



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Friday, November 14, 2003

Grassley Seeks Valid Statistics About Improper Medicare Payments

WASHINGTON – Sen. Chuck Grassley today said that the Centers for Medicare and Medicaid Services must work to secure a more reliable Medicare improper payment rate, following the agency’s annual announcement of the improper payment rate.

Grassley, who serves as chairman of the Senate Committee on Finance, questioned the government’s decision to change the method used to determine the improper payment rate. That rate was determined by an outside contractor used by CMS for the first time this year.

A copy of Grassley’s letter to the inspector general for the Department of Health and Human Services follows here.

November 14, 2003

Ms. Dara Corrigan
Acting Principal Deputy Inspector General
Department of Health & Human Services
330 Independence Avenue, SW
Washington, D.C. 20201

Dear Ms. Corrigan:

Today, the Centers for Medicare & Medicaid Services (CMS) advised the Congress and the American people that the Medicare Error Rate for 2003 was 5.8%. Although a small percentage figure, it represents a \$12 billion loss to America’s taxpayers and is a touch lower than the error rates reported by the Office of the Inspector General for both 2002 and 2001. But the story on the CMS Medicare error rate does not end there because CMS added an important caveat to the 5.8% figure. Specifically, the 5.8% error rate is NOT statistically valid, as it had been in the previous six years; instead it is just a guesstimate. In actuality, the only statistically valid error rate that CMS reports is 9.8%, or roughly \$20 billion dollars.

To get to the 5.8% figure, CMS adjusted the audit methodology to reach what CMS believes is a lower, “more accurate” error rate, thereby avoiding the higher, and allegedly “less accurate” error rate. But, even putting that aside, any way you slice and dice it, either \$12 billion or \$20 billion, the

American taxpayer is being ripped off over and over and over again. This must stop.

From 1996 to 2002, the OIG independently provided Congress with a credible and statistically valid Medicare error rate. We relied on that number, and we developed strategies to lower that number. However, last year, over my objections, responsibility for performing the Medicare error rate audit was shifted to CMS. CMS developed a two-pronged approach to address its new responsibility. Specifically, CMS created the Comprehensive Error Rate Testing (CERT) Program and the Hospital Payment Monitoring Program. In turn, CMS contracted with AdvanceMed Corporation (AMC) to conduct the CERT portion of this important audit.

Today, CMS and AMC provided Congress with two Medicare error rates; one that is “adjusted” and the other, which is not. CMS paid AMC over \$5 million taxpayer dollars to obtain these results. It appears that the “unadjusted” error rate of close to 10% was too high for CMS-almost 4 percentage points higher than the previous two years. So CMS reports that it adjusted that figure downward to the 5.8% figure.

It is of little value at this juncture to argue the merits of the change in methodology that CMS engaged upon realizing that the error rate went up as compared to the last two years. And, dwelling upon the fact that CMS reduced the error rate by more than 40% by modifying its methodology serves little purpose, since CMS is already beginning efforts to determine the Medicare error rate for next year. But, I do want to insist, and I request your assistance in this regard, that next year this Congress and the American people who foot the bill for Medicare, get a solid number that is reliable and credible; not two numbers.

In addition, I request that the Office of the Inspector General monitor CMS’ implementation of its corrective action plan to avoid the pitfalls of this past year. Lastly, I ask that the OIG carefully examine the information obtained by AMC to continue targeting its resources to rid the Medicare program of the swindlers, hoodlums and scam artists that are bleeding the Medicare trust fund dry.

Thank you in advance for your assistance.

Sincerely,

Charles E. Grassley
Chairman

cc: Secretary Tommy Thompson
Administrator Tom Scully