

Feds ignored Medicare scam warnings for years

November 13 2009, By KELLI KENNEDY , Associated Press Writer

(AP) -- For three years, the federal agency in charge of preventing Medicare fraud repeatedly ignored internal watchdog warnings about swindlers stealing millions of dollars by scamming several programs, documents show.

The Centers for [Medicare](#) and Medicaid Services received roughly 30 warnings from inspectors over three years during the Bush and Obama administrations but didn't respond to half of them, even after repeated letters, according to records provided to The Associated Press by U.S. Sen. Charles Grassley's office.

A July 2008 warning said organized crime had infiltrated the system and was costing more than \$1 million dollars for each phony Medicare provider license the crooks obtained. The letter got no response, Grassley said.

He and other critics said lack of oversight in the federally administered program is part of an estimated \$60 billion a year in Medicare fraud.

"There's no good answer for why the bureaucracy turned a blind eye, and it's a breach of the public trust," said Grassley, an Iowa Republican and ranking member of the [Senate Finance Committee](#).

Fighting the fraud is key for the Obama administration, which hopes to pay for a large chunk of its proposed national health care overhaul by cracking down on those who cheat Medicare.

Despite the lapses, Obama's Health and Human Services Secretary Kathleen Sebelius said the Centers for Medicare and Medicaid Services typically responds to fraud warnings promptly, and has investigated more than 300 since 2006. She was not satisfied that all fraud alerts were receiving sufficient responses and her office is implementing a new process for tracking the red flags.

Grassley wants the agency to respond to future fraud warnings within two months and Sebelius agreed.

"If the department quickly responds to them, there is the opportunity to save significant taxpayer dollars," Grassley said.

One of the scams involved a program where Medicare patients whose home equipment was damaged or lost in Hurricanes Katrina and Rita get replacements without first getting a doctor's order. Medical equipment providers were reimbursed for such deliveries, but some of them turned out to be fraudulent.

The Health and Human Services Department's Office of Inspector General warned the Centers for Medicare and Medicaid Services about the scam last fall but never got a response.

According to a July indictment, Kate and Oliver Nkuku used their Houston company, KO Medical, to bill Medicare for nearly \$1 million worth of power wheelchairs and other items they claimed had been lost, damaged or destroyed during hurricanes. The couple allegedly paid another man \$400 for each Medicare patient he recruited for the scam. Medicare paid the couple \$5,000 for each wheelchair, and the indictment said not one of the orders was legitimate.

Oliver Nkuku's attorney, Okey Dike, has not returned several calls seeking comment. It is unclear if Kate Nkuku has a lawyer.

Some other alerts the agency ignored, according to documents:

- A July 2008 warning said "organized crime is using handlers" to recruit foreign nationals who are in the U.S. on student visas to get Social Security numbers, set up bank accounts and apply for Medicare provider numbers. After provider numbers were obtained, the crooks left the country, according to the letter. The inspectors warned this scam was costing more than \$1 million for each provider license illegally obtained.
- A June 2007 warning said Medicare was routinely paying claims for two injectable medications "at doses that were not medically feasible." The reimbursement rate for the correct dosage at the time was \$74 per injection but one company was getting \$4,464 billing for the inflated amount.
- A 2006 warning about medically unnecessary drug screening tests went unheeded, as did another in 2008 saying labs were targeting pain management doctors and telling them to use the "most expensive test panel for every patient regardless of medical necessity." The letter also said the labs were paying kickbacks to the doctors for each test performed.

Jim Frogue, vice president of the private Center for Health Transformation, said it is impossible to stop Medicare fraud unless Medicare providers are screened more thoroughly. The group, founded by former House Speaker Newt Gingrich, advocates individual responsibility, technology and greater [health care](#) availability.

"The crooks are always one step ahead of the bureaucrats trying to keep up after them," Frogue said.

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