

STATEMENT OF SENATOR JOHN MCCAIN, RANKING MEMBER

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GOVERNMENT INFORMATION, FEDERAL SERVICES AND
INTERNATIONAL SECURITY

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

“Preventing and Recovering Medicare Payment Errors”

July 15, 2010

Chairman Carper, thank you for holding this hearing today. With the federal government's record deficit and the Medicare program's deteriorating financial condition, we must continue to exercise vigorous oversight over government payments.

The Office of Management and Budget reported that over 98 billion of taxpayer dollars were identified as being paid out improperly during FY 2009, including \$36 billion related to the Medicare program. Of this \$36 billion, Medicare Fee-For Service accounts for \$24 billion, while Medicare Advantage accounts for the other \$12 billion. Some of these improper payments are attributed to outright fraud, while others resulted from simple clerical errors.

The Center for Medicare and Medicaid Service (CMS) has yet to produce an improper payment estimate for the Medicare Prescription Drug Program -- otherwise known as Medicare Part D. We learned in our March hearing on Medicare Part D's program integrity that significant lapses in the process to detect and prevent fraud, waste and abuse exists. When CMS produces an improper payments estimate for Medicare Part D, it is certain to push the federal government's overall erroneous payments to record highs.

In fact, the U.S. Department of Health and Human Service's Inspector General recently identified \$1.2 billion in Medicare Part D claims that contained invalid prescriber identifiers in 2007. Surprisingly, obvious invalid prescriber identifier

numbers were not flagged by CMS. And worse yet, claims using such invalid prescriber identifier numbers were paid. According to the Inspector General, neither CMS nor Part D sponsors verify prescriber identifiers in corresponding registries. Without verification of a valid prescriber identifier number, the risk of fraudulent claims becomes exponential.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 required CMS to implement a 3-year recovery audit contractor, or RAC, demonstration project in six states to test whether the RACs could effectively identify improper payments to be recouped. RACs are generally hired on a contingency fee basis to review previously paid claims and identify improper payments for recovery. The lessons learned from the demonstration project were to be used to strengthen the integrity of the payment process before the RAC program was expanded nationwide in 2009. Unfortunately, CMS has failed to take effective action.

In March 2010, the Government Accountability Office (GAO) reported that CMS had not addressed many of the RAC-identified vulnerabilities or systemic problems that led to improper payments during the demonstration project. Of the 58 most significant vulnerabilities, corrective action had been taken on only 23 of them. Additionally, GAO cites CMS's failure in the national rollout to establish an adequate process to evaluate RAC findings, determine appropriate responses to RAC findings, and implement corrective actions.

Last month the Senate passed, by unanimous consent, the Improper Payments Elimination and Recovery Act in 2010 that requires federal agencies to identify improper payments and conduct recovery audits for programs that expend one million dollars or more. I was pleased to co-sponsor this legislation with Chairman Carper to help combat fraud, waste, and abuse and recover payments that never should have been made. With American families and businesses struggling in the present economy and government spending increasing, we cannot afford to squander taxpayer dollars.

Thank you again, Mr. Chairman. I look forward to hearing from our witnesses on how we can help curb the federal government's erroneous payments in the Medicare program.