Subcommittee on Delivering on Government Efficiency (DOGE)
House Committee on Oversight and Government Reform

"The War on Waste: *Stamping out the Scourge of Improper Payments and Fraud"*
Held on February 12, 2025
Chairwoman Marjorie Taylor Greene (R-GA)
Post Hearing Review and Recommendations
February 19, 2025

Subcommittee Hearing Overview

The Oversight and Government Reform Subcommittee on Delivering on Government Efficiency (DOGE) held its first hearing on Wednesday, February 12, 2025, on the topic of improper payments and fraud.

Majority Members at the hearing repeatedly expressed their intent that the DOGE Subcommittee serve to assist President Trump and Elon Musk in their efforts to rein in the runaway bureaucracy and its wasteful spending. They want the DOGE Subcommittee's "War on Waste" to help ensure Americans see their tax dollars spent efficiently and effectively.

The initial hearing drilled down to determine the key drivers of federal improper payments and fraud. Improper payments are those that should not have been made at all, or were made in an incorrect amount. Fraud involves willful misrepresentation to obtain something of value. Improper payments and fraud have drained trillions of taxpayer dollars from the Treasury. Federal agencies reported an estimated $236 billion in improper payments in 2023 alone, and $2.7 trillion since FY 2003. In addition, the Government Accountability Office estimates the Government could be losing between $233 and $521 billion annually to fraud.

The vast majority of improper payments and fraud occurs via large means-tested federal entitlement programs like Medicare, Medicaid and SNAP (food stamps) meant to serve elderly, poor or otherwise vulnerable populations. Over the years, trillions of federal payments under these programs have gone to non-deserving beneficiaries,

including fraudsters, members of criminal organizations and transnational theft rings. This dynamic accelerated in recent years, due to the high susceptibility to fraud of emergency pandemic relief programs, as well as policy decisions by the Biden Administration that expanded entitlement program eligibility while relaxing fraud controls such as identify verification.

Majority hearing witnesses included individuals with deep experience and knowledge in this area. They identified the key drivers of improper payments and fraud, and collectively issued numerous specific recommendations for alleviating the drain on the Treasury. Majority members also cited potential legislative solutions during the course of the hearing. Elon Musk and the DOGE team in the Administration announced their intent to make better use of the Treasury Department's Do Not Pay databases, which agencies can check to avoid paying ineligible individuals such as fraudsters and dead people. But agencies need to check these databases more often, said Musk, and the data in the systems needs more frequent updating.

<u>Majority Witnesses:</u>
Haywood Talcove, Chief Executive Officer, Lexis Nexis Risk Solutions
Dawn Royal, Director, United Council on Welfare Fraud
Stewart Whitson, Senior Director, Foundation for Government Accountability

<u>Problems Identified/Solutions Recommended by Witnesses:</u>

Problem: Lax or archaic identity verification measures
Solution: Fund better technology, including real-time identity verification & advanced
analytics
(Legislative appropriation)

Problem: Insufficient data sharing to identify ineligible payees
Solution: Update the Privacy Act to provide for greater data sharing
(Legislation)
Solution: Update the Computer Matching Act to provide greater data sharing
(Legislation)

Problem: Over-reliance on self-attestation to certify eligibility of applicants
Solution: For all programs, prohibit self-attestation as a sole means of certification
(Executive action or Legislation)
Solution: Cross-check self-reported information with external sources.
(Executive action or Legislation)

Savings: Lexis-Nexis estimates that asset testing all SSI applicants can save $120-$236 billion annually, expanding asset testing to all Medicaid recipients can save $30-$100 billion annually, and repealing California's Medicaid waiver to do away with asset testing could save $3.5 billion annually.

Problem: Use of broad-based categorical eligibility, which enables individuals who falsely certify eligibility for one program to automatically qualify for a slew of other programs.

Solution: End broad-based categorical eligibility (BBCE)
   (Executive Action or Legislation)

Savings: Lexis-Nexis estimates that eliminating BBCE would save $8.1 billion annually.

Problem: Lack of incentives/resources for States to weed out ineligible applicants.

Solution: Mandate/incentivize states to check for income, assets, incarceration, and residency

Solution: Incentivize states to hire more fraud investigators

Solution: Require states semi-annually verify eligibility for non-elderly, non-disabled enrollees
   (Executive Action or Legislation)

Problem: Individuals claiming benefits from multiple states

Solution: Implement the National Accuracy Clearinghouse (NAC) across all major welfare programs to provide the necessary data to the states.
   (Executive Action)

Savings: Lexis-Nexis projects that implementing the NAC could save $1.34 billion annually. Lexis-Nexis projects that using the NAC to end duplicate enrollment in Medicaid could save $5.9 to $23.7 billion annually.

Problem: Medicaid "Streamlining" rule that limits to once annually state verification of eligibility, while prohibiting the verification be done in-person or by phone.

Solution: Repeal the Medicaid Streamlining Rule
   (Executive Action or Legislation)

Savings: Stewart Whitson estimated that repealing the Medicaid Streamlining Rule could save $164 billion over ten years.

Problem: Career bureaucrats who do not enforce Administration policies to reduce fraud and improper payments

Solution: Make all executive branch employees at-will
   (Legislation)

Problem: Non-working, able-bodied individuals on Medicaid
Solution: Require states to implement work requirements for able-bodied adults on
      Medicaid
      (Legislation)

Problem: Repeat offenders who serially defraud federal programs
Solution: Increase fines/penalties for individuals caught stealing from a benefits
      program and ensure they are permanently barred from eligibility of all federal
      programs.
      (Legislation)

Problem: Medicare Contact information is not accurate, resulting in frequent returned
      mail.
Solution: Ensure contact information is updated.
      (Executive Action)
Savings: Lexis-Nexis projects this would save $744 million annually in Medicare alone.

<u>Introduced Legislation:</u>

The Protecting Medicaid Beneficiaries Act of 2023, introduced during the 118th
Congress by Senator Barrasso, with original cosponsorship from Senators Blackburn,
Lummis, Braun, Wicker, Scott, Ricketts and Lankford. This bill requires states to apply
asset verification to the entire population of Medicaid applicants. The bill is intended to
ensure Medicaid dollars go to only those who are truly in need, while promoting fiscal
responsibility.

The PPP Shell Discovery Act (Rep. Timmons, R-SC), H.R. 324, requires the IRS to
create a report of PPP loan recipients who had no tax withholdings in calendar year
2019 and a report of those who received loans four times greater than their highest
payroll amount during calendar year 2019. The IRS Commissioner is to notify the
Attorney General and the Treasury Secretary when the reports are complete. The
discrepancies in the reports will help identify potential fraudulent loans for the
Department of Justice to investigate and prosecute.

Rep. Timmons plans to introduce a bill compelling states to implement real-time
income verification across federal benefit systems – using proven solutions to prevent
fraud and accelerate benefit processing.