Medicare's private eyes let fraud cases get cold

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In this Oct. 13, 2009, file photo the Senate Finance Committee's ranking Republican Sen. Charles Grassley, R-Iowa, wears two pairs of glasses while reading during the committee's hearing regarding health care reform on Capitol Hill in Washington. Medicare overpayments, which can be anything from a billing error to a flagrant scam, totaled more than $36 billion in 2009, according to the Obama administration. Grassley's office, which is investigating the contracting program, obtained Medicare data for the last four years on how long it took to refer cases to federal agents. (AP Photo/Charles Dharapak, File)

(AP) -- They don't seem that interested in hot pursuit. It took private sleuths hired by Medicare an average of six months last year to refer fraud cases to law enforcement.

According to congressional investigators, the exact average was 178

days. By that time, many cases go cold, making it difficult to catch perpetrators, much less recover money for taxpayers.

A recent inspector general report also raised questions about the contractors, who play an important role in Medicare's overall effort to combat fraud.

Out of $835 million in questionable Medicare payments identified by private contractors in 2007, the government was only able to recover some $55 million, or about 7 percent, the report found.

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President Barack Obama has set a high priority on battling health care fraud and waste, hoping for savings to help pay for the new law covering millions now uninsured.

Medicare's private eyes don't seem to be helping much.

Sen. Charles Grassley, R-Iowa, questions whether taxpayers are getting good value from for-hire fraud busters. His office, which is investigating the contracting program, obtained Medicare data for the last four years on how long it took to refer cases to federal agents.

"Medicare is already a pay-and-chase system when it comes to fraud, waste and abuse," said Grassley. "Providers are paid first, then questioned if there's a problem. Add to that mix contractors who sit on cases of ongoing fraud when they should be referring them to law enforcement, and you have a recipe for disaster."

As ranking Republican on the Senate panel that oversees Medicare,

Grassley is trying to find out why it takes the contractors so long, and how much the government is currently paying the companies. In 2005, taxpayers paid them $102 million.

At least seven private companies Medicare calls "Program Safeguard Contractors" are working to detect fraud, part of a program that dates to the late 1990s. They oversee specific areas of jurisdiction, and some have more than one contract with Medicare.

The contractors investigate allegations of wrongdoing, acting as scouts for the government's criminal investigators. And they're also supposed to conduct "proactive" analysis to spot emerging fraud trends. For instance, they can use sophisticated computer models to scan millions of Medicare records for suspicious patterns to identify dishonest providers.

In practice, their performance has been uneven. The contractors have widely different track records. One identified $266 million in overpayments in 2007, while another found just $2.5 million, the Health and Human Services inspector general said in May.

Earlier, the inspector general found gaping differences in the number of new cases the contractors generate for law enforcement. Some had hundreds of cases, while others were in the single digits. Most were doing a poor job at spotting new fraud trends, with "minimal results from proactive data analysis," the inspector general concluded.

The Obama administration says it's aware of the problem and is close to completing a reorganization of the contractors, to consolidate their work, define their jurisdictions more clearly, and help them coordinate better with claims processors and law enforcement.

The private sleuths will now be called "Zone Program Integrity Contractors" - or ZPICs for short.

"By using these new contractors that can review claims across multiple providers and benefit categories, we will be better able to identify cases of waste, fraud or abuse," said Medicare spokesman Peter Ashkenaz. "And, we will be better able to monitor both the ZPICs' overpayment and collection efforts to make sure that they are performing their own oversight responsibilities."

In fairness to the contractors, the low collection rate may not just be their fault. Investigators say that when Medicare notifies a provider about a disputed payment, the fraudulent ones often just close up shop and move on.