare and Medicaid. Central to the new law is also a goal to obtain better results in health care for less money. Eliminating avoidable mistake and cracking down on fraudsters will be an important element of achieving that goal.

"The new law calls for dramatically improved screening of Medicare providers. The measure also aims to stop payments to providers before payment is made when there is credible evidence of fraud. This ends a practice often called "pay and chase" in which a provider was paid and then chased down later for a refund once an error or fraud was detected.

"The new law also extends Recovery Audit Contracting, which involves the use of private contractors who comb agency books for improper payments and then seek to recover them. CMS has had considerable success with this tool in the past, recovering roughly $1 billion in Medicare fee-for-service improper payments in just five states during a pilot project. The pilot project also gave CMS important feedback to address the concerns of patients and health care providers by improving the program. That improved effort is now being expanded to all of Medicare and Medicaid.

"CMS is also working to implement other program changes, such as increased support for the Senior Medicare Patrol and a strengthening of controls over the Medicare prescription drug program. The men and women who run Medicare and Medicaid are making strides in fixing many of the problems in those programs that lead to waste and fraud, but we have a long way to go.

"Today, we have been joined by several witnesses who are each doing their part in the efforts underway. We have witnesses from law enforcement to describe how we catch fraudsters. And we have witnesses to describe how we can prevent waste and fraud before it happens. We are also pleased to welcome this afternoon someone who works

directly with seniors in Delaware to identify fraud through the Senior Medicare Patrol.

"We are here today in large part because I believe that we have a moral imperative to ensure that our Medicare and Medicaid beneficiaries have access to quality care and, at the same time, that the scarce resources we put into those programs are well spent. It is the right thing to do, as well, both for the health of those two programs and for our federal budget as a whole. Each and every one of us can agree on that point and, I hope, on a great deal more."

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