

September 4, 2018

The Honorable Peter Roskam
The Honorable Earl Blumenauer
U.S. House of Representatives
Washington, DC 20515

Dear Congressmen Roskam and Blumenauer:

We the undersigned free-market, fiscally conservative organizations write to offer our enthusiastic support for your efforts to combat fraud in government health care programs, specifically by advocating for “smart card” technologies to more effectively oversee patient-provider interactions. Your legislation, the Fighting Fraud to Protect Care for Seniors Act of 2018 (HR 6690), is an excellent starting point for introducing these proven private-sector fraud prevention and detection tools more fully into the public sector.

Federal health care programs have long been plagued by improper payments, one component of which is attributable to fraudulent activities such as identity theft, billing for services never rendered, or falsifying patient records to obtain prescription drugs illicitly. A [2012 study](#) led by former Director of the Centers for Medicare and Medicaid Services Donald Berwick pegged the fraud rate alone (as opposed to other types of improper payments) in Medicare and Medicaid at between 3 percent and 10 percent of all dollars spent. Taxpayers may be forgiven for thinking that the higher figure might be the more plausible one.

Furthermore, although the extent of such fraud is not precisely known, existing research suggests that policymakers seem likelier to understate rather than overstate its prevalence. For example, the Government Accountability Office (GAO) [recently concluded](#) that existing improper payment identification methods failed to find some \$200 million in misspent funds within Medicaid’s Managed Care Organizations.

A variety of responses are required to reduce improper payments in federal programs, but one of the more promising -- and least controversial -- remedies should be smart card technology. HR 6690 aims to create a pilot program within Medicare employing “secure, electronic authentication of the identity of a Medicare beneficiary at the point of service through a combination of the smart card and a personal identification number known by or associated with such beneficiary.” The result would be a system highly resistant to ID theft, with sufficient data capacity on each beneficiary’s card to significantly reduce other undesirable outcomes such as prescription abuse. The latter concern is especially timely, given the need to deploy as many policy assets as possible in reducing the severity of opioid addiction (and therefore additional taxpayer burdens associated with treatment and emergency responses).

To private businesses, smart card innovations have already made eminent sense. A 2010 [Federal Reserve analysis](#) pegged the rate of loss on U.S.-issued credit and debit cards at roughly \$0.05 for every \$100.00 of transactions. Since that time, such losses have likely remained under control, given that the financial industry increasingly embraced smart card features such as PINs and embedded chips. Meanwhile, Medicare Part A and Medicare Advantage for several years [struggled](#) to bring their rate for improper payments of all types below \$10.00 per \$100.00.



Granted, fraud is but one part of the improper payment problem, yet even the rudimentary comparison above suggests that smart cards, in turn, can and should make up part of the solution.

Other evidence makes the case for wider use of smart cards in government as well. In 2016 GAO [estimated](#) that smart cards could have impacted roughly one in five of health care fraud cases it examined from 2010 on the federal level. Companies that have experience with developing smart cards provide much higher estimates of this salutary effect, with [some asserting](#) (under a broad definition of fraud) as much as \$30 billion in potential taxpayer savings per year. Even accepting Berwick's or GAO's lower-end calculations, however, it is clear that the federal government could realize reduced fraud costs of several billion dollars annually with an aggressive smart card initiative for Medicare and other federal health programs such as Medicaid and the Children's Health Insurance Program. HR 6690, which would institute a pilot project for this technology, is an appropriate and proper place to begin this transformation.

New or different approaches toward cost-containment in government are all too often greeted with skepticism on the part of administrators, some of whom reflexively resist learning from private sector experience. Budget agencies can contribute to this obstinacy by "front-loading" implementation costs in their legislative scorekeeping analyses while inadequately accounting for the long-term benefits of more thorough financial controls. For these reasons, we urge Members of Congress to give HR 6690 the momentum and support it deserves, through hearings and floor votes. Current improper payment reduction efforts will likely continue to produce only incremental gains for taxpayers over periods of years, even decades. The federal government must do better, and HR 6690 is one vital way of demonstrating this commitment to taxpayers.

Sincerely,

Pete Sepp, President
National Taxpayers Union

Tom Schatz, President
Council for Citizens Against Government Waste

Jonathan Bydlak, President
Coalition to Reduce Spending

James L. Martin, Founder/Chairman
60 Plus Association

Steve Pociask, President
American Consumer Institute

Saulius "Saul" Anuzis, President
60 Plus Association

David Williams, President
Taxpayers Protection Alliance

Matthew Kandrach, President
Consumer Action for a Strong Economy