



Highlights of [GAO-07-587T](#), a testimony before the Permanent Subcommittee on Investigations, Senate Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Under the Medicare program, the Department of Health and Human Services (HHS) and its contractors paid a reported \$330 billion in Medicare benefits in calendar year 2005. Because GAO previously identified government contractors with billions of dollars in unpaid federal taxes, the Subcommittee requested that we expand our work in this area to all Medicare providers. This testimony addresses Medicare physicians, health professionals, and suppliers for services related to senior health care, who received about 20 percent of all Medicare payments.

Because of limitations in HHS data, GAO was asked to determine if Medicare Part B physicians, health professionals, and suppliers have unpaid federal taxes, and if so, to (1) determine the magnitude of such debts; (2) identify examples of Medicare physicians and suppliers that have engaged in abusive, or potentially criminal activities; and (3) assess HHS efforts to prevent delinquent taxpayers from enrolling in Medicare and levy payments to pay delinquent federal taxes.

To perform this work, GAO reviewed data from HHS and the Internal Revenue Service (IRS). In addition, GAO reviewed policies, procedures, and regulations related to Medicare. GAO also performed additional investigative activities. We plan to report on the results of our work related to other Medicare providers including any needed recommendations later this year.

www.gao.gov/cgi-bin/getrpt?GAO-07-587T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory Kutz at (202) 512-7455 or Steve Sebastian at (202) 512-3406.

MEDICARE

Thousands of Medicare Part B Providers Abuse the Federal Tax System

What GAO Found

Over 21,000 of the physicians, health professionals, and suppliers (i.e., about 5 percent of all such providers) paid under Medicare Part B during the first 9 months of calendar year 2005 had tax debts totaling over \$1 billion. This \$1 billion figure is understated because some of these Medicare health care providers have understated their income and/or not filed their tax returns.

We selected 40 Medicare physicians, health professionals, and suppliers with high tax debt for more in-depth investigation of the extent and nature of any related abusive or potentially criminal activity. Our investigation found abusive and potentially criminal activity, including failure to remit to IRS individual income taxes and/or payroll taxes withheld from their employees. Rather than fulfill their role as “trustees” of this money and forward it to IRS, they diverted the money for other purposes. Willful failure to remit payroll taxes is a felony under U.S. law. Further, individuals associated with some of these providers used payroll taxes withheld from employees for personal gain (e.g., to purchase a new home) or to help fund their businesses. Many of these individuals accumulated substantial wealth and assets, including million-dollar houses and luxury vehicles, while failing to pay their federal taxes. In addition, some physicians received Medicare payments even though they had serious quality-of-care issues, including license reprimands and prior suspensions from state medical boards, revocations of hospital privileges, and previous exclusions from the Medicare program.

Examples of Medicare Health Care Provider Abusive and Criminal Activity

Type of business	Unpaid tax debt	HHS payments received	Description of activity
Physician	Over \$600 thousand	Up to \$100,000	Physician convicted of money laundering through use of offshore accounts.
Physician	Nearly \$1 million	Over \$100,000	Hospital denied physician’s hospital privileges due to substandard care.
Ambulance	Over \$5 million	Over \$100,000	Owner convicted for defrauding the U.S. government.

Source: GAO analysis of IRS, HHS, public, and other records.

HHS has not issued Medicare regulations or policies requiring Medicare contractors to consider tax debts in making a decision about whether to enroll a physician, health professional, or supplier into Medicare. Further, HHS has not established a policy to obtain taxpayer consent to obtain tax information from IRS as part of its Medicare eligibility decision-making process.

IRS can continuously levy up to 100 percent of each payment made to a federal payee—for example, a Medicare physician—until that tax debt is paid. However, HHS is not participating in the continuous levy program and thus the government has not collected unpaid taxes from Medicare payments. In the first 9 months of calendar year 2005, we estimate that the government lost opportunities to collect between \$50 million and \$140 million by not participating in the continuous levy program.