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**Hearing Statement of Senator Max Baucus (D-Mont.)
On Saving Medicare Dollars and Preserving High-Quality Care**

As prepared for delivery

Benjamin Franklin once said, "Waste neither time nor money, but make the best use of both."

This Committee has oversight of Medicare. Forty-nine million seniors and disabled Americans depend on this program. Making sure the government spends Medicare dollars wisely is one of our chief responsibilities – one I take seriously.

In 2011, \$29 billion of Medicare payments were considered improper. Our goal should be to lower this amount to zero. Regular audits save Medicare money by recouping these errant payments. Since 2010, audits have identified \$4.8 billion of incorrect Medicare payments, but they also can impose burdens on providers.

Today we will examine the audits performed by private contractors called Recovery Audit Contractors. Their mission is to uncover and collect inappropriate payments made to medical providers – both under- and overpayments.

The 2003 Medicare prescription drug law created the Recovery Audit Contractor program as a six-state demonstration. Over the three-year test period, the program returned \$900 million to Medicare. It was so successful that Congress expanded it nationwide. The Affordable Care Act further expanded the program to cover Medicare managed care and Medicaid.

As the "Baby Boom" generation ages, Medicare must remain financially strong. The Medicare Trustees determined last month that the Medicare Trust Fund will last two years longer than previously estimated, until 2026. Per-beneficiary spending is at a historical low. We have made real progress ensuring Medicare will be strong for future generations.

Private audits play a key role in strengthening Medicare's finances. In 2011, these audits returned nearly half a billion dollars to the Medicare Trust Fund. We need to build on this success, but we can't overburden legitimate providers who play by the rules. We need balance.

Providers should focus on patient care, not senseless red tape. Recovery Audit Contractors frustrate many Montana providers.

One is Kalispell Regional Medical Center. In the last year, the hospital has had to spend nearly one million dollars and hire three new full-time staff just to deal with the audits. In total, eight of their employees respond to audits. For a small hospital in Montana, that's a serious investment.

Charles Pearce serves as the hospital's Chief Financial and Information Officer. What is it that frustrates Mr. Pearce the most? The randomness of the audit process.

He believes the auditors are over-zealous and incur no penalties or consequences when an audit is overturned on appeal. Mr. Pearce provides example after example of audits that were eventually overturned on appeal.

One case involved a sixty-five year old man who had leg surgery and was fitted with a cast. Several weeks later he came to the emergency room with severe chest pain. A CT scan showed he had a blood clot in his lung. The doctor on duty admitted the man and prescribed medication.

Almost three years later, a private contractor's audit said this admission was unnecessary. The audit claimed the patient's medical history did not support the admission. As a result, Kalispell Regional was forced to pay back Medicare.

The hospital appealed the decision, arguing that the admission was necessary because the original surgery and cast increased the risk for a lethal blood clot. Kalispell Regional won its appeal. Kalispell Regional has won appeals in 90 similar cases. All told, Kalispell Regional was successful in 53 percent of its appeals.

There must be better ways to spend the government's and hospitals' time and money. Here are three steps Medicare should take.

One, incentivize private contractors to focus on the most at-risk services and providers. This way, providers with a long track record of following the rules are rewarded.

Two, bolster provider education by Medicare and its contractors. Providers can't follow the rules if they don't know the rules. Medicare regulations can often be confusing and require more time than providers have.

Three, make the appeals process more efficient. One of my top rules to live by is, "do it right the first time."

As Kalispell Regional's experience shows, appealed cases often face a long and expensive road for both the provider and the government.

The Inspector General for the Department of Health and Human Services found rulings in the final stage of the appeals process – a hearing in front of a judge – are highly inconsistent. The IG report found the same facts and circumstances often lead to two opposite decisions.

Recovery audit contractors are only one piece of a larger concern with the growing use of contractors. Ensuring Medicare pays accurately is difficult and complex. Over the years, different contractors, all with their own acronyms, have been layered over one another.

While some overlap may be necessary, Congress should work to simplify the way the contractors interact with providers. This should increase efficiency and may also reduce some unnecessary burden on doctors and hospitals.

As we work to strengthen our federal health care system, we must keep Benjamin Franklin's words in mind. We must waste neither time nor money, but make the best use of both. And we must do so to improve patient care.

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