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# Congress of the United States

## U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS

1102 LONGWORTH HOUSE OFFICE BUILDING  
(202) 225-3625

Washington, DC 20515-6348

<http://waysandmeans.house.gov>

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MINORITY CHIEF COUNSEL

September 9, 2003

The Honorable Jim Nussle  
Chairman  
Committee on the Budget  
309 Cannon House Office Building  
Washington, D.C. 20515

Dear Chairman Nussle:

As required by the Conference Report accompanying the budget resolution for fiscal year 2004, and in response to your letter dated May 20, 2003, this letter is intended to discuss waste, fraud, and abuse identified within the jurisdiction of the Committee on Ways and Means. The Committee strongly believes that it has an important responsibility to ensure that all government services are provided efficiently, accurately, and honestly. Too often, revenues collected from taxpayers are misused and poorly handled. We have a responsibility to all Americans to work to minimize this waste, fraud and abuse.

The Committee has made significant progress during the 108<sup>th</sup> Congress both to identify and eliminate waste, fraud, and abuse. This includes holding six hearings and favorably reporting legislation.

### Hearings

The Committee held a hearing on July 17<sup>th</sup> to investigate the issue of waste, fraud, and abuse in programs under the Committee's jurisdiction. At that hearing, we received testimony from seven witnesses including the U.S. General Accounting Office (GAO) Comptroller General, witnesses from the U.S. Department of Justice, Social Security Administration (SSA), and Internal Revenue Service (IRS), as well as three outside experts.

In addition, various Subcommittees have held hearings during this Congress to examine specific instances of waste, fraud, and abuse. On February 27<sup>th</sup>, the Subcommittee on Social Security held a hearing on H.R. 743, the "Social Security Protection Act of 2003," a bill introduced by Chairman Shaw to protect individuals from benefit misuse by representative payees and to eliminate various instances of waste, fraud, and abuse in Social Security programs. On July 10<sup>th</sup>, the Subcommittee on Social Security held a hearing on the use and misuse of Social Security numbers and examined how criminals commit identity theft and perpetrate fraud by misappropriating Social Security numbers.

On June 19<sup>th</sup>, the Subcommittee on Human Resources and the Subcommittee on Oversight held a joint hearing on Unemployment Compensation (UC) fraud and abuse issues, specifically focusing on underpayment of State unemployment taxes through a process known as "SUTA dumping." In addition, in response to a request from Subcommittee on Human Resources Chairman Herger, a July 2003 GAO report detailed ongoing Supplemental Security Income (SSI) residency violations and possible measures to address this problem. Between 1997 and 2001, SSA detected overpayments of \$118 million attributable to residency violations.

The Subcommittee on Health held a hearing on February 13<sup>th</sup> on Medicare Regulatory and Contracting Reform. Regulatory reform reduces waste, fraud, and abuse by providing regulatory relief to healthcare providers and modernizing Medicare's contracting processes. On March 4<sup>th</sup>, the Subcommittee on Health held a hearing on the recommendations from the Medicare Payment Advisory Commission, many of which are cost-saving proposals.

#### Legislative Action

This year, the Committee has taken legislative action on a number of measures to protect taxpayer money.

On February 13<sup>th</sup>, the House passed H.R. 4, the "Personal Responsibility, Work, and Family Promotion Act of 2003." This welfare reform bill protects against waste, fraud, and abuse by making better use of data and other resources. A provision allowing all States access to the National Directory of New Hires database for purposes of more effectively providing unemployment benefits would save \$70 million over 10 years. Another provision increasing the share of SSI eligibility determinations subject to reevaluation would save an additional \$1.4 billion over 10 years.

On March 13<sup>th</sup>, the Committee reported H.R. 743, the "Social Security Protection Act of 2003." This bill, passed by the House on April 2<sup>nd</sup>, reduces waste, fraud, and abuse by denying Social Security benefits to fugitive felons and parole violators and expanding the SSA's ability to punish and deter perpetrators of fraud through new civil monetary penalties. In addition, the bill would close the loophole that allows some government workers to avoid the Government Pension Offset among other provisions. The Congressional Budget Office estimates that H.R. 743 would save \$655 million over 10 years.

On April 2<sup>nd</sup>, the Committee reported H.R. 810, the "Medicare Regulatory and Contracting Reform Act of 2003." This bill would reduce waste, fraud, and abuse by streamlining the regulatory bureaucracy in the Centers for Medicare and Medicaid Services (CMS) to create a more collaborative working relationship between providers, beneficiaries, and CMS.

Finally, on June 27<sup>th</sup> the House passed H.R. 1, the "Medicare Prescription Drug and Modernization Act of 2003" which would reduce waste, fraud, and abuse by \$31 billion over the next 10 years. This legislation reforms the Medicare secondary payor system to halt improper billing practices, fixes the Medicare payment system for outpatient prescription drugs, and subjects payment for durable medical equipment and off-the-shelf orthotics to competitive bidding.

#### Identified Waste, Fraud, and Abuse

Through our hearings, the Committee has identified the following examples of waste, fraud, and abuse in programs under our jurisdiction.

Social Security: In addition to enacting H.R. 743, the "Social Security Protection Act of 2003," as described above, the Committee also believes that Congress could reduce waste, fraud, and abuse in the Disability Insurance (DI) program and the SSI program by fully funding Continuing Disability Reviews (CDRs) and SSI non-disability redeterminations through the discretionary appropriations process. These reviews allow the SSA to cease benefits for individuals who no longer meet eligibility criteria. The SSA estimates that the DI trust funds save up to \$9 for each \$1 invested in a CDR and that \$7 in general revenue savings results from every \$1 invested in SSI redeterminations. Finally, the Committee will continue to pursue legislation to curtail the misuse of Social Security numbers.

Human Resources: As described above, enacting H.R. 4, the "Personal Responsibility, Work, and Family Promotion Act of 2003", would reduce waste, fraud, and abuse by \$1.4 billion over the next 10 years. The Committee also is concerned about continuing waste, fraud, and abuse in the SSI and UC programs. The SSA Inspector General testified on July 17<sup>th</sup> that overpayments in the SSI program totaled an estimated \$2 billion in fiscal year 2002 alone. Similarly, written testimony submitted by the Inspector General of the U.S. Department of Labor highlighted an estimated \$3.4 billion in unemployment benefit overpayments in fiscal year 2002 as an area of concern.

Tax Policy: The Committee is concerned about tax noncompliance problems involving individual and corporate taxpayers. At the Committee's July 17<sup>th</sup> hearing, numerous examples of noncompliance were discussed. The Committee examined the IRS's efforts to improve its identification of specific taxpayer groups considered "high risk" as well as the IRS's plans to develop audit strategies to better target known and likely abuses in our tax system. Also at the hearing, the Committee discussed the benefits of tax simplification. The Committee and its Subcommittee on Oversight will continue to monitor IRS's efforts in this regard and develop legislation to address tax noncompliance as necessary.

Medicare: As described above, enacting H.R. 1, the "Medicare Prescription Drug and Modernization Act of 2003", as passed by the House, would reduce waste, fraud, and abuse by over \$31 billion during the next 10 years.

The Committee on Ways and Means will continue to pursue opportunities to identify and reduce waste, fraud, and abuse and work to improve the efficiency and fairness of the tax code and all programs under the Committee's jurisdiction.

Best regards,



Bill Thomas  
Chairman