

## Why GAO Did This Study

The Recovery Act increased the federal share of Medicaid funding. Federal law does not prohibit providers with tax debt from enrolling in Medicaid, but GAO's prior work found that thousands of Medicaid providers do have unpaid federal taxes. Since any provider who received Medicaid reimbursements during 2009 received Recovery Act funds, GAO was asked to (1) determine the magnitude of unpaid federal taxes owed by Medicaid providers reimbursed during 2009 in selected states; (2) provide examples of Medicaid providers who have sizeable unpaid federal taxes; and (3) evaluate opportunities and challenges related to collecting unpaid federal taxes through a levy process designed to offset Medicaid reimbursements.

GAO compared Medicaid reimbursement information from three states to known IRS tax debts as of September 30, 2009. These states were among those that received the largest portion of Recovery Act Medicaid funding. To provide examples of Medicaid providers who have sizeable unpaid federal taxes, GAO conducted a detailed review of 40 Medicaid providers from the three states that had over \$100,000 of federal tax debt. GAO's sample of three states and 40 cases cannot be generalized to all states and all Medicaid providers. GAO also reviewed relevant laws and reports and interviewed federal and state officials.

## What GAO Recommends

GAO recommends that IRS explore opportunities to enhance collection of unpaid taxes from Medicaid providers, including the use of continuous levies. IRS agreed with our recommendation.

View [GAO-12-857](#). For more information, contact Richard J. Hillman at (202) 512-6722 or [hillmanr@gao.gov](mailto:hillmanr@gao.gov).

## MEDICAID

# Providers in Three States with Unpaid Federal Taxes Received over \$6 Billion in Medicaid Reimbursements

## What GAO Found

About 7,000 Medicaid providers in three selected states (Florida, New York, and Texas) had approximately \$791 million in unpaid federal taxes from calendar year 2009 or earlier. This represents about 5.6 percent of the Medicaid providers reimbursed by the selected states during 2009. These 7,000 Medicaid providers with unpaid federal taxes received a total of about \$6.6 billion in Medicaid reimbursements during 2009 (including American Recovery and Reinvestment Act of 2009 [Recovery Act] funds). The amount of unpaid federal taxes GAO identified is likely understated because Internal Revenue Service (IRS) taxpayer data reflect only the amount of unpaid taxes either reported on a tax return or assessed by IRS through enforcement; it does not include entities that did not file tax returns or underreported their income.

The 40 Medicaid providers GAO reviewed received a total of \$235 million in Medicaid reimbursements (including Recovery Act funds) in 2009 and had unpaid federal taxes of about \$26 million through 2010. The amount of unpaid federal taxes ranged from approximately \$100,000 to over \$6 million. In addition, IRS records indicate that providers in two of GAO's cases are currently, or have previously been, under criminal investigation. For example, in one case a provider was caught participating in a medical billing fraud.

## Examples of Medicaid Providers with Sizeable Unpaid Taxes

Nature of work	Total Medicaid reimbursement	Known unpaid federal taxes	Comments
Dentist	Over \$400,000	Over \$200,000	Dentist owes primarily individual income taxes from the late 2000's. Recently, the dentist was caught participating in a medical billing fraud. After a felony conviction, the dentist surrendered his/her license.
Doctor	Over \$200,000	Over \$500,000	Doctor owes primarily individual income taxes from the 2000's. IRS tried to levy the doctor's Medicaid payments on several occasions, with limited success.
Medical Transport	Over \$1,000,000	Over \$6,000,000	Company owes primarily payroll taxes from the late 2000's. IRS levied company bank accounts and receivables and assessed a trust fund recovery penalty against the company's president.

Source: GAO analysis of 2009 Medicaid payment records and IRS known tax debts as of 9/30/11.

IRS may levy, or seize, a taxpayer's property to satisfy a tax debt and, in some instances, is authorized to use an automated process to continuously levy federal payments made to delinquent taxpayers. Medicaid reimbursements have never been continuously levied using this provision of the law because the IRS determined that these reimbursements do not qualify as federal payments. However, if such a process could be used, GAO estimates that IRS could have collected between \$22 million and \$330 million in the selected states in 2009. States we spoke to expressed concerns about implementing continuous levies, given the challenges they encounter with processing onetime IRS levies. For example, states have had difficulty reaching IRS revenue officers and problems with IRS sending levies to the wrong address.