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CHAIRMAN

HENRY A. WAXMAN, CALIFORNIA
RANKING MEMBER

ONE HUNDRED TWELFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115

Majority (202) 225–2927
Minority (202) 225–3641

July 6, 2012

Howard Apple, President
SafeGuard Services LLC
5400 Legacy Drive
Plano, TX 75024

Dear Mr. Apple:

Pursuant to Rules X and XI of the U.S. House of Representatives, the Committee is examining the adequacy of efforts by the Centers for Medicare and Medicaid Services (CMS) to combat fraud in the Medicare system. As part of these efforts, CMS contracts with private entities to conduct program integrity activities such as preventing, detecting, and recovering fraudulent payments.

Since 1997, CMS has contracted with Program Safeguard Contractors (PSCs) to detect and investigate potential Medicare fraud and abuse in Medicare Parts A and B. CMS is in the process of transitioning the PSC anti-fraud activities to newly established zone program integrity contractors (ZPICs). Program integrity activities for all Medicare claim types will now be conducted under a single ZPIC contract for each geographic area, or zone, of which there are seven across the country. Currently, the PSCs/ZPICs analyze data to identify improper billing patterns, perform provider audits, investigate fraud leads, refer cases to the Department of Health and Human Services Office of Inspector General (HHS/OIG) or U.S. Department of Justice (DOJ) for prosecution, and implement administrative actions to recover improper payments. PSCs/ZPICs do not collect overpayments, but refer suspected overpayments to claims processors, such as Medicare Administrative Contractors (MACs), who are responsible for recovering them.

On June 8, 2012, the Subcommittee on Oversight and Investigations held a hearing entitled "Medicare Contractors' Efforts to Fight Fraud – Moving Beyond 'Pay and Chase'." The hearing focused on the performance of Medicare's program integrity contractors. At this hearing, the Government Accountability Office (GAO) and the HHS/OIG raised concerns about data collection and reporting by CMS anti-fraud contractors and results that appear to show wide variations in their performance.[1] Further, data provided by CMS to the Committee raises concerns about the adequacy of

[1] Office of Inspector General, Department of Health and Human Services, *Zone Program Integrity Contractors' Data Issues Hinder Effective Oversight* (Nov. 2011) (OEI-03-09-00520); U.S. Government Accountability Office, *Progress Made to Deter Fraud, but More Could Be Done* (June 2012) (GAO-12-801T).

these contractors in identifying fraudulent payments. We seek further information to better understand the performance of these contractors and ways to improve the performance.

In furtherance of the Committee's examination, we ask that you please provide the following information and documents no later than July 20, 2012:

1. For each year since 2007, data showing the number of Medicare fraud investigations initiated, the number referred to law enforcement agencies, the number of overpayments identified, the number of overpayments referred to MACs, and the number of new payment suspension requests.

2. A description of the factors influencing annual variation in these data.

3. Policies and procedures describing how and when Medicare fraud investigations are initiated.

4. Policies and procedures describing how and when leads regarding Medicare fraud are referred to law enforcement agencies.

5. Policies and procedures describing how overpayments are identified, and referred to MACs.

6. Policies and procedures for new payment suspension requests.

An attachment to this letter provides additional information about how to respond to the Committee's request. Should you have any questions, please contact John Stone with the Committee Majority staff at (202) 225-2927 or Kiren Gopal with the Minority staff at (202) 225-3641. Thank you for your attention to this matter.

Sincerely,

Fred Upton
Chairman

Henry A. Waxman
Ranking Member

Cliff Stearns
Chairman
Subcommittee on Oversight
and Investigations

Diana DeGette
Ranking Member
Subcommittee on Oversight
and Investigations

Attachment