FOR IMMEDIATE RELEASE

TOM CARPER

UNITED STATES SENATOR · DELAWARE

FOR RELEASE: March 3, 2010
CONTACT: Emily Spain (202) 224-2441

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

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

HEARING: "Oversight Challenges In the Medicare Prescription Drug Program"

Opening Statement of Senator Thomas R. Carper, Chairman

Today we will hear from several witnesses about the Medicare prescription drug program, and its vulnerability to waste, fraud and abuse.

The witnesses will tell an important story. I was surprised when I first heard about the GAO and inspector general reports showing that critical and basic anti-fraud safeguards for the Medicare prescription drug program were not in place, putting the program at a higher risk to waste and fraud.

These safeguards are important not only to protect taxpayer money, but to avoid diversion of prescription drugs for criminal activity and to support drug addiction.
Medicare is a critical component of health care in our nation, with over 44 million seniors participating. The prescription drug program, also known as Medicare Part D, began in January, 2006. We are now into the fifth year, and the overall reviews of the program have been positive, with about 27 million seniors participating.

Of course, no program is perfect, and during its first few years the prescription drug program went through some serious growing pains. And there are still many seniors experiencing problems. However, Medicare Part D is here to stay. Congress must ensure sure that the $49 billion a year program works effectively and efficiently.

As we are all well aware, Congress and the American people are in the midst of an important conversation about our nation's health care system. There's been some disagreement about exactly what needs to done, but almost everyone agrees that the cost of the system must get under control.

There's been a lot of talk around here about trying to "bend the cost curve" of healthcare. While there are a number of reasons for the rise in health care costs over the past few decades, it is clear that prescription drugs are one of the main drivers of this increase. The benefits of modern pharmaceuticals are evident, then - but so are the costs. In 1985, the average American spent about $90 a year for prescription medicines. Today, they spend over $700 - an increase of nearly 740%.

Of course, eliminating fraud is an important and straightforward way of lowering costs for prescription drugs.

Unfortunately, health care is too often the focus of criminals who wish to take advantage of the system. Whether the care is provided through government programs or the private sector, attempts to defraud the system are on the rise. U.S. Attorney General Holder estimates Medicare fraud totals $60 billion a year, an estimate echoed by others in law enforcement.

A second estimate of waste and fraud in a federal program is the level of improper payments. Each year, the federal government lists the estimates of overpayments, underpayments, undocumented expenditures and other kinds of mistakes and fraud experienced by each agency.
The total for fiscal year 2009 was almost a hundred billion dollars. Medicare has the largest reported share of that total at $36 billion. Unfortunately, Health and Human Services has not been able to determine the level for the prescription drug program, so the amount wasted in Medicare Part D is still largely unknown.

Why the rise in Medicare fraud? Well, as when Willie Sutton, an infamous twentieth-century bank robber, was asked why he robbed banks, he replied, "Because that's where the money is." There is a lot of money in Medicare, and that attracts a lot of criminal activity.

However, there is another reason- the drugs themselves and the growing problem of addiction to over the counter medications.

The problem of Medicare prescription drug fraud is more than just a loss of taxpayer money. It is also about harm to our citizens when fraud results in drugs diverted to illegal use.
The chart behind me shows the impact.

Between 1994 and 2004, the population of the United States grew 12%, while at the same time the number of prescription drugs dispensed grew nearly 68%. The only thing that has outpaced this figure is the rate of abuse of those drugs, growing nearly 80%. In fact, more Americans abuse prescription drugs than the number who abuse cocaine, heroin, hallucinogens, Ecstasy, and inhalants, combined. In fact, one out of five teenagers in America has abused, or is abusing, prescription drugs.

Aside from our financial responsibility, we have a social responsibility to ensure that our public health care system isn't used to further intensify and subsidize a public health crisis. In a previous report focused on a similar problem with Medicaid, the GAO reported to the Subcommittee some major sources of fraud and abuse involving controlled substances.
I understand these are the same techniques used with Medicare.

The first fraud technique included beneficiaries engaged in a practice commonly known as "doctor shopping" in which recipients go to six or more doctors for the same type of drug. In these cases, beneficiaries are either feeding their addiction or selling the extra pills on the street. Drug dealers make the profit, while the federal government foots the bill.

Fraud and abuse of prescription drugs also appears to be going on beyond the grave when prescriptions are "received" by dead beneficiaries or "written" by dead doctors.

The Department of Health and Human Services, specifically the Centers for Medicare and Medicaid Services, has established a set of oversight schemes to protect the Medicare Prescription Drug Program and its beneficiaries from fraud and waste. Sometimes called program integrity, protecting the program from fraud is a team effort involving the federal workers in Medicare, law enforcement at the federal, state and local levels, the Medicare prescription drug plans, pharmacies and doctors, and the beneficiaries themselves.

As a recovering Governor, I understand the unique challenges that come along with running a major program like Medicare. But as many of you have heard me say before, "If it's not perfect, make it better," and we all share a responsibility to do just that with the Medicare prescription drug program. Our witness will report today on not only the current challenges of waste and fraud in the Medicare prescription drug problem, but identified solutions.

###