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Hatch Statement at Finance Hearing on Improper Payments

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a Committee hearing examining how improper payments, including overpayments and underpayments, plague the federal bureaucracy and divert scarce resources away from vital programs.

The federal government spends roughly three and a half trillion dollars every year. I'm going to repeat that number: Three and a half trillion dollars.

I think most reasonable people would agree that not all of that money is well spent. There is, of course, plenty of questionable spending that the government does on purpose on a more or less daily basis – but that's a whole other hearing. Today's hearing is about the spending the federal government does by accident.

All told, according to the Government Accountability Office, there were about \$125 billion of this kind of accidental – or improper – spending in the last fiscal year alone.

We talk about so much money here in Congress – millions, billions, and trillions of dollars. We casually cite dollar figures that are incomprehensible to most people. And, too often, politicians and policymakers talk about these dollars as if they are Washington's, as if the funds just materialized out of thin air for the sole purpose of being spent by the government.

But let's be clear about one thing: These funds – these millions, billions, and trillions of dollars that we talk about and sometimes spend rather haphazardly, belong to the taxpayers. These are dollars the federal government has either taken out of paychecks or borrowed from future taxpayers.

So, when we talk about losing billions of dollars, it's not Washington's dollars that has been lost. Instead, it is money that we've taken away from hardworking people and then squandered through improper oversight or plain old irresponsibility.

I hope we keep that in mind as we talk more about millions and billions here today.

Just think about what could be purchased with \$125 billion.

That amount would buy an iPad for every single American.

It would buy every person in the country a year's worth of meals at Chipotle.

Or, to put it another way, \$125 billion would be enough to pay for health insurance for every living person in Florida, our third most populous state.

According to the Congressional Budget Office, total tax revenues average out to about \$17,000 per American household. By that estimate, for over seven million American families, who work hard to stay on budget, pay their bills on time – and, yes, pay their taxes – every single dollar they sent to Washington in the last fiscal year was wasted on improper payments.

Earlier this year, GAO issued a report entitled “Opportunities to Reduce Fragmentation, Overlap, Duplication, and Improper Payments and Achieve Other Financial Benefits.” This report provided updates on the government’s progress – or lack thereof – in addressing more than 440 actions previously recommended by GAO that were designed to cut waste in government spending programs and implement efficiencies in government services across 180 areas of concern identified in past annual reports.

While the GAO estimated that executive branch and congressional actions to reduce waste and abuse resulted in roughly \$20 billion in “financial benefits” between fiscal years 2011 and 2014, only 29 percent of GAO’s recommendations were classified as “fully addressed” as of November of last year.

In other words, while some progress has been made to address these concerns, any successes we’ve seen have been overshadowed by a persistently growing mountain of waste, fraud, abuse, and mismanagement.

The problem is actually much worse than you might think.

According to GAO, in FY 2014, the estimated amount of government-wide improper payments increased by nearly 20 percent – that’s \$19 billion – over the previous year, the largest increase we’ve seen in recent years. So, basically, this one-year increase in improper payments essentially wiped out the \$20 billion in financial benefits accrued over a four year period from implemented recommendations.

While the payment errors were spread among 22 federal agencies, last year’s increase was primarily due to estimates for Medicare, Medicaid, and the Earned Income Tax Credit, which account for over 76 percent of all improper government payments.

Since all three of these programs fall under our committee’s jurisdiction, I want to take a moment to examine them individually.

The Medicare program, which provides essential health coverage to elderly and disable beneficiaries, paid out nearly \$60 billion in improper payments in FY 2014. That's nearly half of all the improper payments across the entire government and roughly ten percent of all paid Medicare benefits.

That's right, about one out of every ten dollars paid out of Medicare was paid in error. That is unacceptable.

Last year, Medicaid, our primary health safety net for poor and vulnerable Americans, paid out approximately \$17.5 billion in improper payments. Just to put that into context – the government paid more in improper Medicaid payments last year than it spends in a year for the ENTIRE Temporary Assistance for Needy Families (TANF) program, our country's main cash welfare program for the poor.

And, as you all know, the Earned Income Tax Credit, or EITC, provides a refundable tax credit to working taxpayers that can be as much as \$5,500 for an income-eligible family with two children. In FY 2014, the government paid out nearly \$18 billion in improper payments under the EITC. That's more than 27 percent – more than one out of every four dollars – of what we spent on the entire program.

Of course, we've known about the high rates of improper payments in all of these programs for years now. While these numbers – by their sheer size – are staggering, none of them should be surprising. This is a problem that has been many years in the making. And, if you ask me, the time for addressing them is long past due.

I think we're going to have an interesting and informative conversation about these issues today.

I want to thank the Comptroller General for being here today and for his agency's hard work in uncovering and addressing these issues. This committee greatly values GAO's insights and I look forward to hearing more about their recommendations today.

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