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All eyes are on the BP gusher in the Gulf, spewing pollution over the shoreline, but there's another big leak that will do even more damage to our economy: the one in the Medicare well.

Ever since 1965, when Medicare was enacted, the federal Treasury has been hemorrhaging dollars. Previously, "10%" was quoted and re-quoted as the amount of fraud. More recently, Senator Tom Coburn (R-OK) alleged it to be 20%.

Like BP's oil containment dome, previous efforts failed to plug the hole. Despite hundreds of millions of dollars shoveled into the Health Care Fraud and Abuse Control Program (HCFAC) by HIPAA (the Health Insurance Portability and Accountability Act), federal prosecutors say they need still more "resources" and "tools."

Attorney General Eric Holder is looking for people to prosecute for both leaks—which will do nothing to stop the pollution.

Containment efforts in new Medicare rules include requiring doctors to "revalidate" their billing privileges periodically. They'll have to show that their name, address, identifying numbers, and organizational status are exactly as registered. They'll have to give Medicare access to their checking account by electronic funds transfer (EFT) so that it can make immediate "adjustments" in case of overpayment.

The Patient Protections and Affordable Care Act ("ObamaCare") imposes additional screening requirements; some providers will have to be fingerprinted.

Ever-more aggressive private bounty hunters called Recovery Audit Contractors (RACs) are descending on doctors' offices, dissecting claims and patients' records, looking for a missing "bullet point" in the documentation, or an inaccurate digit in the billing code. ObamaCare increases the penalties for errors from $11,000 per item to $50,000. The government's burden of proof, already light, has been further decreased. There is no need to prove any intent to defraud, or even to show that any money was ever collected.

Also, the definition of "fraud" is expanded to include "unnecessary" services, "ineffective" services, or those that don't comply with Medicare requirements.

Prosecutors are making examples of "greedy providers." Dr. Ronald Poulin of Virginia was smeared all over the pages of his local newspaper before being convicted of "fraud"—that previously would have been called billing errors. Pictures of his home were posted on the internet—a nice house, bought with decades of hard work, now seized, along with his cars, his bank accounts, his medical license, his reputation, and his liberty. He sits in jail awaiting assignment to a federal prison.

One less oncologist will be prescribing expensive chemotherapy to cancer patients—and there are other effects that we don't see. Deterrence works. Trying to help sick people is becoming very dangerous.

But will these methods end the fraud? Dr. Kenneth Christman, a past president of the Association of American Physicians and Surgeons (AAPS) (www.aapsonline.org), states that the amount of fraud is actually 100%, because Medicare is a Ponzi scheme. Today's soon-to-be-retiring Baby Boomers have been bilked as surely as Bernie Madoff's investors were, and their "trust fund" is full of internal government IOUs that can be redeemed only by borrowing from a bigger sucker.

Leaving ultimate Medicare reform aside, can we eliminate true billing fraud? Eliminating doctors does eliminate billing—of all types, by those doctors. But organized crime is said to be moving in.

As Malcolm Sparrow pointed out in a book by that title, third-party payment is A License to Steal. Payment is made for a "clean claim," not for a messy service. And despite the

government's legal advantages, it takes time to go through the process of destroying doctors. So here's the overnight solution.

Make insurance fraud, like credit-card fraud, self-revealing. Do away with "assignment of benefits," which means paying the "provider." Mail all insurance payments to patients, in the form of a dual-payee check.

Dead or fictitious patients don't cash checks. Real people who did not receive a worthwhile service generally do not pay for it.

Fire the RACs, and put prosecutors to work fighting real crime, not creating crimes from arcane codes. Restore the natural regulatory system of customers reading understandable bills. Don't put medical dollars into a huge bank vault that criminals can open with computer codes, and the practice of medicine into a bureaucratic prison.

Prisons don't stop leaks.

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