

The original documents are located in Box C47, folder “Presidential Handwriting, 9/1/1976” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

Checked with Jim Cavanaugh ---

President discussed this subject
with Sec. Mathews by phone today
9/4/76

THE WHITE HOUSE
WASHINGTON

September 2, 1976

MR PRESIDENT:

Copies of the attached report from Secretary Mathews have been sent to Jim Cavanaugh and Jim Lynn for their information.

Jim Connor

~~JAC~~
Should we
go ahead as Sec. M.
suggests.

[filed 9/1/76]

THE PRESIDENT HAS SEEN....

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201



SEP 1 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Executive Summary on Medicaid Fraud and Abuse

RH
Lund

I believe the best response to Senator Moss' charges of Medicaid fraud and abuse is to note that the record shows that your Administration not only made the same points six months ago (in March) but also began to take steps to solve the problem.

We also need to remind those not well schooled in these matters that Medicaid is not a Federal program but a state administered program supported by both state and Federal funds.

Enclosed is a detailed memorandum on what has been done to date, and what you could do now to demonstrate your concern about the abuses of Medicaid.

Donald Blatter
Secretary

Enclosure



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

SEP 1 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Medicaid Fraud and Abuse

This memorandum describes what your Administration has done, what is now planned or proposed and some additional steps that could be taken.

Actions already taken

- In response to an October 1974 Departmental request, the Administration requested 108 positions for Medicaid fraud and abuse control in February 1975. These positions were granted in January 1976.
- The Department was also granted additional positions in the Office of Investigations in January 1976, some of which were devoted to support of Medicaid fraud and abuse control.
- In November 1975, I established a new independent Office of Investigations reporting directly to the Under Secretary with Medicaid fraud and abuse, among other problems, in mind.
- In June 1976, we initiated the first state review in Massachusetts by a team of Medicaid examiners from the program division of fraud and abuse control. Three teams have been established. The review in Massachusetts has almost been completed. A second team is now in Ohio, and our third team review will begin in October in Georgia, all at the invitation of the Governors. Plans include reviews in the more difficult states of Pennsylvania, Illinois and New York as the new examiners gain experience.
- We supplied 10-20 manyears of investigative support to the U.S. Attorneys in recent New York investigations. We have conducted initial discussions with the Justice Department aimed at mutually supportive efforts.

- We have developed regulations to ensure better coordination between the Social Security Administration's Medicare program and Medicaid concerning providers involved in fraudulent or abusive practices. Other regulations have been published tightening practices linked to fraudulent activities.
- We developed an automated Medicaid management information system which is critical not only for general management but in the detection of possible fraud and abuse. Ten states now use it, and 20 more have it under development.

Actions planned or proposed

We also have the following measures now in progress:

- I have submitted to the Director of OMB an emergency supplemental request for more than 1,000 manpower positions to strengthen the fraud and abuse control activities across all HEW programs. Of this total, 26 would be added to the Office of Investigations and 250 in Medicaid program review.
- I am now taking the second organizational step to improve HEW central capabilities to combat fraud and abuse by transferring the HEW Audit Agency from the Assistant Secretary, Comptroller to the Office of Investigations under a new Director of Investigations and Audit. This step will make the HEW Audit Agency completely independent of officials having other substantive responsibilities. This change will provide day-to-day integration of audit and investigative activities in such program areas as Medicaid and Student Assistance Programs.
- Provider fraud and abuse detection guides have been developed for Federal and State use. These guides allow identification of potentially fraudulent or abusive practices in pharmacies, physician, nursing home, and clinical lab areas. State Medicaid staffs will be trained in the use of these instruments in November.
- We have initiated a project to rewrite the Medicaid eligibility regulations to simplify and make more enforceable an incredibly complex eligibility system. This project will take 9-12 months to complete.
- In concert with the New Coalition and the National Governors Conference, we plan a thorough and joint review of the Medicaid program with our state partners.

- . We have taken the preparatory steps toward the establishment of a Medicaid Management Institute whose purpose is to provide technical assistance and training to state staffs in all dimensions of sound Medicaid management.

Some additional steps

From the foregoing, it should be emphasized that success in controlling fraud and abuse over the longer run depends on sound management practices rather than exclusive attention on catching those who commit fraud and abuse. There are some further steps you could now consider:

- . You could publicly announce the submission to the Congress of the supplemental we have proposed.
- . Additionally, you could strengthen our efforts to prevent and not merely discover fraud and abuse by proposing to increase the Federal match for administrative costs from 50 to 90 percent, subject to State achievement of performance requirements to be established. This would add \$200-300 million to budget costs, but it would raise the level of administrative effort to more nearly that of private health insurers.
- . In order to provide further assistance to States, you could announce the establishment of the Medicaid Management Institute just mentioned.
- . You could request the Attorney General to increase the efforts of his Department in the investigation and prosecution of Medicaid fraud and abuse and lend your support to strengthening criminal penalties for such behavior.
- . You could announce a joint effort by Justice and HEW to establish a training program for state investigators of Medicaid fraud and abuse. The law enforcement agencies could be used to conduct such training.

I would be remiss if I did not also call attention to several other dimensions of the Medicaid program which bear on the generation of the problems now much in the news. While these are difficult to remedy now, they will require attention in the period ahead. The first concerns the reimbursement rates for providers now set by the states. Dr. Cooper feels, from a medical point of view, that in too many cases, including

Page 4 -- Memorandum For The President

New York City, these rates are set so low as to encourage "Medicaid mills" and inadequate health care. The second concerns the quality of care provided, overutilization of the system, excessive prescriptions and "defensive" medicine. These problems will need to be faced as part of more fundamental restructuring of the Medicaid program and evolution of the PSRO program.

I would be pleased to discuss these proposals with you or provide any additional information you may need.


Secretary

THE WHITE HOUSE
WASHINGTON

9.1.76

TO: Jim Connor

For Your Information: _____

For Appropriate Handling: _____

Pres FYI file.

cc Jim Casper Robert D. Linder
Jim Lynn