



BILLING STATEMENT

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Statement Date	
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Family Care Associates
105 Elm Street
Anytown, ST 12345
3333

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Family Care Associates
105 Elm Street
Anytown, ST 12345

ADDRESS

Mary Jones
555 Oak Street
Anytown, ST 12345

Payment Police 2.0

How to stop paying bad Medicare and Medicaid claims

Marsha Simon May 2011

Introduction and summary

Reducing health care fraud is the rare policy priority shared by both parties in an increasingly divided Washington. Just last summer strong majorities in the Senate and House of Representatives passed—without a single objection—a Medicare antifraud provision that cost hundreds of millions of dollars.¹

For good reason. The federal government’s own estimates of Medicare and Medicaid payment error rates run as high as 52 percent for certain medical supplies.² The Government Accountability Office has declared Medicare, the government health insurance program for retirees, at high-risk for improper payments and fraud every year since 1990. Medicaid, the government health insurance program for the poor, joined the GAO’s high-risk list in 2003.³

In 2010, an estimated total of \$70.4 billion was made in improper payments for Medicare and Medicaid health services. This total includes \$34.3 billion for traditional Medicare fee-for-service (a 10.5 percent payment error rate), \$22.5 billion for Medicaid (a 9.4 percent payment error rate) and 13.6 percent for Medicare managed care alternative to fee-for-service (a 14.1 percent payment error rate).⁴

Billions of taxpayer dollars are clearly at stake.

Billions of dollars have also been spent to reduce improper payments. The federal government has spent nearly \$1 billion every year since 1997 on efforts to lower the Medicare payment error rate. Medicaid has likewise invested tens of millions of dollars in so-called “payment integrity” activities.

And yet the government makes virtually no effort to understand what payment integrity approaches work best, or what kinds of errors are most likely to harm poor, elderly, and severely disabled beneficiaries. Indeed, the Obama administration has dispatched its Medicare fraud-prevention task forces exclusively to areas with high concentration of low-income and minority populations, according to Toni Miles, a professor and expert on health disparities at the University of Louisville’s medical school.^{5,6}

This paper explains how the design of the Medicare and Medicaid programs encourages improper payments and impedes detection and recoupment of these payments. It outlines a research and policy agenda to address these shortcomings. Specifically, we propose that the government:

- Develop an evidence-based research agenda to determine which approaches to reducing payment error work and which do not, and how to best protect beneficiaries from payment error
- Invest in better-integrated databases of medical claims
- Target payment review efforts on high-cost patients enrolled in both Medicare and Medicaid, and on high-risk providers
- Accelerate the deployment of the so-called “Medi-Medi” payment integrity program that examines patterns of improper payments not detectable by auditing just Medicare or Medicaid alone
- Immediately implement new screening requirements under the Affordable Care Act using independent contractors focused solely on that task
- Eliminate conflicts of interest between contractors who enroll providers, pay their Medicare claims, review the claims for errors, and handle appeals of these decisions
- Check providers and beneficiaries against state and federal death records and other public databases
- Require Medicare claim payment contractors to reimburse the government for errors they make
- Vigorously defend payment integrity contractors in appeals to administrative law judges

These recommendations will ensure that the Obama administration’s ramp up of hundreds of millions of additional dollars for payment integrity provides the greatest return on the taxpayer’s investment.⁷

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