

REPORT Published February 24, 2025 • 7 minute read

Four New Ways to Fight Waste, Fraud, and Abuse



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Conversations around government spending are especially in vogue right now (looking at you DOGE and cryptic OMB memos). As part of those debates, policymakers love to call out very specific examples of waste, fraud, and abuse. But very few are spending the time to dig into the details and come up with new ways to actually stop wasteful spending. So, we did.

There's already an existing legislative tool to help fight waste, fraud, and abuse. It's called *discretionary spending cap adjustments*. Basically, these are specified amounts of budget authority that certain agencies are allowed to spend that—and this is important—do not count against their annual appropriations thresholds.¹ However, there are currently only three types of cap adjustments that get this special treatment: health care fraud and abuse control for Medicare and Medicaid, continuing disability reviews and redeterminations for the Social Security

Administration, and reemployment services and eligibility assessments for Unemployment Insurance.

Each of these programs saves the government real money and are given some important budgetary space as a result. But we can do more. In this memo, we lay out four new ways to expand this existing bipartisan budget mechanism to root out even more waste, fraud, and abuse.

1. Stop health care fraud before it happens.

Currently, an effort called “health care fraud and abuse control” supports program integrity—i.e., making government programs work better—in three ways. It builds more medical reviews in Medicare, increases the number of correct payments in Medicare Parts C and D and Medicaid, and increases awareness of improper payments in the Affordable Care Act health insurance marketplace. These program integrity funds return nearly \$2.30 for every \$1 invested.²

Proposal: Health care fraud and abuse control should be expanded to support activities that stop fraud before it starts. This approach, known as deterrence, is the flip side to program integrity efforts focused on recovery—sometimes known as “paying and chasing.”³

Why it Matters: It’s smart economics—deterrence can yield a return on investment that is 5-10 times as large as solely recovering fraud after the fact.⁴ That investment is important because health care remains one of the fastest-growing parts of the federal budget, and it accounts for a significant amount of spending lost to fraud. Out of the roughly \$236 billion in improper payments in FY 2024, Medicare and Medicaid account for \$85 billion.⁵ In FY 2024, settlements and judgments over health care-related fraud totaled \$1.7 billion out of \$2.9 billion in False Claims Act enforcement.⁶

Additional Details: For deterrence to be properly integrated into the health care fraud and abuse cap adjustment, policymakers would need to agree on how deterrence should be calculated into spending and potential savings. As the Congressional Budget Office revisits other scorekeeping conventions related to program integrity, they should also consider how to count deterrence effects in legislation.

2. Give UI a long-needed upgrade.

Currently, program integrity efforts in Unemployment Insurance (UI) cover reemployment services and eligibility assessments for those individuals likely to be unemployed the longest.⁷ As we explained in an [previous report](#), these efforts may include mandatory meetings with UI claimants, reviews of their work search log, and contacts with potential employers. Spending on UI program integrity initiatives is expected to grow 2% over the next year, from \$265 million in FY 2024 to \$271 million in FY 2025.⁸

Proposal: Allow the existing Unemployment Insurance program integrity cap to be used for additional activities focused on modernizing the system. The cap adjustment should be expanded to include funds for increased state UI administration, updates to outdated information technology systems, and improvements to identity verification.

Why it Matters: The UI program lost as much as \$135 billion to fraud during the COVID-19 pandemic and needs significant upgrades before the next recession or spike in utilization.⁹ The money currently set aside for UI program integrity is relatively small and designated for narrowly-defined purposes, while the UI program is still considered a high risk by government watchdogs. For example, many states still use COBOL, a programming language that is more than 50 years old.¹⁰

There are multiple proposals for UI modernization both inside and outside the government, though none have advanced through Congress.¹¹ Because appropriations are must-pass legislation, incorporating modernization into the UI cap adjustment would help ensure this important work doesn't continue to get ignored.

Additional Details: Underfunded UI administration has been cited as one of the contributing factors to pandemic UI fraud. Administrative funding hasn't increased meaningfully since FY 2000.¹²

3. Strengthen Defense Department oversight.

The Department of Defense Office of Inspector General (DOD OIG) oversees a department with the biggest budget in the federal government. The DOD OIG office is funded through base discretionary spending, receiving \$529 million in appropriations for FY 2024.¹³ This critical oversight competes against hundreds of other priorities within the Department of Defense and thousands of others in the broader federal government.

Proposal: Create a new, dedicated defense cap adjustment for the Department of Defense Office of Inspector General to fight contract fraud. Transitioning OIG funding from regular appropriations to a discretionary cap adjustment would mean the funding doesn't count towards the base discretionary total, giving it a measure of protection.

Why it Matters: The Defense Criminal Investigative Service within the OIG works with the Department of Justice to combat defense contract fraud. In FY 2024, settlements and judgments over DOD-related fraud totaled \$93 million under False Claims Act enforcement.¹⁴ In FY 2023, DOD-related settlements and judgments hit a 17-year peak of \$557 million.¹⁵

In addition, the OIG provides oversight and guidance on the reporting of improper payments. DOD reported \$1.5 billion in improper payments in FY 2023 throughout eight programs, although the IG has said these estimates may be unreliable.¹⁶

Additional Details: Other offices within the Department of Defense play a role in program integrity and reporting on improper payments. They include the Under Secretary of Defense (Comptroller)/Chief Financial Officer, the Director of the Defense Finance and Accounting Service, and the Deputy Chief Financial Officer.¹⁷ To the extent that these offices and activities outside the OIG contribute to the fights against fraud and improper payments, lawmakers could consider incorporating them into defense program integrity cap adjustments.

4. Give the Justice Department a new tool to fight fraud.

Currently, the Department of Justice (DoJ) gets a little bit of credit from the program integrity effort fighting health care fraud and abuse. However, multiple teams at DoJ prosecute and recoup lost funds and deter fraud against the federal government beyond just health care.

Proposal: Create a new, dedicated cap adjustment for the Department of Justice to enhance its fraud-fighting capacity. Congress can build this into the Commerce, Justice, Science, and related agencies appropriations bill (CJS) to explicitly support expanding resources for False Claims Act enforcement at DoJ's civil fraud section, bolstering DoJ's criminal fraud section for cases with higher-than-average recovery and restitution rates, and funding the Antitrust Division's Procurement Collusion Strike Force.

Why it Matters: On a budget of roughly \$400 million, the Civil Division of the Department of Justice returned \$4 billion to the Treasury in FY 2023. But almost all of that comes from one section: civil fraud. This group at DoJ covers issues related to cybersecurity, federal health care programs, IT, and military contracts, among others.¹⁸

The Criminal Division's Fraud Section targets bad actors both internationally and domestically. Additional resources would let criminal fraud investigators pursue more cases. High-level cases here often see restitution and penalties in the millions of dollars per case.¹⁹

Finally, the Antitrust Division's Procurement Collusion Strike Force trains all levels of law enforcement and other government personnel to recognize and stop collusion and fraud in bidding for goods and services. In addition, the strike force investigates and prosecutes cases of bid rigging, price fixing, and illegal customer and market allocation. This is a relatively new effort which has returned over \$65 million in fines and restitution to date.²⁰

Additional Details: Money recouped by prosecuting fraud isn't the only budgetary savings from this sort of investment. For every dollar returned from prosecuting fraud, there could be another \$2-10 saved from deterring fraud before it starts.²¹

Conclusion

As fights continue over government funding, lawmakers should not compromise on program integrity spending. The appropriations process is particularly vulnerable to uncertainty and last-minute dealmaking, but the activities that protect federal programs from waste, fraud, and abuse should be prioritized and protected. Cap adjustments are a way to keep program integrity funding steady and predictable.

Furthermore, formal discretionary spending caps could come back in the future. Discretionary programs could face more restraints. When the time comes, spending that reduces waste, fraud, and abuse and improves good governance must not be unduly squeezed.

ENDNOTES

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