

**CHAIRMAN FRANK PALLONE, JR.**  
**HEALTH SUBCOMMITTEE HEARING**  
**“Cutting Waste, Fraud, and Abuse in Medicare and Medicaid”**  
**OPENING STATEMENT**  
*September 22, 2010*

“Good morning. Today the Health Subcommittee will examine how the Department of Health and Human Services is using available statutory tools to reduce waste, fraud, and abuse in the Medicare and Medicaid programs.

“While estimates of the total cost of health care fraud are difficult to obtain, it is estimated that all health care fraud costs patients, taxpayers, and health care providers billions annually. For every dollar put into the pockets of criminals, a dollar is taken out of the system to provide much needed care to millions of patients, including our nation’s most vulnerable populations – children, seniors and the disabled.

“Fraud schemes come in all shapes and sizes. We heard just last week in this subcommittee about how durable medical equipment companies set up sham storefronts and appear as legitimate providers, bill Medicare for millions and then close up their stores, only to find a new location and do it all over again.

“Then there are the legitimate businesses billing for services that were never provided and paying kickbacks to physicians, or street criminals trafficking in illegally obtained drugs. In the end, it all has the same result – undermining the integrity of our public health system and driving up health care costs.

“I think we can all agree that health care fraud is a serious long-standing problem that will take aggressive long-term solutions to reverse. We made a strong commitment to combat these issues when Congress passed, and President Obama signed, the Affordable Care Act earlier this year.

“The bill contained over 30 anti-fraud provisions to assist CMS, the OIG, and the Justice Department in identifying abusive suppliers and fraudulent billing practices. The most important provisions change the way we fight fraud – by heading up the bad actors before they strike, and thwarting their enrollment into these federal programs in first place. This way, we aren’t left chasing a payment once the money’s already out the door.

“Some other important measures in the legislation include: significant funding increases to the Health Care Fraud and Abuse Fund, the creation of a national health care fraud and abuse database and new and enhanced penalties for fraudulent providers.

“CMS and the OIG have important roles to fulfill, and along with the Justice Department and state and local Medicaid programs, they are better equipped today because of the Affordable Care Act to safeguard the health and welfare of Medicare and Medicaid patients.

“I want to welcome Peter Budetti, a former staff member of this committee; I know that you are no stranger to these issues or our hearing proceedings. Also a special welcome to Mr. Daniel Levinson, who had the lucky privilege of being in front of this subcommittee just last week, and joins us again today. Thank you both for your testimony.

“I’d also like to thank Reps. Ron Klein and Peter Roskam for joining us today. Your participation today illustrates the importance of this issue within Congress. We look forward to your testimony.

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