

**Chairman Frank Pallone, Jr.  
Health Subcommittee Hearing:  
Medicare Program Efficiency**

**April 18, 2007**

**Opening Statement**

**"Today the Subcommittee will be meeting to hear about 'Medicare Program Efficiency and Integrity.'**

**"Since it was enacted, the Medicare program has been a reliable source of health care for our nation's seniors and disabled. It goes without saying that if it were not for the Medicare program, some of our most vulnerable populations would have little, if any way, to access important medical care. Accordingly, we must make every effort to ensure that the Medicare program remains intact and available for future generations who will undoubtedly come to rely upon its services.**

**"Part of our efforts must focus on ensuring that all of Medicare's payment policies are both fair and efficient. Currently that is not the case. It should not come as a surprise to anyone that many of us in Congress have strong concerns about payments to Medicare Advantage Plans.**

**"I have to admit, I am perplexed by the disparity in payments between these private plans and traditional Medicare. It makes little sense to me why Medicare payments for Medicare Advantage enrollees are, on average, twelve percent higher than what Medicare pays for beneficiaries enrolled in traditional Medicare. It flies in the face of the intent behind the program, as I believe MedPAC, which has done substantial work in this area, will attest to later today.**

**"These excessive payments are wasteful and result in unnecessary costs for the program, its beneficiaries as well as the American taxpayer. Some of my good friends on the other side of the aisle may argue that the MA program provides value to the Medicare program in the form of greater savings and enhanced benefits for enrollees. It seems to me however, that no matter how you try to sell it, its just lipstick on a pig. The evidence just isn't there to back up these assertions.**

**"The MA program is not the only area in which we could likely achieve greater value out of Medicare dollars we spend. I'm looking forward to hearing from our witnesses today on what other areas we should focus our attention on improving payment efficiency within the Medicare program.**

**"But eliminating overpayments and improper payments will only get us so far. There is another side to this coin that involves ensuring the integrity of the Medicare program as well.**

**"I will admit my concern about ensuring Medicare program integrity is somewhat parochial. This past year, there were a couple of instances in my home state of New Jersey where providers were accused of improper billing, which may have cost the Medicare and Medicaid programs hundreds of millions of dollars.**

**"In the first instance, the University of Medicine and Dentistry of New Jersey (UMDNJ), which is the nation's largest health sciences university, overcharged Medicare and Medicaid to the tune of at least \$4.9 million. Millions more could be owed. It was revealed by a federal probe that the University was improperly billing for services at its outpatient clinics. As a result, the University could have been prosecuted which would have made it ineligible for federal funding and would have effectively shut down one of the largest health care providers in the state. Fortunately, this did not happen.**

**"In another instance last year, it was revealed that Saint Barnabas Health Systems, which is the largest health care provider in the state of New Jersey, settled allegations that it inflated charges under the Medicare outlier payment system, which reimburses providers for patients whose costs are unusually high due to serious illnesses. Under this agreement, Saint Barnabas has agreed to pay back \$265 million.**

**"It's important to note that improper behavior is not all about the monetary cost to Medicare, it's about access as well. I think that it is clear that when the integrity of the Medicare program or participating providers are called into question, beneficiaries' access to care is jeopardized. In New Jersey, if UMDNJ was forced to close, many low-income and elderly who rely upon the University for treatment services would have had no where else to turn.**

**"That is why it is so important that we take the issue of Medicare program integrity seriously. I will be interested to hear from our witnesses from the Department of Health and Human Services Office of the Inspector**

**General and the Department of Justice as to what steps they are taking to prevent similar circumstances from happening again.**

**"In sum, today's hearing is of critical importance. We have a responsibility to ensure the preservation of the Medicare program for our nation's seniors and disabled. I would like to thank all of our witnesses for being here today. I look forward to your testimony and your views on this important topic. I now recognize our Ranking Member, Mr. Deal, for five minutes for the purposes of making an opening statement."**