



June 30, 2016

Mr. Greg Watson  
Legislative Clerk, Committee on Energy and Commerce  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable John Yarmuth

**Can you provide the studies or other documentation that was used to support your testimony that capping funding for a program, such as Lifeline, results in a reduction in waste, fraud, and abuse?**

Dear Congressman Yarmuth:

Thank you for your questions regarding the CURB Lifeline Act. You asked for evidence on whether cutting a budget has reduced waste fraud and abuse. I hope you find the information below helpful.

A study published in Deloitte University Press, "Shutting down Fraud, Waste, and Abuse: Moving from Rhetoric to Real Solutions in Government Benefit Programs," recommended that programs use prospective and retrospective systems that identify potential areas where fraud can occur before funding is allocated, and then institute a more efficient system to recover funds once waste has been detected.

The study does not point to cutting budgets as the number one way to reduce waste fraud and abuse, but suggests methods for managing budgets more efficiently:

The best available data argue that intentional fraud typically accounts for a third or less of all improper payments; the data also show that reducing waste, abuse, and error in benefits programs usually costs less than chasing fraudsters. Oregon's Secretary of State began with data matching, comparing beneficiary information against lists of dead people, lottery winners, and prisoners to determine vulnerabilities in the eligibility criteria for Medicaid, SNAP, and Temporary Assistance to Needy Families.<sup>55</sup> Clearing away waste and error can reveal the magnitude and location of true fraud more clearly.

The Congressional Research Service estimates that the federal government allocated nearly \$2.1 trillion for mandatory expenditures in 2014, mostly for benefits programs.<sup>15</sup> How much of that enormous sum was lost to fraud, waste, and abuse? For 2015, the White House estimated a loss of \$137 billion through improper payments.<sup>16</sup>

The Federal Communications Commission has instituted programs that have successfully decreased waste, fraud, and abuse. The testimony on HR 4884 CURB Lifeline Act of 2016 did acknowledge these efforts:

"The Lifeline annual recertification process established in the 2012 Lifeline Reform Order to verify that a subsidy recipient did meet the lifeline requirements, and households were not receiving multiple subsidies significantly cut spending in the program. As a result, 29 percent of all of 2012 lifeline subscribers were de-enrolled, and between 2012 and 2013 waste, fraud, and abuse of the program was cut by nearly \$400 million dollars.

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As a whole, since 2012 abuse has been cut by nearly \$670 million, and spending of the fund reduced from nearly \$2.2 billion to about \$1.5 billion. As broadband is included, the National Eligibility Verifier adds another layer of abuse protection.

However, a new service has been added to the program, and that should be evaluated before increasing funding.

Costs will likely change, with the addition of a new service and new qualification requirements as part of the Lifeline program. Considering savings already achieved, a budget increase, particularly without a firm cap, is unnecessary and does not provide an incentive to pursue waste and error at the source. From Americans for Tax Reform's perspective, the positive changes and savings already achieved with these verification programs does not warrant a budget increase or a budget without a cap.

Viechnicki, Peter, William D. Eggers, Brien Lorenze, Michael Greene, James Guszczka, and Dan Olson. "Shutting down Fraud, Waste, and Abuse: Moving from Rhetoric to Real Solutions in Government Benefit Programs." *Deloitte University Press*. N.p., 11 May 2015. Web. 29 June 2016. <http://dupress.com/articles/fraud-waste-and-abuse-in-entitlement-programs-benefits-fraud>

Sincerely,

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