



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Chairman Chuck Grassley
Hearing, "Medicare and Social Security Benefits:
Turning Off the Spigot to Prisoners, Fugitives, the Deceased, and Other Ineligibles"
Wednesday, April 25, 2001

The federal government -- the largest, most complex organization in the world -- annually expends hundreds of billions of dollars for grants, payments, and procurement of goods and services. Each year, federal agencies report improper payments that result from error or fraud. For FY 1999, nine agencies reported improper payments of \$20.7 billion. These improper payments related to 17 major programs.

This hearing focuses on improper payments at two agencies within this Committee's jurisdiction: the Department of Health and Human Services and the Social Security Administration. Today, the Committee will examine the basis for improper payments in HHS Medicare and Medicaid programs and SSA Social Security and disability programs. Improper payments in these programs totaled \$17.5 billion, resulting from errors or fraud. HHS Medicare-fee-for-service, by far, is the largest program of improper payments, totaling \$13.5 billion. However, the SSA improperly paid out approximately \$4 billion -- \$1.6 billion was paid improperly in Supplemental Security Income; \$1.3 billion in Old Age and Survivors Insurance; and \$1.1 billion in Disability Insurance.

To better understand the reasons for the improper payments at HHS and SSA, the Committee reviewed 12 different types of improper payments made by the two agencies, totaling between \$94.9 million and \$126.9 million. These improper payments were estimated on an annual basis and were based on reports or estimates from studies in progress by the Inspectors General at both agencies. The Committee examined improper payments made to inmates, fugitive felons, the deceased, deportees, Medicare-Medicaid dual eligibles, Medicare-DOD dual eligibles, overpayments and underpayments to individuals receiving workers' compensation, and other classes of beneficiaries.

The reasons for these improper payments vary. Improper payments can result from incomplete or inaccurate data used to make payment decisions. Improper payments can result from insufficient monitoring and oversight, or other deficiencies in agency information systems. It can also be caused by weaknesses in internal control. And some of the improper payments result from instances where system checks were made late or not at all. However, most of the programs examined by the Committee today share technology-based incompatibilities between federal, state and local governments. This lack of attention to benefit payments opens the door to fraud, waste, and abuse of government payments and scarce taxpayer dollars.

To facilitate the discussion today, the Committee will focus on the payments to prisoners by HHS and SSA. In 1996, Congress passed a law prohibiting SSI payments to fugitive felons or parole violators. The Social Security Administration has been working to involve all states in a data-matching project. This project will ensure these people do not receive SSI payments from the federal government while the local authorities are still pursuing these fugitives. SSA will explain why five

years have passed with so few states actually participating in the project. In addition, the Committee will examine whether OASDI payments should also be prohibited for fugitives. The Committee will also examine the status of Medicare and Medicaid reimbursements for prisoners. The Louisiana Legislative Auditor will describe his five-year quest for clarification from the HHS about whether the federal or state government is responsible for medical expenses of state prisoners.

Before I introduce the witnesses, I want to once again thank the Committee's Ranking Member, Senator Baucus, for his participation in this investigation and yield to him for an opening statement.