



Written by [Steven J. DuBord](#) on October 28, 2009

\$60 Billion a Year in Medicare Fraud

Medicare fraud is a \$60 billion a year industry, and in places like Miami, Florida, it is actually bigger than the drug trade. The 60 Minutes CBS news program reported this on October 25, saying: "This story may raise your blood pressure, along with some troubling questions about our government's ability to manage a medical bureaucracy."

The correspondent on the story, Steve Kroft, spoke with representatives of the FBI, the Justice Department, Medicare, and even a criminal convicted of fraud. He found that South Florida is home to such a large number of criminals committing fraud that "it has pushed aside cocaine as the major criminal enterprise."



"Is the Medicare fraud business bigger than the drug business in Miami now?" Kroft asked Kirk Ogrosky, a top Justice Department prosecutor who oversees half a dozen strike forces around the country dealing with Medicare fraud.

"I think it's way bigger," Ogrosky said.

FBI Special Agent Brian Waterman, the senior agent in charge of Medicare fraud in the Miami office added: "You know, we were the king of the drugs in the '80s. We're king of healthcare fraud in the '90s and the 2000's."

Waterman elaborated, "There's a healthcare fraud industry where people do nothing but recruit patients, get patient lists, find doctors, look on the Internet, find different scams. There are entire groups and entire organizations of people that are dedicated to nothing but committing fraud, finding a better way to steal from Medicare."

"They've figured out that rather than stealing \$100,000 or \$200,000, they can steal \$100 million," Ogrosky explained. "We have seen cases in the last six, eight months that involve a couple of guys that if they weren't stealing from Medicare might be stealing your car."

A criminal who fits this mold, a man Kroft addressed by the pseudonym "Tony," was caught only after someone snitched on him to the FBI. Tony bilked about \$20 million from Medicare, and he said it was "real easy."

"And you're not exactly a criminal mastermind?" Kroft asked.

"No, not really," Tony replied. "It's more like common sense."

Tony got away with his fraud by running fake medical supply companies. He could get by keeping a minimum of real supplies at a storefront in a strip mall, for example, but he was then able to charge Medicare for extremely expensive items like electric wheelchairs and artificial limbs.

Tony described the simplicity of his operation: "Just have somebody in an office answering the phone,



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like we're open for business. And wake up in the morning ... check your bank account and see how much money you made today."

"And you would just fill out some invoices and some forms and send 'em to Medicare?" Kroft asked.

"That's it. In 15 to 30 days you'll have a direct deposit in your bank account. I mean it was ridiculous. It's more like taking candy from a baby," Tony said.

The fraud Tony committed was greatly facilitated by what Waterman described as "a whole industry of people out there that do nothing but provide patients." When Kroft asked what he meant, Waterman explained, "I'm just talking about lists of patients, people's names, Social Security numbers, addresses, and date of birth. With those four things, you can bill for a patient."

Tony told Kroft about how he acquired his false Medicare customers: "They'll be people that would sell you a list of maybe \$10 per patient. And I'll buy 1,000, 10,000 maybe at a time. And then you just fill in the patient's name and you send it. And then ... the next company I used the same patients and I kept using them, and they'll pay for the same patient every time."

Kroft queried Waterman if it is true that "essentially people just fill out the phony paperwork, they send a bill to Medicare and they pay it?"

"That's why you have companies that can run for 60, 90 days, and bill for ridiculous things," Waterman said. "Because there are very few checks and balances to even determine whether these things, a, were medically necessary, b, were ever given, or c, even physically possible for a patient with the kind of conditions they have."

Eventually Kroft managed to speak to Kim Brandt, the director of program integrity for Medicare. He told her, "Look, I'm sure that you're aware of these problems. But it doesn't seem like you're doing a very good job. I don't mean you personally, but I mean, the government. This is still like a huge problem, and getting worse, right?"

"Well, it really does come down to the size and scope of the Medicare program, and the resources that are dedicated to oversight and anti fraud work," Brandt responded. "One of our biggest challenges has been that we have a program that pays out over a billion claims a year, over \$430 billion, and our oversight budget has been extremely limited."

Case in point: There are only three field inspectors for Medicare in all of South Florida to monitor literally thousands of potentially bogus medical equipment companies.

Obama's Attorney General, Eric Holder, basically agreed with Brandt, pinning the blame for the widespread fraud on "lack of resources." He also believes that people didn't think "something as well intentioned as Medicare and Medicaid would necessarily attract fraudsters. But I think we have to understand that it certainly has."

So this is what American taxpayers get for their money: a system rife with fraud, staffed by people supposedly so naïve they never thought to suspect that fraud could be taking place under their very noses. More likely, they just knew that a government program such as Medicare doesn't need to operate at a profit, as any normal insurance company would, so they had no motivation to cut down on fraud.

What could be better proof that government can't be trusted to manage healthcare on a national level? Yet the House and Senate insist on including a public insurance option in their healthcare reform proposals, much to the delight of President Obama.



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The words that *60 Minutes* began with are worth repeating: “This story may raise your blood pressure, along with some troubling questions about our government’s ability to manage a medical bureaucracy.” Indeed, it proves our government’s inability to manage any bureaucracy, be it Medicare or Social Security or a new public insurance option. Yet Obama presents his healthcare reform proposals calling for more government involvement in healthcare as the means to eliminate waste.



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