

ADDRESSING IMPROPER GOVERNMENT PAYMENTS

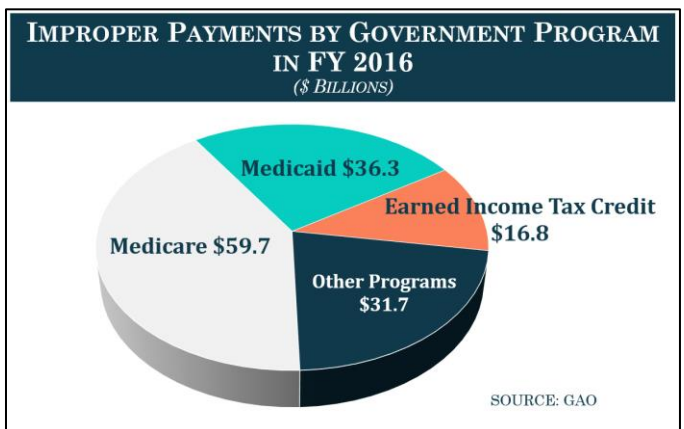
Despite numerous efforts to correct the problem, the Federal Government continues to spend hundreds of billions of dollars in payments to the wrong people, for the wrong reasons, or in the wrong amounts. These “improper payments” – mostly overpayments – are a monument to fiscal mismanagement and a reckless misuse of taxpayer dollars. It may not be easy, but this failure can and must be addressed – especially in a time of rising budget deficits and debt. Below is a brief summary of the challenge and possible approaches to solving it.

The Scope of the Problem. According to the Government Accountability Office [GAO], improper payments totaled \$144.3 billion in 2016 (the most recent year for which figures are available), up from \$107.1 billion in 2012 – yet this figure likely *understates* the full extent of the problem. Eighteen government programs deemed susceptible to improper payments did not even submit error estimates last year, according to GAO. While these payments have occurred in 112 government programs across 22 agencies, more than 75 percent fall in three large programs: Medicare, Medicaid, and the Earned Income Tax Credit [EITC]. The EITC program alone has an estimated payment error rate of nearly 25 percent, meaning that nearly one in four dollars that leaves the Treasury for this program is deemed to be incorrect.

Attempted Remedies. Since 2002, Congress has passed several measures attempting to address the problem, but tangible progress remains elusive. Many agencies still seem to follow a “pay and chase” model of improper payments. The agencies focus on “getting the checks out the door,” only to determine after the fact that many were improper. That then launches a laborious and sometimes costly process to try to recoup these already-spent payments.

Halting Improper Payments. The best way to recover improper payments is to prevent them from happening

in the first place, GAO argues. One such preventive control would be to verify payment eligibility up-front by checking data from the broadest and most accurate databases available. For instance, GAO believes the Social Security Administration should be allowed to share its full death file widely across agencies to prevent payments being made to deceased individuals.



Strengthening Compliance. By its own count, GAO has made nearly 130 agency-specific recommendations over the past five years to reduce improper payments – but the agencies have failed to fully implement them. What is lacking is a proper incentive structure for agencies to become better stewards of taxpayer dollars. Congress, GAO, and the Office of Management and Budget should develop strict standards or statutory mandates for Federal agencies to curtail improper payments. In addition, the fiscal year 2018 House budget resolution contained a framework for reducing government-wide improper payments by 50 percent within the next five years (i.e. by fiscal year 2022), coupled with a tighter system of agency oversight and compliance to ensure agencies achieve that reduction goal.

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