

STATEMENT OF SENATOR JOHN MCCAIN, RANKING MEMBER

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

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

“Oversight Challenges in the Medicare Prescription Drug Program”

March 3, 2010

Thank you, Chairman Carper, for holding this hearing. I join you in welcoming our witnesses today to examine the challenges faced in the oversight of the Medicare Part D prescription drug benefit.

The Medicare program overall faces enormous fiscal challenges. Medicare Trustees are currently projecting the program will be insolvent in 2017. This insolvency will occur nine years sooner than what the trustees projected back in 2003, when Congress passed the Medicare Prescription Drug, Improvement and Modernization Act establishing Medicare Part D.

As part of our oversight responsibilities, we must examine the root causes of the deteriorating fiscal condition of a program that is so heavily relied upon by seniors and will consume a half trillion dollars of federal government outlays this year. We know demographics play a large role in the projections of solvency, but we also know that the integrity of the program is weak. Fraud is rampant in Medicare: scam artists in the home health program are thriving, Medicare is billed for medical equipment prescribed using DEA numbers of dead doctors, and beneficiaries are doctor shopping to obtain excessive amounts of controlled substances for abuse or resale on the black market.

I am pleased that we are focusing on issues in Part D today. Adding a prescription drug benefit to Medicare in 2003 has been popular, but the program has had its faults. I voted against the creation of the program because it was not paid for

through offsets. Nevertheless, I understand that seniors are pleased to have a drug benefit, however imperfect. To ensure the program is sustainable, we must remain vigilant and continue robust oversight of it.

Without true reform of the Medicare program, we cannot prevent its inevitable collapse. But we can slow the hemorrhaging through effective implementation and execution of controls to detect and prevent fraud and abuse. Fortunately, Congress recognized that existing parts of Medicare were wrought with fraud, waste, and abuse, and instituted safeguards within the Medicare Part D prescription drug benefit.

Although the Centers for Medicare & Medicaid Services, commonly referred to as CMS, contracted with Medicare Drug Integrity Contractors, also known as MEDICs, to perform much of the Part D oversight, it failed to provide the MEDICs with quality claims information to perform proactive data analysis for several years. This, in turn, hindered the detection of potential fraud and abuse.

Additionally, CMS did not grant MEDICs, which are also responsible for auditing sponsors' compliance plans, the authorization to proceed with the audits until just recently. Why were there years of delay? Was it a case of inadequate resources or just gross mismanagement?

As our witness from the Inspector General's Office at the Department of Health and Human Services will testify, Part D sponsors' fraud reporting has been sparse. Such reporting is crucial as Part D sponsors are the first line of defense against fraud and abuse. MEDICs and CMS are not able to investigate potential fraud and abuse incidents if none are reported.

In closing, I want to thank the witnesses for their participation, and I look forward to hearing their testimony on how we can strengthen oversight on the Medicare Part D prescription drug benefit.

Thank you again, Mr. Chairman.