

(Washington, DC) - **{Congressman Wally Herger (R-CA), Ranking Member of the Ways & Means Subcommittee on Health, delivered the following statement at today's hearing regarding the MedPAC annual report on Medicare payment policy. MedPAC is responsible for monitoring the Medicare payment structure and making recommendations to Congress. You can view Congressman Herger's statement [here](#)**

(Remarks as Prepared)

"Thank you, Chairman Stark.

"MedPAC's March report to Congress illustrates why we must approach health care reform very carefully and thoughtfully. We don't need to look any further than the Medicare program to see that the federal government has often shown itself to be incapable of accurately and appropriately administering health care programs.

"MedPAC has once again identified a number of areas where the Medicare program is significantly overpaying for services.

"MedPAC describes Medicare's \$10 billion a year hospice benefit as lacking the "data vital to the effective management of the benefit."

"According to MedPAC, Medicare overpayments to home health agencies have averaged 16.5 percent since 2002.

"MedPAC also found that Medicare has overpaid freestanding skilled nursing facilities by more than 10 percent for the last 7 years.

"MedPAC states that indirect medical education payments are set at twice the amount of the costs they're intended to cover.

"Similarly, MedPAC feels that the key factors determining reimbursement rates for diagnostic imaging services are nearly twice as high as they should be, leading to incentives for overuse.

"And let's not forget that the Chief Counsel at HHS' Office of Inspector General recently said that, 'a lot of career criminals and organized crime officials have decided that building a Medicare fraud scam is far safer than dealing in crack or dealing in stolen cars, and it's far more lucrative. ...Right now, it's a good bet that you can take millions from us, and chances are you're not going to get caught.'

"We'll hear Mr. Hackbarth talk a lot today about 'efficiency.' I think it's abundantly clear that the Medicare program is far from being efficient.

"Then there's the other side of the coin, the side that we explored at last week's hearing. How Medicare significantly underpays physicians and hospitals.

"Over the last 10 years, MedPAC reports that Medicare has paid physicians just 80 percent of private insurance rates. Similarly, MedPAC predicts that hospital's Medicare margins will be negative 6.9 percent this year.

"It isn't rocket science to figure out that somebody else is carrying Medicare's water and subsidizing these drastic underpayments. This 'somebody else' is the 160 million Americans with private health insurance.

"Because of Medicare's underpayments to hospitals and physicians, those with private health insurance are paying \$49 billion more each year.

"But Medicare isn't alone. The government's other large health program, Medicaid, underpays

physicians and hospitals by \$40 billion annually.

“Hospitals and physicians have to turn to those with private health insurance to fill the \$89 billion hole left by Medicare and Medicaid. As a result, a recent report by Milliman found that the average private health insurance policy for a family of four costs \$1,800 more than it should.

“If you're still not convinced that Medicare's reimbursement system is broken, the Lewin Group found that if the Democrat's proposed government-run health plan paid its providers Medicare rates, 120 million Americans would lose their current health insurance and be forced into the government-run health plan.

“I would strongly urge my friends on the other side to consider the evidence we'll hear today - about the significant problems in the Medicare program - before trying to force 120 million Americans who currently have private health insurance into another government-run health plan.

“Mr. Stark, I and my colleagues await your call to improve our nation's health care system. We all agree that we must make health insurance more affordable for all Americans. Let's focus on areas where we can find agreement, from expanding preventive care and chronic disease management to eliminating waste, fraud, and abuse. Who knows, this may build the goodwill that could lead to a truly bipartisan health reform proposal.”}