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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

CURB WASTE, FRAUD AND ABUSE IN MEDICARE AND MEDICAID *Cosponsor The Bipartisan* *"Preventing and Reducing Improper Medicare and Medicaid Expenditures Act"*

July 10, 2013

Dear Colleague:

Each year, Medicare and Medicaid lose tens of billions of dollars to waste, fraud, and abuse. However, there are clear steps we can take to greatly reduce these levels.

Legislation was introduced this month called "*Preventing and Reducing Improper Medicare and Medicaid Expenditures Act*" (or *PRIME - S.1123/H.R. 2305*). Each of the provisions is targeted to increase or enhance program integrity efforts. Among its provisions, the legislation would: enact stronger penalties for Medicare and Medicaid fraud; establish stronger fraud and waste prevention strategies to help phase out the practice of "pay and chase;" curb the theft of beneficiary identities; expand the work of the Senior Medicare Patrol; and improve the sharing of anti-fraud data across agencies.

Most of the provisions are based on Government Accountability Office, Health and Human Services Inspector General, and other expert and stakeholder findings and recommendations. In fact, a few of the provisions are Administration proposals that have not yet been enacted or implemented.

The bill does not make changes to benefits or coverage for beneficiaries, or change medical service pricing.

The legislation has garnered a number of endorsements, including AARP, Center for American Progress, Citizens Against Government Waste, National Taxpayers Union and Taxpayers for Common Sense. A two page summary is attached.

We hope you will consider cosponsoring our legislation. Please have your staff contact Peter Tyler (Senator Carper; X8-3164 or peter_tyler@hsgac.senate.gov), Walter Ochinko (Senator Carper; X4-1497 or walter_ochinko@hsgac.senate.gov), or Josh Trent (Senator Coburn; X4-6005 or josh_trent@coburn.senate.gov) if you have any questions.

With best personal regards we are,

Sincerely yours,



Thomas R. Carper
Chairman



Tom A. Coburn, M.D.
Ranking Member

Preventing and Reducing Improper Medicare and Medicaid Expenditures Act (or “PRIME Act”- S.1123/H.R. 2305)

Legislation was introduced this month called “*Preventing and Reducing Improper Medicare and Medicaid Expenditures Act*” (or “*PRIME ACT*”- S.1123/H.R. 2305). Each of the provisions is targeted to increase or enhance program integrity efforts.

Among its provisions, the PRIME Act would: enact stronger penalties for Medicare and Medicaid fraud; curb improper or mistaken payments made by Medicare and Medicaid; establish stronger fraud and waste prevention strategies within Medicare and Medicaid to help phase out the practice of "pay and chase;" curb the theft of physician identities; expand the fraud identification and reporting work of the Senior Medicare Patrol; take steps to help states identify and prevent Medicaid overpayments; and improve the sharing of anti-fraud data across state and federal agencies and programs.

Below are some solutions the PRIME Act proposes to save taxpayer dollars:

- **Prevent Medicare Prescription Drug Thieves from Pretending to be Doctors**

Problem: Law enforcement officials have reported incidents where "dead" doctors have prescribed drugs and billed Medicare, which are clear warning signs of identity theft. Also, the Government Accountability Office (GAO) has found Medicare beneficiaries that were going to six or more doctors and multiple pharmacies for the same type of controlled substance drug, including highly addictive prescription painkillers. In these cases, beneficiaries were either feeding their pain-killer addiction or illegally selling the medication; and in some instance, the prescriptions may have been forged. Drug dealers made the profit, while the federal government footed the bill, costing millions of taxpayer dollars.

Solution: The PRIME Act would make it more difficult for bad actors to misuse Medicare provider billing information, such as physician identification numbers, used to inappropriately prescribe drugs. The legislation requires that the Center for Medicare & Medicaid Services take steps to curb the use of stolen physician identities.

- **Encourage Seniors and Other Beneficiaries to Report Possible Fraud and Abuse in Medicare and Medicaid**

Problem: Medicare and Medicaid beneficiaries are a key "front line" force that should partner with federal officials and law enforcement to reduce fraud and abuse. For example, one way to detect payment errors and possible fraud is by engaging seniors to learn how to review their quarterly Medicare statements that list their doctor visits and other services for possible mistakes.

Solution: Under current law, the Senior Medicare Patrol, a team of volunteers and staff, assist Medicare beneficiaries in understanding many issues, ranging from billing or coding errors to identifying potential waste, fraud, or abuse of Medicare and Medicaid funds. The PRIME Act builds on this program by requiring Medicare officials to improve outreach to our nation's seniors in order to engage even more Medicare beneficiaries in the fight against waste and fraud,

especially through the work of the Senior Medicare Patrol. It also expands the program to include Medicaid beneficiaries, and improves a federal reward system for fraud tips.

- **Phase-Out the Medicare "Pay and Chase" Policy**

Problem: Each year, Medicare makes tens of billions of dollars in improper payments, which are overpayments and other errors. In order to identify and recoup the overpayments, Medicare has a Recovery Audit Contracting (RAC) program, which has private contractors comb the lists of Medicare reimbursements to find improper payments. However, it is important that we learn from the identified errors by closing loopholes and ending Medicare payment policy glitches.

Solution: The PRIME Act helps to prevent improper payment from happening in the first place by requiring that the Centers for Medicare & Medicaid Services closely track the overpayments identified by the Recovery Audit Contractors, and implement solutions to address them, such as closing loopholes, stopping patterns of double billing, and other steps.

- **Incentivize Medicare Contractors to Avoid Overpayments and Errors**

Problem: Last year the Medicare fee-for-service programs made almost \$30 billion in improper payments, a 8.5 percent error rate. Medicare reimbursement to hospitals, physicians, medical supply companies and other providers are handled by private bill-paying companies. However, there is no link between these private companies' contract fees and their payment error rates.

Solution: The PRIME Act incentivizes contractors to avoid errors and overpayments by establishing penalties for not meeting specific payment accuracy goals. The objective is to shrink the improper payment rate by improving payment accuracy and taking other critical steps to reduce incorrect payments. By incentivizing the contractors to avoid errors and overpayments in the first place, the PRIME Act will help reduce improper payments and save scarce taxpayer dollars.

- **Increase Penalties for Fraudulent Use of Patient or Provider Information**

Problem: Bad actors trying to cheat the Medicare and Medicaid programs regularly obtain lists of beneficiary and provider identification numbers, and sell them to other criminals to perpetuate fraud.

Solution: The PRIME Act outlaws the fraudulent purchase, sale or distribution of Medicare and Medicaid beneficiary identification numbers and creates stiff penalties for these crimes to help prevent wholesale fraud, especially by organized crime rings.