AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 119–79

REDUCING WASTE, FRAUD AND ABUSE THROUGH INNOVATION: HOW AI & DATA CAN IMPROVE GOVERNMENT EFFICIENCY

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE

OF THE

CONGRESS OF THE UNITED STATES

ONE HUNDRED NINETEENTH CONGRESS

FIRST SESSION

APRIL 9, 2025

Printed for the use of the Joint Economic Committee

Available via the World Wide Web: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

60–491 WASHINGTON : 2026

JOINT ECONOMIC COMMITTEE

[Created pursuant to Sec. 5(a) of Public Law 304, 79th Congress]

HOUSE OF REPRESENTATIVES
DAVID SCHWEIKERT, Arizona, *Chairman*
JODEY C. ARRINGTON, Texas
RON ESTES, Kansas
LLOYD SMUCKER, Pennsylvania
NICOLE MALLIOTAKIS, New York
VICTORIA SPARTZ, Indiana
DONALD S. BEYER JR., Virginia
GWEN MOORE, Wisconsin
SEAN CASTEN, Illinois
DAVE MIN, California

SENATE
ERIC SCHMITT, Missouri, *Vice Chairman*
TOM COTTON, Arkansas
TED BUDD, North Carolina
DAVID MCCORMICK, Pennsylvania
MARSHA BLACKBURN, Tennessee
ASHLEY MOODY, Florida
MARGARET WOOD HASSAN, New Hampshire, *Ranking Member*
AMY KLOBUCHAR, Minnesota
MARTIN HEINRICH, New Mexico
MARK KELLY, Arizona

RON DONADO, *Executive Director*
LAURA EPSTEIN, *Minority Staff Director*

CONTENTS

OPENING STATEMENT OF MEMBER

Page

Ranking Member Maggie Hassan, a Senator from New Hampshire 2

WITNESSES

Dr. Sterling Thomas, Chief Scientist, Government Accountability Office, Washington, DC 3
Dr. Brian J. Miller, Nonresident Fellow, American Enterprise Institute, Washington, DC 5
Mr. Neil Chilson, Head of AI Policy, Abundance Institute, Washington, DC 6
Mr. Andrew Cannarsa, Executive Director, Council of the Inspectors General on Integrity and Efficiency, Washington, DC 8

SUBMISSIONS FOR THE RECORD

Statement of Ranking Member Senator Maggie Hassan 31
Prepared statement of Dr. Sterling Thomas, Chief Scientist, Government Accountability Office 33
Prepared statement of Dr. Brian J. Miller, Nonresident Fellow, American Enterprise Institute 48
Prepared statement of Mr. Neil Chilson, Head of AI Policy, Abundance Institute 58
Prepared statement of Mr. Andrew Cannarsa, Executive Director, Council of the Inspectors General on Integrity and Efficiency 70
Questions for the Record submitted by Senator Amy Klobuchar to Dr. Sterling Thomas and response 73
Question for the Record submitted by Senator Amy Klobuchar to Mr. Andrew Cannarsa and response 75
Letter to the Honorable Russell Vought, OMB Director, submitted by Representative Donald S. Beyer Jr. 77

REDUCING WASTE, FRAUD AND ABUSE THROUGH INNOVATION: HOW AI & DATA CAN IMPROVE GOVERNMENT EFFICIENCY

WEDNESDAY, APRIL 9, 2025

UNITED STATES CONGRESS,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to call, at 2:33 p.m., in Room 210, Cannon House Office Building, Hon. David Schweikert [chairman of the committee] presiding.

Present: Representatives Schweikert, Beyer, Min, Casten, Malliotakis, Estes, and Spartz.

Senators: Schmitt and Hassan.

Staff Present: Ron Donado, Colleen J. Healy, Alexander Schunk, Matthew Cernicky, Jaxson Dealy, Rohan Kumar, Garrett Wilbanks, Jeremy Johnson, Oliver Sibal, Laura Epstein, Sebi Devlin-Foltz, and Tamara Fucile.

Chairman Schweikert. First off, I want to thank all of you. Apparently, you have all done just a terrific job working with our different staffs in educating us. You've seen our idiosyncrasies of wanting you to fixate on the things where we can actually make some policy changes that actually make a difference.

So for 6-plus years, because of the quirkiness of our office, we have been introducing AI bills audit the Pentagon, using technology, using a crawler to find out where assets are. Healthcare, if over the next decade interests in healthcare are the primary drivers of U.S. sovereign debt. Could we actually still protect the quality of healthcare, maybe even make it better, with using technology to deal with those cost drivers. And I know sometimes that makes people very uncomfortable, but there was also a time that going to Block Buster Video was the family ritual on Fridays and today you hit a button.

So now I would like to introduce our distinguished witnesses. You all get to be distinguished. Dr. Sterling Thomas is the chief scientist at the Government Accountability Office. He leads the work conducted by GAO's scientist—Science, Technology Assessment and Analytics team assessment and analytics team, which provides information to Congress on emerging technologies and their application in government.

Prior to his appointment at the GAO, Dr. Thomas served as chief scientist at Noblis.

Dr. Thomas. Noblis.

Chairman Schweikert. Noblis. A nonprofit research institute where he applied machine learning in artificial intelligence to his research on synthetic biology. Okay, you already realize you just, like, doubled the IQ of—never mind.

Dr. Brian Miller is a practicing hospitalist and professor of medicine and business at Johns Hopkins and somewhat of a friend. Dr. Miller is also a nonresident fellow at the American Enterprise Institute where he researches and focuses on healthcare competition, FDA policy, public health and integration of AI into the healthcare system. The doctor is head of AI policy at the Abundance Institute.

Mr. Chilson. That is me.

Chairman Schweikert. Oh, sorry, sorry. Did I just—forgive me. Is it called the Abundance Institute?

Mr. Chilson. It is, it is.

Chairman Schweikert. His research focuses on how artificial intelligence can be used to maximize innovation and advance human interest. Previously, he was the chief technologist at the Federal Trade Commission, where his worked focused on the economics of data privacy and blockchain. We should talk. I worked on blockchain before coming to this.

Now I would like to turn over to Ranking Member Hassan to introduce the Democrat witness.

Ranking Member Hassan. Well, thank you so much, Mr. Chairman. And after I introduce the witness, I have a couple of opening remarks, if that makes sense.

Chairman Schweikert. Why don't you go straight to opening remarks because you may get stressed with having the vote on.

Ranking Member Hassan. Okay. And then I will introduce Mr. Cannarsa.

So I just really want to thank you for calling today's hearing on a really important topic. And to your point, a topic that has a lot of bipartisan interest and a lot of bipartisan potential.

As this is the first JEC hearing this Congress, I also want to say how much I look forward to working with you, Mr. Chairman, in your role as chair of the committee and my new role as ranking member. I really look forward to working together, and I have appreciated our conversations so far.

And I am glad we are starting out with a topic that we can find some real common ground on: cutting waste, fraud, and abuse through the use of innovation.

I also want to thank the four witnesses for testifying before the committee and sharing your expertise on this topic. We need to keep working together across the aisle to save taxpayer dollars by reducing waste, fraud, and abuse.

As we will discuss in today's hearing, there are many ways to do so by embracing new technologies and better data analytics. These types of tools can help an investigator identify potential fraud or a caseworker streamline an application process. I know that all four of our witnesses today will outline ways that the government can better deploy. I really look forward to building off these ideas moving forward.

Before we get to the introduction of our witness, so I do want to just note my serious concerns with the reckless actions so far of Elon Musk and DOGE. Whether the government is providing

healthcare for veterans, Social Security Administration checks for seniors or loans for small businesses, we should continually strive to improve the taxpayers experience. But Mr. Musk's slash and burned tactics are doing the opposite.

In addition, I want to bring the Committee's attention to the fact that the administration's decision to fire 17 inspectors general who investigate fraud, that is what they do, is completely counterproductive to the goal of improving government efficiency.

I firmly believe that we should be cutting waste, fraud, and abuse, and that we can do so without making life harder for children, families and seniors all across our country. I hope the conversations, including the one we will have this afternoon, can help us chart a better path forward.

So again, I thank you Mr. Chairman and to our witnesses for agreeing to testify today. And I happy to proceed with the introduction.

Mr. Andrew Cannarsa is the executive director of the Council of the Inspectors General on Integrity and Efficiency. That is an independent part of the executive branch focused on supporting the work of inspectors general.

Prior to his current role, Mr. Cannarsa served in the Social Security Administration, Office of Inspector General from 2009 to 2023. Welcome Mr. Cannarsa. I really look forward to your testimony, as I do the testimony of all our witnesses.

[The statement of Ranking Member Hassan appears in the Submissions for the Record.]

Chairman Schweikert. Thank you, Senator. And please don't be discombobulated if you see members popping up and popping down. It is the nature of being here during a fairly chaotic time.

Dr. Thomas, please 5 minutes. Educate us.

STATEMENT OF DR. STERLING THOMAS, CHIEF SCIENTIST, GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC.

Dr. Thomas. All right. Thank you, Chairman Schweikert, Ranking Member Hassan, and members of the committee. Thank you for inviting me to participate today, in today's hearing to discuss how AI can be used to reduce fraud and improper—waste, fraud and improper payments.

As GAO's chief scientist and throughout my career in industry in academia and in the intelligence community, I have seen great advancements in data science. These innovations offer exciting opportunities to improve government efficiency. As you know, GAO is a nonpartisan watchdog for Congress. We have expanded our science technology team in recent years and it includes a team of data scientists. We know firsthand from their work that AI holds great promise in furthering GAO's mission and your goal of safeguarding taxpayers dollars.

My aim today is to offer three important actions that will help us reach that goal. First, we must continue and augment our traditional antifraud efforts. Second, we must apply AI thoughtfully and ensure that we use quality data to mitigate its well-known risks. And third, we must ensure the Federal workforce has the skills they need to apply new innovations like AI.

Regarding my first point, GAO has a large body of work on fraud and improper payments in the Federal Government. Last month one of my colleagues testified before House Appropriations on this topic. The Federal Government reported an estimated $162 billion in payment errors or improper payments during fiscal year 2024. And that is almost certainly an underestimate.

We have outlined numerous ways that Congress and Federal agencies can tackle this problem with existing capabilities. For example, Congress could make permanent the Social Security Administration's authority to share its death list with Treasury's do not pay system. These traditional methods are routinely preventing and detecting fraud. But enhancing them, we can save taxpayer dollars today without any new technology.

But on my second point, I am optimistic about innovation, but we must be thoughtful about it. In data science we often say garbage in, garbage out. Nowhere is that more true than with AI and machine learning. If we start trying to identify fraud improper payments with so-so data we are going to get so-so results.

Broad use AI is still in early stages of development and implementation. And rapid deployment without thoughtful design has lead already to unintended consequences. Before pouring data science on a problem we need solid reliable ground truth data and a human in the loop to ensure data reliability and application of this technology. GAO has an accountability framework which lays out these and other principles.

One piece of advice that emerges from such principles is to find a solution that produces the desired result with the least complexity. For example, in response to our recommendation the Small Business Administration screened all PPP or paycheck protection program loans made before September 2020 with a rules-based tool. It was just looking for indicators, it wasn't using AI and they still identified $4.7 billion in loans that went to ineligible recipients or were used for unauthorized purposes. And those loans were not forgiven. To build on that success we need more innovation in government. In 2022, we recommended that one way to do that, Congress could establish a permanent analytics center of excellence to unlock tools that more efficiently identify and prevent fraud and improper payments.

My final point is that harnessing innovation also requires a Federal workforce that has the right skills. But agencies continue to face barriers in hiring, managing and retaining staff with advanced technical skills. This is another area where GAO has made recommendations. And we have explored innovative big picture ideas like establishing a digital services academy.

Rapid advances in AI capabilities hold great promise. GAO believes that the Federal Government can and must simultaneously realize those opportunities and do so upon a firm foundation of reliable data and a digitally skilled workforce.

Chairman Schweikert and Ranking Member Hassan and members of the committee, thank you. And I would be happy to respond to any questions.

[The statement of Dr. Thomas appears in the Submissions for the Record.]

Chairman Schweikert. Thank you, Dr. Thomas.

Dr. Miller.

STATEMENT OF DR. BRIAN J. MILLER, NONRESIDENT FELLOW AMERICAN ENTERPRISE INSTITUTE, WASHINGTON DC.

Dr. Miller. Chairman Schweikert, vice chairman Schmitt and distinguished members of the committee, thank you for allowing me to join you and share my views on how AI and technology can improve government efficiency and reduce fraud, waste and abuse.

I am going to focus on operational solutions targeting the Medicare and Medicaid programs recognizing that these comprise over $1.5 trillion in annual spending. I should note that today I'm here in my personal capacity and the views expressed are my own and don't necessarily reflect those of Johns Hopkins University, the American Enterprise Institute, the Medicare Payment Advisory Commission or the North Carolina State Health Plan.

That aside, ethos of DOGE asking questions, re-engineering processes, these are things that we need to do indefinitely in government health programs. So there are these areas that I think we should focus on. The first is Medicaid improper payments.

In 2020, we had the global pandemic. Tens of thousands of people were dying everyday and Congress implemented continuous Medicaid coverage thinking that, you know, if we are going to potentially have COVID, hospitalization coverage shouldn't be the issue.

In 2023, States started redetermination for 20 million beneficiaries. CMS noted in 2022 that 76 percent of improper payments were due to eligibility. That is $61 billion a year. Now I looked this up and Medicaid eligibility requirements are codified in statute with little discretion. So if you think about it, redetermination and then on the other side initial eligibility assessments are two sides of the same process. We should actually look to automate benefits eligibility. We might have to have human review first, followed by an auditing period and then it would move towards fully autonomous review. With the simple principle being if you are entitled to Medicaid benefits, you should be able to get them. And if you are not entitled to Medicaid benefits, you should not be on Medicaid.

The second area I would focus on is Medicare Advantage diagnosis coding, which I think we have all seen the Wall Street Journal articles and the large plethora of news about this marketplace. So if you think about it and fee-for-service Medicare it is like running a pizza shop. You are paid if you make more pizzas. If you make a slightly fancier pizza, you are also paid a little bit more. In Medicare Advantage, it's the difference. You get risk-adjusted capitated payment or population based payment with risk adjustment from diagnosis coding. That way if plans take care of sick people, they get more, if they take care of healthier people, they get paid less. There is no surprise that across these two programs the coding intensity is different. Coding intensity has three components. One fraudulent coding, the DOJ picks you up in a black car and takes you to jail. Two is upcoding, subject to debate but likely known. The third is sort of clinically appropriate coding intensity, better communication about diagnostic specificity or severity. So we have sort of studied this problem for 2 decades. You can pick your favorite health care analyst, economist, actuary, committee or com-

mission and you can get different numbers. No one has measured those three components. The research has shown that it varies across plans. I would argue that if we have predictive typing and auto correct on our iPhones, we can automate diagnosis coding across the Medicare program. Do we want doctors spending time with patients or do we want them doing diagnosis coding for whether you have CKD, chronic kidney disease 3 or 3b. I think we can all agree that we want doctors taking care of patients. And so if we automate that, we will eliminate coding disparities across both programs, increase trust, eliminate the need for chart reviews and health risk assessments and eliminate the wastage of both physician times and government payments. And so I would say that for Medicare Advantage, we should focus on solving problems for Americans, instead of measuring them.

And then the last area I want to talk about is prior authorizations. We spend an estimated $265 billion in the healthcare industry on administrative costs. Depending upon who you ask, prior authorization can be an appropriate tool to steer care or it can be an inappropriate tool to delay care, increase cost, decrease access. And you will have to sit around, you will have stakeholders on either side showing up and telling you one thing or the over.

We have also talked about this for probably longer than I have been alive. So I would say that we should start with process reform, fix the process. So let's put the fax machine lobby out of their misery, same for, you know, PDF submission, et cetera. We should use CMS and ONC to drive automation of data submission and have it be built directly into electronic health records. So I think we have a lot of opportunity to are practically make government more efficient, reduce waste and also make the delivery system better.

And thank you for the time.

[The statement of Dr. Miller appears in the Submissions for the Record.]

Chairman Schweikert. Thank you. Mr. Chilson.

STATEMENT OF MR. NEIL CHILSON, HEAD OF AI POLICY, ABUNDANCE INSTITUTE, WASHINGTON, DC.

Mr. Chilson. Chairman Schweikert, distinguished members of the Joint Economic Committee, thanks for the opportunity to be here to discuss how artificial intelligence can transform government efficiency.

America leads the world in advanced AI technologies. Private companies are rapidly deploying these tools to boost productivity and eliminate waste. But our government is only beginning to tap their potential.

Of the 2,100 AI use cases identified in January of this year across 41 U.S. Federal agencies, I could only identify 17 operational systems that directly target fraud, waste and abuse. And most of these are on a small scale. This represents both a challenge and an extraordinary opportunity. The Trump administration has recognized this. Just last week the Office of Management and Budget issued two detailed memos that highlight these benefits and set forth the path both for Federal Government use and the procurement of AI technologies.

Consider the staggering cost of fraud. We have already heard some of these numbers. You know, the Federal agencies reported $162 billion in improper payments last year alone across 68 programs, with Medicare and Medicaid accounting for $85 billion of that. And GAO has estimated in the past that an annual fraud loss of potentially as high as $521 billion. That is potentially half a trillion dollars of taxpayer money each year that never reach its intended purpose.

AI technologies offers some powerful solutions. We hear a lot about large language models and chat bots. But I will talk about a few specific tools that I think have great application here and then two specific areas in which two broad areas of government in which they have some applicability. Again, the point here is that these are well deployed in the private sector and could be used in the government.

So anomaly detection is the technology that allows you to quickly spot unusual activities by learning what constitute normal behavior and then identifying abnormal behavior. Financial institutions like HSBC have found that this approach identifies two to four times more financial crime with 60 percent fewer false positives. Natural language processing, of course LLMs are one type of application, can digest mountains of text documents, emails and support tickets far faster than humans. This technology can streamline compliance, enhance customer service and an reveal fraud that is hidden in mass amounts of text. Robotic process automation use software bots to handle routine tasks. It often is used to connect legacy systems of which obviously government institutions have many. And businesses implement this in average efficiency gain of up to 30 percent while reducing processing errors by 20 to 40 percent.

And then finally the last category of technology, although there is many others, graph analytics map relationships that entities have across a bunch of different systems. And so insurers right now use graph analytics to identify fraud rings and coordinated abuse that you could not find if you were only looking a single system at a time.

So these technologies offer tremendous potential across government, but let me give you two critical areas where I think they can offer some real specific benefits. So in benefits administration, obviously I mentioned Medicare Medicaid, but many other areas of benefit. AI can swiftly identify fraudulent claims, while speeding service to legitimate beneficiaries. They can verify documentation, automate eligibility verification and help agencies forecast their needs to optimize resource allocation.

And then in procurement and contracting these tools can flag high-risk vendors and contracts before the money goes out the door. They can detect vendor collusion. And they can automate repetitive procurement tasks, streamlining these functions both for the contractors and the government agencies that rely on them.

Now the path forward here is going to require updating some legacy systems, safeguarding data privacy and addressing some important policy considerations. But the potential benefits are profound. And that is why when I look at AI's capabilities in this space, I don't just see a futuristic vision. I see there is practical

proven technologies that are already transforming private industry that can immediately strengthen government operations.

Implementing these solutions means ensuring public funds reach their intended purposes. It means faster, more transparent services for citizens. And it means substantial savings that could be redirected to higher priority needs or returns to taxpayers.

The question before us is not whether AI can improve government efficiency. The evidence from the private sector is overwhelming that it can. The question is whether we have the vision and the commitment to embrace these innovations for the benefit of all Americans.

Thank you. And I look forward to your questions.

[The statement of Mr. Chilson appears in the Submissions for the Record.]

STATEMENT OF MR. ANDREW CANNARSA, EXECUTIVE DIRECTOR, COUNSEL OF THE INSPECTOR GENERAL ON INTEGRITY AND EFFICIENCY, WASHINGTON, DC.

Mr. Cannarsa. Good afternoon, Chairman Schweikert, Ranking Member Hassan, and members of the committee. Thank you for inviting me to discuss how technology can improve government efficiency and reduce waste, fraud, and abuse.

I serve as the executive director for the Council of the Inspectors General on Integrity and Efficiency, or CIGIE, a membership organization for more than 70 Federal IGs. The IG community has a nearly 50-year history of conducting effective oversight and detecting and preventing waste, fraud, and abuse. The Inspector General Act of 1978 established IGs and empowered them to provide independent, objective, and impartial oversight of agency programs and operations. IGs have a dual reporting responsibility, reporting to both their agency head and to Congress. We have a longstanding relationship with Congress and a shared goal of ensuring that taxpayers dollars are spent wisely and effectively and that government benefits are administered correctly. IG findings are based on facts and applicable law and guided by OIG standards. Trained auditors, investigators, inspectors, evaluators, IT specialists, and attorneys work every day to promote efficient and effective government operations.

In fiscal year 2024, the IG community collectively totaled over $71 billion in audit and investigative accomplishments, generating a return of about $18 for every $1 invested in OIGs.

For the government to see the full value of this oversight, agencies must take action to resolve OIG recommendations. There are currently over 14,000 unimplemented OIG recommendations, many of them related to improper payments. If implemented, such actions would improve payment integrity across dozens of Federal programs. For example, the Department of Labor OIG identified over $45 billion in potentially fraudulent pandemic unemployment benefits, and the OIG has engaged the department in resolving these high-risk payments. However, there are still outstanding recommendations in this area.

While all fraud is in improper payment, not all improper payments are fraudulent. Other common causes include administrative mistakes, recipient self-reporting issues, and policy limitations. For

instance, the Social Security Administration OIG estimated over $7 billion in supplemental security income errors because SSA did not follow policies or use all available tools to prevent, detect, and recover overpayments. SSA OIG has made several recommendations to reduce and collect the overpayments, but the recommendations have not yet been resolved.

The use of technology is critical to the IG community's oversight work, and IGs have significant experience leveraging data analytics and artificial intelligence. While these tools do not replace investigative or audit work, they enhance IGs' ability to identify anomalies for further review.

Last year the Treasury Inspector General for Tax Administration leveraged data analytics to help the IRS prevent $3.5 billion in potentially improper Employee Retention Credits and Sick and Family Leave credits. TIGTA notified the IRS of the scheme, who then put controls in place to guard against similar fraudulent claims.

The Postal Service OIG uses data driven insights to analyze millions of customer complaints to recognize trends and identify potential mail delivery or theft issues. And the Office of Personnel Management OIG is using machine learning to inform which health plans the OIG should audit in the Federal Employee Health Benefits Program.

To continue our effective oversight efforts and improve payment integrity, sustained access to agency data and analytics resources are critical. The IG community's top legislative priority is the establishment of a permanent, scalable data analytics platform to aid OIGs in detecting and preventing fraud and improper payments.

In 2021, Congress provided CIGIEs Pandemic Response Accountability Committee or the PRAC with the authority and funding to create a data analytics center. The result was the Pandemic Analytics Center for Excellence or the PACE. The PACE has proven to be successful in identifying improper payments and fraud in pandemic programs. In one recent case, the PACE helped an OIG to develop risk models to review some 2,400 pension plans which led to the recovery of over $165 million. This recovery for taxpayers far exceeds the $120 million that Congress appropriated for the PRAC to operate for the last 5 years. However, with the PRAC scheduled to sunset on September 30th, 2025, the IG community urges Congress to sustain the PRAC and the PACE's data analytics capabilities.

Last month the House Committee on Oversight and Government Reform advanced legislation to sustain the PRAC and its capabilities, which we support. We look forward to working with Congress on this important reform to ensure the IG community is equipped with advanced technology and data analytics tools.

In conclusion, the Federal IG community remains committed to conducting Federal program oversight, making recommendations that can improve government efficiency, and leveraging analytics and AI supported tools in its efforts.

Thank you again for inviting me to testify. And I am happy to answer any questions.

[The statement of Mr. Cannarsa appears in the Submissions for the Record.]

Chairman Schweikert. Thank you for all of you. Because I have hours of questions, I am going to go at the very end.

Senator Schmitt, you get to start your questions.

Vice Chairman Schmitt. Thank you all for being here. Thank you, Mr. Chairman, for holding this hearing.

I think the recent—some of the recent findings from DOGE I think put this even more up front in the public consciousness and there is a lot of great work that has happened before. And I am not going to go through. I was going to talk about, you know, the money that's sent overseas for Guatemalan sex changes and DEI in Burma, but I have done floor speeches about that. I really want to use the time that I have with asking you some questions that I think—I can't imagine there is a ton of disagreement as far as trying to understand how we are at where we are at.

So Dr. Miller you brought this up, in the healthcare space, I think one of the great frustrations for policymakers is that the enormity of some of the problems that exist are so huge that sometimes I think that inhibits peoples' ability to tackle them effectively. What do you think? So you have had some great recommendations about some things that could happen and whether it is coding or finding fraud on the front end or the back end in a much more meaningful way. It feels like, as you said, you have been having this discussion longer than being alive. I can relate to that. What is missing? Like, we know what the problem is, recommendations are made and I want to ask you this question too, what is the disconnect? Like, how are the controls not actually put in place? How does this keep happening? Why isn't—and DOGE—I am going to stop talking and let you answer the question.

Dr. Miller. So two reasons. One is whether it is fraud or an improper payment that is someone's revenue and that person who has revenue doesn't like when you take their revenue away. So that is a political issue. After that, there is the operational issue, which is often where we measure the problem, we issue a nice report, write a nice paper and then we don't get the agency wheels going to address it. So we need to have oversight, public attention and energy directed at getting the agencies to execute an and operational plan. If they don't have an operational plan, have an operational plan. For example, we know that there is often fraud in procedures. And if her procedure takes 2 hours and bill 20 of them in a day, that is clearly not possible.

We should have prepayment claims editing in Medicare and Medicaid to prevent that from happening. We don't. So I would say aggressive and assertive oversight over agencies for what are the operational sets that they are going to do. And then continued oversight to make sure that they execute on those steps.

Vice Chairman Schmitt. Because it is subject to the hearing, are AI tools being used currently? Outside of DOGE, right, because they are looking under the hood, are those sort of tools being used effectively currently in these agencies?

Dr. Miller. I would say no.

Vice Chairman Schmitt. All right. That is I think the right answer.

I want to ask you, so you have also talked instances where recommendations were made. In the PACE sort of oversight, you

talked about how that was effective. Maybe that is the model, I don't know exactly. But what is the disconnect? Is it that Congress isn't calling these people in enough, is it that if it's not, you know, there is not a point person within the agencies that are actually responsible for this? How would you diagnose the problem to be able to fix?

Mr. Cannarsa. I think Dr. Miller said it well that there is a plethora of information out there, there are recommendations that agencies can implement. And where Congress can help is increasing transparency and visibility of those recommendations and talking directly to the agency. What is prohibiting you from implementing it? Is it a resource issue? Is it a time issue? Is it a need to continue customer service and it is just trying to implement these recommendations that is holding us back? I think the information is there. It is understanding what is holding the agency back.

Vice Chairman Schmitt. Are there any other—I mean, obviously there is the power of the purse and there is the appropriations process—are there any other as you guys have found, any of you, are there any other hammers that are out there that would actually hold some of these folks, their feet to the fire to actually implement these things?

Mr. Chilson. I might flag something quickly from the OMB guidance that just came out last week. One of the things that they recommend on AI implementation within agencies is that the responsibility for addressing and owning the risk be on the person who is responsible for the mission of the process that AI is being deployed for. And so that type of personal accountability where there has to be somebody actually signing off and owning the decision I think is the sort of thing that keeps new technologies that are coming in under the right amount of scrutiny and analysis. And so I don't know how you retrofit that, but for new technologies, I think that is a good approach.

Vice Chairman Schmitt. Thank you. Thank you, Mr. Chairman.

Chairman Schweikert. Thank you. Senator.

Ranking Member Hassan. Well, thank you Mr. Chairman. And again, thank you all for your testimony. I caught most of Mr. Cannarsa's and I am sorry I missed yours. But I want to start with a few questions.

Mr. Cannarsa, inspectors general play a key role in identifying and routing out fraud across the Federal Government. As part of their efforts, they often encounter barriers when they try to work together across agencies and share data that could prevent fraud. For instance, an inspector general in one agency might not have the staff or time needed to access data on fraud that is stored at multiple other agencies. I know that your organization wants to establish some centralized data analytics capacity that the investigators could use to further detect and prevent fraud across the government. So this is a two-part question. One, what are some of the most promising examples of how inspectors general are already sharing data to prevent fraud, such as by working together to stop criminals who have multiple shell companies that have been de-

frauding our small business loan programs? Why don't we start with that?

Mr. Cannarsa. Sure. Thank you for the question. And Senator Hassan, I wanted to thank you for working with Senator Joni Ernst on the IG Senate Caucus. We appreciate your efforts and look forward to working with you both on that.

To the question, several examples going back to the start of the pandemic and I want to give credit to the Small Business Administration OIG and Department of Labor OIG who had oversight over the PPP and the EIDL programs and the pandemic unemployment insurance program, which obviously there was a need for those funds to go out at the time. But it left it ripe for fraud. And where the PRAC came in and helped was to identify those—a lot of the suspicious claims that were clustered and which led to in those cases groups that were putting in multiple claims, you know, because they saw some go through so they kept going for them.

Ranking Member Hassan. Right.

Mr. Cannarsa. In both instances. Both SBA, OIG and DOL, OIG have successful fraud investigations to the tune of millions of dollars that were found and prosecutions continued from.

Ranking Member Hassan. Great. And what can Congress do to make sure that that sort of cooperation gets easier while also protecting people's privacy?

Mr. Cannarsa. I think, as I mentioned, expanding and enhancing the potential of the PRAC. If we can do what they have shown in just the pandemic realm programs, if we can do that across Federal programs, make it easier for—as you mentioned, for agencies and their OIGs to match in a central location again with all privacy protections and considerations in place, that just makes it easier to go to one stop instead of each agency trying to make these agreements one off.

Ranking Member Hassan. And in my experience as a governor, one of the hardest things is finding actual staff and resources to focus on this, so that if we can share in the effort, it makes a big difference.

Dr. Thomas, your position as the chief scientist of the Government Accountability Office gives you a good vantage point to see how the Federal Government deploys technology, especially when it comes to strengthening government effectiveness and saving taxpayer dollars. What are areas of the government that have the highest potential for reducing waste, fraud, and abuse through the deployment of cutting edge technology, including AI?

Dr. Thomas. Yeah, so if you look at our government wide fraud report that we just put out, we talk about the different programs—there is a range that goes with it, so I think earlier it was mentioned half a trillion dollars. That is the high range, those are for high risk programs. You know, think about, like, COVID-style programs. The lower range is really analyzing the lower risk programs.

We did a modeling exercise using Monte Carlo to understand what that range looks like. Essentially what it comes down to additional transparency, obviously within the payment systems and making sure that the agencies are using analytics and sharing the use of that analytics, as well as what has already been talked

about earlier that we support is setting up a center of excellence that supports the fraud world so that across the government all of these agencies can work together, can share data that matters and share tools that identify those flags of potential fraud.

The important part, though, that I want to make sure that we don't miss is that the analysts play a critical role.

Ranking Member Hassan. Yes.

Dr. Thomas. The analytics only identifies a flag, that something might be associated with fraud. It is the analysts themselves that actually goes and does the investigation.

Ranking Member Hassan. Right, that is very helpful.

I have lots more questions too, but why don't I yield back and then we can keep going.

Representative Malliotakis. Thank you, Mr. Chairman. I want to thank you all for being here today. I wanted to point out that in my district we are experiencing a real problem with Treasury checks being stolen. And obviously, this is not something that is unique to my district, although it has been heavily impacted. As you have mentioned, the GAO estimates a total of $162 billion in improper payments in fiscal year 2024 and more than $2.8 trillion since 2003. So you have the issue of improper payments and then you have those of the fraudsters and the folks that are actually physically stealing these checks, washing them, reissuing them and cashing them. And in my district alone, we have had roughly 400 constituent cases of stolen Federal checks that total $5.4 million. This is a big issue, right? If we multiply that by all the members and the senators in this body, you are talking about a substantial amount of money. And I would love to hear from any of you on what you think could be a viable solution. Obviously moving people to direct deposit is one thing. We are looking at the President did issue an executive order. We recently passed legislation out of the House to require IRS to reissue payments if the consumer wants or the taxpayer wants via direct deposit, maybe tracking checks so we know what point these checks are being stolen. And then AI, as you are discussing today, can come in handy as well. So we would love to hear from any of you on any ideas or solutions you may have or what you have work potentially in the private sector as it relates to financial crimes that could be applied here.

Dr. Thomas. So I don't have an answer for the direct question of what did you do about washing checks, Congressman, but I appreciate the question, you know.

Within how do you—so we are talking about really fraud, because fraud is where you get into the point if someone's purposely trying to defraud the government, which is what this is about. Analytics certainly and AI could certainly help this by tracking the actual payment beyond just the check, making sure that the individual is actually receiving it, providing some sort of methodology to check back, those are the types of things that the private sector uses that can then be repurposed potentially for the government. It is not an area that we have looked into, though, at GAO.

Representative Malliotakis. Mr. Chilson.

Mr. Chilson. So obviously taking the middleman—I mean, obviously taking the middleman out which is the mailbox, I guess and doing direct deposit makes a tons of sense. It is not really an AI

approach. It is obviously an established technology, but there you are relying on the commercial sector which does have a lot of capabilities to identify, you know, when electronic payments are working and when they are not. Electronic payments are not fraud free, but the companies have spent a lot of money to identify how to make sure that money moves properly between accounts. And so I do think that the more you can move people to that type of approach better it will be.

Representative Malliotakis. Dr. Thomas, in your testimony you highlighted a need to extend the Social Security Administration's authority to share its full debt data master file with the Department of the Treasury, which is set to expire next year. And I would like to know your thoughts on how much this has recovered, how successful it has been. It is my understanding it is about $31 million in payments. Can you highlight any other multi-agency data sharing that needs to take place?

Dr. Thomas. I would love to, but I want to make sure I give you exact information so if you don't mind, I will get back to you on that.

Representative Malliotakis. Okay, no problem. And then one more question for you, what is the most significant barrier stopping the Federal Government from implementing these advanced AI technologies to eliminate waste, fraud, and abuse?

Dr. Thomas. I think there is two areas that I want to particularly highlight. And, you know, this is one of the biggest questions out there. And, you know, the first one I think we have already talked about quite a bit which is just the partitioning of data, trying to make sure the data is available to the antifraud community so that we can track people across the different parts of the government and track the information so that it can actually be used for large types of analytical models.

The second is actually just as important and probably needs to happen before the first, which is a foundational data that is validated, that shows these are actual indicators of fraud for improper payments. We can't get into a habit of marking something that is not fraud and making a guess at it. We do actually need to go through the entire process with the IGs to make sure that something has actually been validated and put that into kind of a gold standard data set. That is going to produce the best outcome for our analyticals.

Representative Malliotakis. Thank you.

Chairman Schweikert. Mr. Beyer.

Representative Beyer. Mr. Chairman, thank you very much. And Senator Hassan, thanks for holding this together. And thank you all you very much for being here. I really, really appreciate this.

And so many questions I want to ask. Let me just start with, you know, we have watched Elon Musk and his DOGE team recently go after waste, fraud, and abuse. And you have laid out the case very strongly for why that is necessary. There are many of hundreds of millions, of billions of dollars out there. Let me just point out, though, most of this seems to be improper payments or folks stealing checks. I am not quite sure the connection between the huge amount of waste, fraud and abuse you have identified and fir-

ing half the people at the Department of Education, laying off 20,000 people at HHS, getting rid of the U.S. Institute of Peace, firing all probationary employees, none of that seems to address the waste, fraud and abuse that you are trying to find very constructive honest ways to deal with. And I still remember fondly, I just figured that was 50 years ago that the little family business where we were doing all our records by hand with a pencil and a 10-key adder. On December 1st, 1975 I moved it to the internet. It was a keyboard the size of a electric thing online so it took 5 minutes between entries and you pushed the key. However, it made possible a degree of productivity increase that is just unprecedented including much, much waste, fraud and abuse. So I just let chairman Schweikert and I share the vision of what this could do to Federal Government and to Medicare and to Medicaid, to be able to bring that technology here.

In the meantime, I am very concerned about DOGE, which I want to succeed, but the use of underproved technologies without sufficient oversight, the use in high impact areas, like Federal employees employment status and the lack of basic security for non-government data sets. Instead profit sharing off of sharing data with commercial models. I have prepared a letter with many of my Democratic colleagues, which we are going to send to OMB. And Mr. Chair, I would love to submit that letter to the record.

Chairman Schweikert. So ordered.

[The letter from Representative Don Beyer to OMB Director Russell Vought appears in the Submissions for the Record.]

Representative Beyer. Ask then Mr. Chilson, in your testimony you talked briefly about things like audit standards, training and investment, which existing laws and specific new policies would promote to encourage the responsible adoption of AI?

Mr. Chilson. So I am most familiar with regulation in the commercial sector, having spent time at the Federal Trade Commission. But I am familiar with at the FTC some of the practices of every privacy officer that is within agencies. And I think the recent OMB memos, again, if you haven't seen those, I think they offer a lot of the safeguards that should be undertaken as an agency adopts technology into—you know, into use in pursuit of its mission.

These memorandum replace some Biden-era memorandum, and—but they cover a lot of the same area, many with a slightly different focus; one that more encourages the adoption of this technology as—in pursuit of the mission, but offers the same sorts of guardrails in some case that will help make sure that this protects privacy, that it pursues the mission of the agency and that it is effective.

And so some of those principles in there, I think, are a good start, although they are guidance, not regulation.

Representative Beyer. Thank you, Mr. Chilson.

And, Dr. Miller, one of my favorite agencies in Congress is AHRQ, the Agency for Healthcare Research and Quality, because their mission is all that had to do with healthcare more effectively and not spending money on costly wasteful treatments. Someone once told me that if you want to look at efficiency in Federal Government, AHRQ is the poster child. And it is one of the key agen-

cies that looks at over the $4.5 trillion spent annually on healthcare.

And it is even more important when we think about artificial intelligence applying it. But, again, guess what? Much of AHRQ was gutted by the reduction in force at HHS last week, and the people that we need to do HI for healthcare were actually fired. The RIF apparently eliminated much of the staffing, the office of the chief information officer, and then they attempted to relocate most of the executive staff to, like, the Indian Health Service.

I am sure they thought they could outsource the IT services, but you need people on the ground that understand tech policy and cybersecurity.

What would you do to make sure that we have the folks in the agencies that can make sure that we have the expertise to advance AI adoption?

Dr. Miller. Thank you. I think AHRQ is more of a research and a research contract organization as opposed to a regulations or operations organization. So I would say that CMS, which is functioning as the payer and the regulator of the private payers executing the public program needs the digital health, AI machine learning, expertise built into CMS into each of the centers.

Whether it is the Center for Medicaid, whether it is the Center for Medicaid and CHIP Services, I don't think that that is AHRQ's primary function, historically.

Representative Beyer. Okay. Well, great. My time is up, but thank you very much.

Chairman Schweikert. Thank you, Mr. Beyer. Mr. Estes.

Representative Estes. Thank you, Mr. Chairman, for holding this hearing and for your work on this committee.

Today I am afraid that rooting out waste, fraud, and abuse has become divisive here in Washington, but it is exactly what Americans want us to address. Before this year, rooting out waste, fraud, and abuse was actually a bipartisan endeavor and talked about, had broad support. Appears that now there is a number of lawmakers, bureaucrats, and media that actively support the status quo, which, in essence, is on the side of allowing the waste and fraud to continue.

We have had decades of Inspector General reports that have outlined the reckless misuse of government funds with little or no appetite to address that. And you mentioned that earlier today in terms of—that there was the status quo or the push on the status quo was to resist the loss of recipients of the payments that we are making through that.

The new administration is shattering some of the status quo and tackling the problem with their directive that they got from the American people last November. As the chair of the Social Security subcommittee here in the House, I want to just highlight that—for everybody in America that every dollar that is saved by eliminating waste, fraud, and abuse is a dollar that can go towards benefits to seniors that have earned them or for benefits in other programs as well.

Typically, things have been slow here in Washington to change with just the bureaucracy and the size of the government. If you contrast that with the private sector, U.S. businesses, if they don't

innovate and adapt, they die. In D.C., as Ronald Reagan once quoted, a government bureau is the nearest thing to eternal life we will ever see on Earth.

Some of the advancements that we are seeing with artificial intelligence are already disrupting industries throughout the country, whether it is in the medical field, manufacturing, or technology. The Federal Government needs to be looking at ways that we can actually be more responsible and use AI.

Dr. Thomas, based on data from 2018 to 2022, GAO estimates that aggregate fraud was between 233 billion to 521 billion each year. On the low end, that means that governments lost more than a trillion dollars in a five-year period and maybe as much as 2.6 trillion. It is unfathomable that people will be against finding and eliminating this blatant theft of taxpayer dollars.

So what, from a GAO's perspective, are you doing to implement machine learning and data analytics to help reduce that fraud and how other Federal agencies can work to get that number closer to zero?

Dr. Thomas. Yes. So within our data analytics programs, we are developing tools for our analysts to identify the flags that I mentioned earlier of what are potential indicators of fraudulent events, fraudulent programs, fraudulent payments, and, you know, making those tools potentially available to the rest of the agencies to use.

And we continue to work with the agencies to help them adopt the recommendations that we put forth in each of our reports. When we talk about fraud across the government as an estimate, that comes from information that we receive from each of the agencies. And as we work with that, we develop a whole bunch of recommendations, and we follow up with them. And, you know, adopting those recommendations, we believe, will bring down the risk of fraud.

Additionally, we want them to use our fraud risk framework that we have implemented and shared with them that allows them to look at programs and identify where potential fraud could exist if that program is implemented in that particular way and make adjustments to try to, just as you talked about, stop fraud from happening before it happens.

Representative Estes. Thank you. Mr. Chilson, I think when we talk about rooting out waste, fraud, and abuse, sometimes a false narrative gets promoted that the Federal Government is taking away benefits from Americans that have—rightfully deserve those.

And trying to alleviate some of this fearmongering, can you help dispel some of those fears and explain how AI can more effectively target those bad actors, target the improper payments to ensure that our government programs provide the resources to the right beneficiaries.

Mr. Chilson. Well, accuracy is really important. And what we have seen in the private sector is that these tools can help both eliminate fraud, but also serve the people who are rightfully getting benefits more quickly and accurately. So I do think that we have opportunities in this space.

The financial sector does this all the time. And what it has found is that, you know, you may remember you got lots of calls—maybe

five years ago you got lots of calls any time you, like, went on a trip with your credit card. Well, now they can identify when there is fraud with a lot fewer of those false positives.

And that is a convenience to the people who are getting benefits, as well as those who are—as well as addressing the people who are fraudulent actors.

Representative Estes. Thank you. I have run out of time, like so many others. We have so many questions we could ask each of you.

I yield back, Mr. Chairman.

Chairman Schweikert. Mr. Min.

Representative Min. Thank you, Chair Schweikert and Ranking Member Hassan. Really privileged to be on this committee and to be part of today's hearing on this very important topic.

Obviously, when we talk about waste, fraud, and abuse, we all want to reduce this, we all want to eliminate as much as possible. Ensuring that taxpayer dollars are spent effectively is part of our mission here in Congress. And so very excited to hear about the possibility of what we can do to try to rein in some of these waste—wasteful actions.

Every year the Federal Government disburses trillions of dollars, as we know, across thousands of different programs, healthcare, infrastructure, defense, disaster relief, and on and on and on. And, of course, with this level of spending comes the inevitable challenge of effectively managing waste, fraud, and abuse.

Historically, large organizations, including, I just want to note, private companies, big corporations, have all had to deal with this problem of waste, fraud, and abuse, and they have done so through manual audits and control systems. But the rapid development of technology over the past few years, including AI, as we are talking about today, give us a really transformative opportunity to try to run government better. We are talking about some very, very exciting potential here.

That being said, I think it is important to also recognize the technological advances like AI are only going to be as good as the parameters we set for them, and these are fundamentally normative parameters we are talking about. So when we think about efficiency, we need to talk about the goals and timelines that are our mission here.

Are we talking about just reducing costs, or are there other goals involved? What is the timeline we are looking at for efficiency or cost-cutting? Is it immediate; is it a year out; is it ten years out? All of these things matter.

And I just wanted to give you an example here. When we talk about Social Security, despite the number of really bad and false and debunked claims about Social Security fraud recently, we know that Social Security has been a remarkably effective program and an efficient program. A very, very low percentage of fraud, always under one percent under any analysis, a very low percentage of overhead spent on that; less than .5 percent of the total program is spent on personnel and overhead.

And until this year, the Social Security Administration was renowned for its remarkable ability to deliver trillions of dollars of checks consistently, securely, and on time. Are there ways to cut

back on Social Security? Certainly, yes, of course. And we have seen Elon Musk and DOGE do just that, attempting to fire 12 percent of the Social Security workforce.

This has, though, led to lots of reports of delayed and missing checks, difficulty for seniors, including ones that have called my office, trying to find personnel that will deal with their problems with Social Security.

So the question, of course, is what do we mean by efficiency when it comes to Social Security? Are we talking just about cutting costs? Are we talking about cutting costs now, or are we talking about other goals here? I would submit to you that I think what Social Security has done is get checks out to people; that is its mission.

And so, again, when we think about AI and how it can improve efficiency across different agencies, those goals, the time frame that we are talking about are important. I want to give you another example.

I represent a vibrant life sciences industry. And I have heard a lot of growing concerns about the major cuts that have been made to staffing at the Food and Drug Administration and that these will lead to longer approval times for new drugs and devices.

In fact, if you look at the FDA structure, these staff are actually paid for largely by user fees from the companies seeking approval. So actually the cost, other than the—if you are looking at the very immediate time frame is zero. But if your priority is to look for immediate spending cuts, the administration—the terminations of lots of FDA staff might make some sense.

But beyond just the immediate present, it doesn't make any sense. And if you are looking at any other goals, including FDA approval, rapid approval of drugs and devices, these cuts look very inefficient.

So I guess my first question to you all—maybe I will start with Dr. Thomas. When we talk about efficiency, what time frame should we be looking at, very short-term or long-term?

Dr. Thomas. We look at both. So we are looking at short-term efficiencies in the area are rare. We have identified potential areas of concern and made recommendations of how to improve those areas of concern.

And then, of course, with the long-term one, that gets into the system that you are using, a systemic challenge. And there is—we identify opportunities there as well, sometimes as matters for Congress, sometimes as areas of attention for the executive branch. So we look at both of them.

Representative Min. I want to ask Mr. Cannarsa that same question.

Mr. Cannarsa. Yes. That was a good answer. OIGs are in the same business. You know, there are short-term benefits and then project out for a longer term for those big efficiencies that you are talking about.

Representative Min. And I want to follow up with one last question with you, Mr. Cannarsa. Do you think that Inspector General's oversight, transparency, disclosure, that these are important things that we need to have real efficiency in government whether we are using AI or not?

Mr. Cannarsa. Absolutely. That is what the IG Act was built on, was the value of independent, transparent, nonpartisan oversight, just so that the facts can be presented as to how to improve these agencies and their programs.

Representative Min. So just to be clear, firing 19 Inspectors General would not improve efficiency?

Mr. Cannarsa. I mean, that—I should say that the OIGs themselves didn't go away. Their leadership was removed. So we are proud that the staff that is there and the leadership that has stepped up has kept that oversight going.

Representative Min. Thank you.

Chairman Schweikert. Thank you. Ms. Spartz.

Representative Spartz. Thank you, Mr. Chairman.

I think, Dr. Thomas, you are involved with—Government Accountability Office is in charge of audits, right?

Dr. Thomas. I am sorry. Say that again.

Representative Spartz. You are involved with audits of government, right?

Dr. Thomas. Yes, we are.

Representative Spartz. Okay. So I am a former auditor, so I spent over a decade auditing publicly traded and private companies.

Do you think it is common sense to have authorization of transactions? Like, all transactions that government should be properly approved and authorized?

Dr. Thomas. Yes, that makes sense.

Representative Spartz. That is right, right? That is what DOGE is trying to do. They came and say, okay, we need to make sure that transactions are properly authorized. This is the kind what we want.

Do you think it is proper to have justification transaction; what is the reason this transaction was disbursed; is it based on some invoice, appropriations; and have all of these—this is just commonsense accounting?

Dr. Thomas. Yes, we support the appropriate documentations.

Representative Spartz. Okay. So that is right. You have documentation. That is what DOGE is trying to do.

Do you think it is proper to have automated controls and matching of databases to make sure that the things, when we disburse transactions, have some way of controls and including maybe some automated controls, do you think that is something that government should do more?

Dr. Thomas. That is a much more challenging question. The automation is entirely dependent upon the algorithms designed.

Representative Spartz. But do you think we should have controls, whether it is manual matching, automated, but matching controls to match data to have some controls in transaction? Do we have to have controls? You support having controls?

Dr. Thomas. I thought your question was about automation. I apologize.

Representative Spartz. Automated controls could be manual. I mean——

Dr. Thomas. Manual controls.

Representative Spartz. Right? Do you think—you are in charge of automation. Do you think it is sufficient technology to have more automated controls?

Dr. Thomas. I don't know if we have an answer to that right now.

Representative Spartz. You don't know? So we started a lot of controls, I don't know, 20 years ago when I was in audits. Private companies were able to do this. We actually did artificial intelligence and continuous auditing done in private companies. Do you think government cannot do it?

You are in charge of technology and innovation. How far we need to go? How many decades behind you think government should be from the real world?

Dr. Thomas. Within the science domain, which is my area of responsibility, there is—the science right now does not support artificial intelligence that is deterministic, and that is the challenge that exists for using artificial intelligence for deterministic choices like you are talking about.

Representative Spartz. No. But just for simple transactions, you know, we are using just to identify fraud; because that is actually used more efficient.

Don't you agree that actual continuous auditing and using more automation would detect and prevent fraud more sufficiently than manually?

Dr. Thomas. We do, like—a continuous auditing is a practice that we also enjoy.

Representative Spartz. And I think that is what DOGE is trying to do. So they try to improve control environment to avoid to have—you know, so I am not sure why there is an argument even about that if we try to improve. It seems like everyone wants to have efficiency and better auditing that the things go to proper causes.

And we need to simplify—don't you agree, we need to simplify our billing?

Dr. Thomas. So your first statement was about the actual technology——

Representative Spartz. Right.

Dr. Thomas [continuing]. And that is what I am here to talk about.

Representative Spartz. Okay.

Dr. Thomas. We do not agree across everybody that the existing AI technology can make error-free determination in an entirely automated fashion.

Representative Spartz. Well, there is—no one can do error-free. But that could be a tools and mechanism to help us, you know, to be able to—to detect fraud and have more controls.

Dr. Thomas. Yes.

Representative Spartz. You know, there is no proof, but it is less likely to have some instead of system. So I think that is extremely important because we are spending a lot of money in healthcare, but we need to make sure that it is actually bring value.

But it was a different conversation, it is a little bit broader, you know, not just fraud that we need to make sure it is not hap-

pening, but abuse of the law is because Congress write very broad laws.

And, unfortunately, this issue became very partisan, where it used to be overbilling by large hospitals of Medicare was a bipartisan issue or abusers in Medicare advantage was a bipartisan issue, or in Medicaid. You know, Vice President Biden at the time was calling Ponzi scheme some of the, you know, gimmicks, you know, that—that hospitals play with provider tax.

It became very partisan, and now we cannot have a discussion about the fraud and abuse because everyone wants here to make sure that people have better benefits and better healthcare. And because we are spending so much money on healthcare, but we are not getting out——

Dr. Miller, you are the doctor here. What do you think would be a key issue that we should address to improve healthcare value?

Dr. Miller. I would say automation to eliminate improper payments so that way you are either saving money or you are redirecting that money towards other items and services for beneficiaries.

Representative Spartz. Okay. Well, it seems like we should be much more of a partisan support and agreement on this issue and not a partisan issue because we want Americans to be healthy because a healthy Nation, you know, that is the only Nation can be strong. But thank you.

And I yield back.

Chairman Schweikert. Thank you, Ms. Spartz.

We have 11 minutes; the votes have been called. Are you comfortable—we may have to all run to vote, and I just——

Representative Casten. Thank you, Mr. Chair. Thank you all for being here. I am delighted to be at my first JEC meeting.

So, Dr. Thomas, I want to nerd out with you a little bit. Before coming to Congress six and a half years ago, I was in the energy business, and I built an AI tool for our company because the single biggest source of profit variance we always had was revenue variance.

And the reason why a revenue variance was so high was because our customers, even though they assured us that they knew that their energy loads would be next year, they actually were really bad at predicting them. And so I built a model to go in and pull in economic data and weather data and all sorts of other stuff.

And good news—I am very proud of this—is we cut our revenue variance by 90 percent. The bad news is I got all of this precision and no fundamental knowledge of what was going on. I had very good curve-fitting data, but lost knowledge.

I remember saying this to my head of engineering at the time, and he said in his wise way, that is the story of every advancing technology; we get more precision at the expense of knowledge. My GPS tells me where I am, but I don't remember how I got here.

I ask that in the context of how you are thinking about how to design—you know, what do you optimize to? I mean, it is one thing to say we all want efficiency; of course, that is, you know, mom and apple pie. But in a business context, I knew what I was optimizing to.

In a political context—and you can take any of these that you want, but it strikes me that there is four things that I don't know how to do the math. How do you deal with political trade-offs?

You know, if we are going to design a tariff policy, let's say, that is going to balance the interests of exporters and importers, that is a political question; that is not a math question. How do you deal with the fact that the Federal Government has unlimited downside exposure?

You know, in my company I was protected—my floor was protected by the bankruptcy code, our insurance protocols. The government has to be there in the worst possible case scenario, which means we need to keep resources around that are not used most of the time. How do you think about that?

How do you deal with economic impacts outside of the government's balance sheet? We could save a ton of money if we defunded the police, right? I don't think anybody would suggest that that would be societally beneficial, whether it is a cop on the beat or, you know, someone at the SEC, but we know that we can save money for the government if we do that.

And then, of course, how do you deal with noneconomic issues? You know, Fermilab is right outside my district. I don't know what the return is on basic investment, but I am sure glad we do it. On the other side of my brain, Muddy Waters used to live in my district. If FDR hadn't funded the WPA, hadn't sent Alan Lomax down south, hadn't—we wouldn't have found Muddy Waters, and we probably wouldn't have The Rolling Stones. We could have saved money.

So, like, when you design these algorithms, how do you—do you have classes of problems that you simply don't ask, or how do you think about those when you are trying to optimize for efficiency?

Dr. Thomas. Yeah. That is a very tricky question. So we are keenly aware—and you will notice in my written testimony—we talk about if you go too far in one direction, you certainly overimpact small business and individuals because once you start slowing down the payment systems, people who are dependent upon timeliness of those payment systems, you are not doing improper payments or fraudulent. They are just regular folks doing—running a business or living their lives. It causes significant, you know, friction.

And so we are trying to optimize when we do analytics to try to identify the flags we talked about. And that is why I am such an advocate of high-quality data. You have been through this experience. High-quality data matters because if you don't have high-quality data, it introduces additional error on top of the algorithmic error that just exists within the process that you are using to do your modeling.

And so trying to balance those things—and then we actually do sit down and think through the ethical approach of it. You know, what is the impact of a—you know, a false negative? What is the impact of a false positive? Of course, at GAO we are interested in reducing fraud to zero, in theory.

Representative Casten. So—and I know we are going to be tight on time here, but all of that makes perfect sense to me. It raises the next question.

What DOGE is doing, are they only using algorithms that have gone through your, sort of, ethical tests to run traps, or are they running algorithms outside of your process?

Dr. Thomas. So we have only recently been asked to look at what DOGE is doing, and so that is——

Representative Casten. So you don't know?

Dr. Thomas. We just started. And so we are not ready to comment on that, but we are——

Representative Casten. So to the extent DOGE is using AI tools, no one on this panel knows——

Dr. Thomas. We don't.

Representative Casten. What they are doing? That is a flag.

To anyone on the panel, is it your view that if we identify a putative relationship, some opportunity for efficiency—because when I built these—when I built these algorithms in my company, I didn't get to just change our budget. I had to go to our board for approval.

Is it your view that the executive branch can implement these changes right away without coming to Congress for approval? Does anyone maintain that position on this committee?

Mr. Chilson. I think there are plenty of tools that——

Representative Casten. I am just asking whether—whether the Impoundments Act and the Rescission Control Act trump here.

Because I think, to Dr. Thomas' point, we can learn a lot from AI. We still need to run ethics tests on the back end. And it is an important question whether we think the executive branch can act without congressional approval to implement what they learn without even telling us what they are doing. Because it sounds like we don't even know what the hell DOGE is doing.

Chairman Schweikert. You can answer. We are down to five.

Representative Casten. Okay.

Chairman Schweikert. Probably time to head on. If you have time to hang out with us, we are going to pause the hearing. I do have one request—because we have some of the joint economic staff. Be careful. Some of them are freaky smart with Ph.D.s.

Mr. Chilson, Mr. Thomas, you talked about—I am going to stand up and head towards the door—the AI mapping software. You called it graphing?

Mr. Chilson. Yeah.

Chairman Schweikert. The ability—if I came to you and said—because in the old days, we were doing the bolt-on, you know, a legacy system bolt-on bolt-on. Now some of the AI packages, my understanding, can take the feed, almost write it to modern code, analyze it and break it down.

Do you have technology you can hand to him so he can stop writing me papers and reports, and we can start moving to implementation?

And then, Dr. Miller, if you talk to one of the two staffs—because you know we have multiple bills about moving AI in clean claims and those automations. We are trying to convince our brothers and sisters, particularly those with relationships at the CMS, that if we got rid of the chase-and-deny sort of system and did AI match to here is the benefits, here is the doctor's notes, AI scrubs, pay it. Help us model what the savings and efficiencies are.

And I will see you in a few minutes.

[Recess].

Chairman Schweikert. You have my questions. My first one was functioning—okay. Let's say we have a love connection. You have dealt with—I really almost ran.

Outside of some of the externalities, is it nice and cuddly? She always likes to turn the microphone on when I am already loud enough as it is.

How do I take your technology—your understanding of the technology, march it over to GAO or actual agencies, have them stop sending me papers about ideas for implementation and actually implement? Because it is not 20 years ago where it took me a two-year project, and I had to hire IBM to do a bolt-on on my old bolt-on—on my AS/400. Seriously, I started on a AS/400 at one time. Why do you laugh at that?

But I am really serious about this. The ability to take datasets today and just get going on it; I thought you already had certain . . . I don't know if they technically call it the AI programs, but translational programs that will take my old stuff—and now it is Java, now it is whatever. How do you help with that?

Mr. Chilson. I don't know that GAO particularly needs my help on this. I think Dr. Miller—sorry Dr. Thompson has it well under—Thomas has it well under hand.

But the agencies face a lot of challenges for a bunch of different reasons. I mean, they are all their own special creature. And—and so, you know, whether it is funding—a lot of it is expertise, but a lot of it is just the status quo of how things have happened in the past. So they don't set up a big plan, right?

And so I think demanding a sort of action plan is probably the first step.

Chairman Schweikert. Is there a way to standardize that action plan, where—okay. It has been pointed out the cost of high-end talent or compensation schedules is one of the reasons we can't keep them. We have already learned, whether it be The Wall Street Journal series in regards to MA or some of the other things, sometimes the one that bathes only on occasion, but is a dropout out of MIT because he was already bored, has the ability to do things in hours that would take some of us years. We have all had one of those in our lives.

I am just trying to figure out how to move away from us having another hearing, another conversation—to actual implementation. You know, a decade ago, I was positive blockchains were going to be my way to build universal databases, access hierarchies of permission, have an expertise in watching node coding and design. And I am here a decade later, and it didn't go anywhere. So help me.

Mr. Chilson. Yeah. I mean, I think it is less of a—I mean, there is, obviously, the technical problem of how do you provide these tools, but I think there is very much a social and political challenge here.

And that is—that is an area that I am not a deep expert on, although I have seen, you know, changes at the Federal Trade Commission primarily.

Chairman Schweikert. Okay. Dr. Thomas.

Dr. Thomas. In this instance, if you don't mind, I will probably—I will talk from my professional experience as opposed to GAO because we—I don't think we have a body of work quite on this topic yet.

You know, there is two areas I think you are getting at. One is the—just the workforce, right? And there are very bright people who are interested in working for the government because it makes a difference right? They are mission-oriented. You know, they don't—maybe are not—they are at some point in their career, or they are not after the big money or they have already done that, so that happens. Because I am one of them. You know, I am one of those people who have done that.

But the second part is that getting the new technology into individual agencies one by one is a challenge.

Chairman Schweikert. Okay. So can I give you—you are more than welcome to say I am way over my skis. Okay.

So I have dozens and dozens of different government entities. They all each have their own databases, their own mechanisms. If I had them, basically, hosted, you know, with their own sets, their own permissions, but in a common area——

Dr. Thomas. Yeah.

Chairman Schweikert [continuing]. Could I actually have a machine learning package that first does this one, then rolls to this one, then rolls to this one. And you actually do—where it actually gives your option on your datasets and externalities—you know, where it is seeing abnormalities and those things.

Dr. Thomas. Yeah.

Chairman Schweikert. And in that case it is a central AI shop. But because we are actually heading towards a world where we are going to do some more data sharing to find out so—like, we have learned with some of the Social Security databases, the death file, because it didn't have access to so many things over here, people would steal grandma's identity, but grandma hasn't been with us for a while. And they were taking out loans! And that's elementary school-level coding of just sharing data.

Is the concept of—you've talked about professional skill sets and staff. Could it be in a single island instead of going down around to the individual agencies? Is that a——

Dr. Thomas. It can be done. Remember, the rules for privacy of the data is defined by Congress. So that is something you can change.

Chairman Schweikert. But, look, the Defense Department keeps much of its data in an encrypted cloud.

Dr. Thomas. So, yeah, international security data is a little bit different.

Chairman Schweikert. The iPhone has an encryption chip in it. The fact of the matter is, this is more secure than any HIPAA database out there.

Dr. Thomas. Yeah. But as a scientist, just what you are describing is a great environment where the data is there, the analytics are there. The technology exists to create role-based permissions so that you can control who accesses what within a centralized system. The technology is there.

I think there is an—there are barriers within the government that a lot of it comes down to the rules that have been put into place.

Chairman Schweikert. Okay. Am I insane? Excuse me. Am I being too techno-utopian?

Mr. Cannarsa. You know, I think the—the aspiration is worth pursuing. I think that some good points have been raised, that it is about empowering the agencies, you know, with maybe—is it dedicated resources to push forward.

Chairman Schweikert. But in your vision, it is the talent at the agency. And one of the conversations I have had with certain folks is saying have the—create the talent, but the agency—but they capture the agency's—the data—data more from a central hub.

Mr. Cannarsa. I think my point is it is priorities, and we were talking about it briefly here. That a lot of these agencies, they are in the business of their customer delivery and they are trying to keep the business going. And whether it is implementing the recommendations I talked about from the OIGs or it is pursuing these advanced tools, it is prioritizing for them what is important, what is going to deliver the greatest return.

Chairman Schweikert. I am going to come back to you on that. Okay. Forgive me, but Dr. Miller is one of my favorite people, which, trust me, in this place doesn't get you much.

If I came to you right now and said, give me the three things technology can do to change the cost and access to healthcare for the better for society. Give me the three pieces of legislation someone like me should be trying to drive through this process. What would you do?

Dr. Miller. I would focus on the planned admin processes, which are the three things that I mentioned. So the automation of Medicaid eligibility because it is categorical and financial. There is not really discretion involved in—a lot of discretion involved in—Medicaid eligibility. So move it towards automation. Require CMS to do that and have a clear timeline.

Chairman Schweikert. Okay, so you would have the Medicaid eligibility grab the state data and CMS to do the match?

Dr. Miller. Yeah, or the state's.

Chairman Schweikert. Would you do a match to private data?

Dr. Miller. To what data?

Chairman Schweikert. In Ways and Means we have talked about certain things where we have certain earned income tax credit benefits, those things. Instead of putting them on delays for a couple months to see if you get multiple requests under the same Social Security number, if you did a match to certain commercial databases, saying, oh, yeah, consumption matches reported income, send them their check.

Would you do a data quality bounce of a commercial database just to see if the eligibility qualifications—to speed it up?

Dr. Miller. I don't think it is unreasonable. I can't say if that would be the right operational answer.

Chairman Schweikert. Okay.

Dr. Miller. But the idea of making the standard for Medicaid eligibility, instead of it being a paper or a manual or a fact-based

process, to have it be an automated technological process, just like you log on and get into your bank account. It should be simple.

The second thing I would do is I would tell CMS—you could do it through oversight, you could also do it through legislation—to move diagnosis coding across the Medicare program, not just MA, but also in fee-for-service to an automated software.

Chairman Schweikert. Okay. And we actually have—because that is the one I was hoping you would give me as number three because that one we have great interest in.

Dr. Miller. Because that—because the issues about diagnosis coding right there, there is clinically appropriate diagnosis, coding intensity, there is sort of the gray area, and then there is the—the DOJ hauls you off to jail.

And then there are—then there are, of course, changes that happen when beneficiaries—the same beneficiary in fee-for-service and MA can look differently, but that is because the programs have different incentives for codings. So if you fix coding across the entire system as opposed to in one of the programs and you fix it at the point of delivery, that is a huge improvement.

Chairman Schweikert. See, now, I need to talk to you because I need to make sure. We have been actually having discussion on MA, what would happen if I could get some of that coding profile so I know my risk adjustment before a capitated bid.

Dr. Miller. Right.

Chairman Schweikert. You are not bidding—you are not scoring people once a bid is—once services are already out there. But you do it in your initial bid and, therefore, it changes the incentives thing. I am going to try to keep you healthier than spend my time trying to score you as sicker.

Dr. Miller. Yeah. And I would say that the answer is, is because the beneficiary would be coded the same or very similarly in fee-for-service versus MA.

Chairman Schweikert. Because——

Dr. Miller. It would eliminate those incentives.

Chairman Schweikert. Okay. And number three?

Dr. Miller. And number three would be making the prior authorization data submission process electronic. It is still like one-quarter or one—one-third, I think, faxed and a certain significant share.

Chairman Schweikert. Okay. So, again, universal prior—prior auth, would you do——

Dr. Miller. Well, I would say prior auth in Medicare and Medicaid managed care have the data submissions. So I am not even talking about the process of whether it is the same specialist reviewing that—of the person who is submitting. I am talking about the submission of data.

Chairman Schweikert. Okay. So that would be different than a true clean claims model.

Dr. Miller. Right. I am talking first, first order. Like, we haven't even gotten——

Chairman Schweikert. All right.

Dr. Miller [continuing]. Submission of data to be purely electronic and integrated into the point of care. So it should be—if you come and see me in clinic or I see someone in clinic or in the hos-

pital and I am typing my note or, you know, my note is being dictated, then at the end of the visit, I click a button and say, yes, you know, I want to send this to Cigna or whomever. We can't do that right now.

And so that is a problem even before—even before the other issues in prior auth.

Chairman Schweikert. Only because I have people screaming at me, I am supposed to be in another—will you have a quick conversation, Dr. Miller, with this young man behind me? He is freaky smart, and we have been working on your number two. I was trying to understand, could we get actually the risk adjustment coding in front instead of doing it over time so we actually from day one know what helps our brothers and sisters who are receiving particularly an MA benefit——

Dr. Miller. Happy to.

Chairman Schweikert [continuing]. To keep them healthier.

Gentlemen, I have a dozen questions I want to send you. Forgive me if you get a couple notes from me. I really do want to think about—and I wish I could say it is my idea, but I have one of those people in my life who is truly a genius and bathing is optional, and that is the one who has always thought, saying, look, you have this data and hundreds of different concerns through government; you need to, A, talk to each other; B, if it talks to each other, then you could actually do much of its mining and set design from a single location. So it is not genuinely my idea.

And I need to find out, was that just a caffeinated rambling, or is it a brilliant idea? So—Dr. Thomas, before we throw the gavel.

Dr. Thomas. Yeah. Just as a bug in your ear, a potential model to start with, something similar to PACE, which is a centralized program for analytics to fight against fraud. You know, and it is bringing the data together, it is bringing the analysts together. It is a starting point, something to consider.

Chairman Schweikert. Okay. You started this. Okay.

But fraud analytics are not only crowdsourced in many ways, but they are living. They are constant. It's not like a single match. My understanding is the best ones, actually, it's constant. Because there's constant—every day there is new inputs, there's new scams, there's new—new bots that—so it is not just a match, good, gone, done.

It is just, like, how many of you drive with Waze? It's a living dataset. And I think that is actually—it was always my blockchain model. It has to be living. And I think that becomes one of the design problems so often in government is I would hire some three people, but they are very smart, they build it; but, about six months later, everything that is in there is already out of date.

It is—Dr. Miller, I believe I may have actually gotten this from you; medical knowledge doubles every 72 days.

Dr. Thomas. But there—right. But you create an ecosystem, similar to what exists in the cyber world where new—new models and new signatures of those threats are made available to the community as opposed to—so when someone discovers it—say someone discovers it in agency A, it can then be communicated to the rest of the community through something like a centralized analytics center.

Chairman Schweikert. Okay.

Dr. Thomas. Because you are right, the fraudsters are innovative, too. That is what we—we need to build a system for.

Chairman Schweikert. Or the brain trust—excuse me—Congress comes up with another idea, throws out something, and we will give you absolutely unrealistic limitation times and—in that we create the fragilities.

I see a white board session coming. Gentlemen, I apologize to you. You deserve so much more of our attention, but what you do is important, and thank you for helping us.

And with that, we are adjourned.

[Whereupon, at 4:45 p.m., the committee was adjourned.]

RM Hassan Opening Statement for 4/9/25 JEC Hearing

I want to begin by thanking Chairman Schweikert for calling today's hearing on such an important topic, and thanking your staff for their role in making today happen.

As this is the first JEC hearing this congress, I also want to say how much I look forward to working with you, Chairman Schweikert, in your new role as chair of the committee and my new role as Ranking Member. I look forward to working together.

And I'm glad that we are starting out with a topic that we can find some real common ground on – cutting waste, fraud, and abuse through innovation.

I also want to thank the four witnesses for testifying before the committee and sharing your expertise on this topic.

We need to keep working together across the aisle to save taxpayer dollars by reducing waste, fraud, and abuse.

As we will discuss in today's hearing, there are many ways to do so by embracing new technologies and better data analytics.

These types of tools can help an investigator identify potential fraud, or a caseworker streamline an application process.

I know that all four of our witnesses today will outline ways that the government can better deploy technology, and I look forward to building off these ideas moving forward.

Before we begin, I do want to note my serious concerns with the reckless actions so far of Elon Musk and DOGE.

Whether the government is providing health care for veterans, Social Security checks for seniors, or loans for small businesses, we should continually strive to improve the taxpayer experience – but Musk's slash-and-burn tactics are doing the opposite.

In addition, the administration's decision to fire 17 Inspectors General who investigate fraud is completely counterproductive to the goal of improving government efficiency.

I firmly believe that we should be cutting waste, fraud, and abuse – and that we can do so without making life harder for children, families, and seniors all across our country.

I hope that conversations, including the one we will have this afternoon, can help us chart a better path forward.

Thank you again to Chairman Schweikert and to our witnesses for agreeing to testify today. I look forward to today's discussion.

United States Government Accountability Office



Testimony

Before the Joint Economic Committee, U.S. Congress

For Release on Delivery
Expected at 2:30 p.m. ET
Wednesday, April 9, 2025

FRAUD AND IMPROPER PAYMENTS

Data Quality and a Skilled Workforce Are Essential for Unlocking the Benefits of Artificial Intelligence

Statement of Dr. Sterling Thomas, Chief Scientist

GAO-25-108412

GAO

Highlights

Highlights of GAO-25-108412, a testimony before the Joint Economic Committee, U.S. Congress

April 2025

FRAUD AND IMPROPER PAYMENTS

Data Quality and a Skilled Workforce Are Essential for Unlocking the Benefits of Artificial Intelligence

Why GAO Did This Study

GAO has reported that fraud and improper payments are estimated to have cost taxpayers trillions of dollars. These issues also impact the integrity of federal programs and erode public trust. Improper payments are payments that should not have been made or that were made in the wrong amount. Fraud involves obtaining something of value through willful misrepresentation.

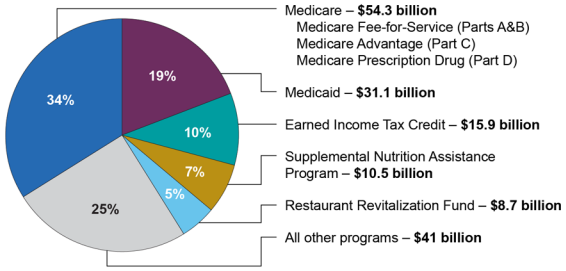
The advancement of AI presents both opportunities and challenges for combatting fraud and improper payments in the federal government. This testimony describes 1) actions Congress and agencies can take to combat fraud and improper payments without the use of AI, 2) opportunities and challenges for using AI to combat fraud and improper payments, and 3) workforce challenges in the use of AI in the federal government.

For more information, contact Sterling Thomas at ThomasS2@gao.gov.

What GAO Found

The federal government has many existing tools and resources to help agencies combat fraud and improper payments. GAO has recommended improvements in these areas. For example, Congress could make permanent the Social Security Administration's authority to share its full death data with the Department of the Treasury's Do Not Pay system.

Programs Reporting the Largest Percentage of Estimated Improper Payments in Fiscal Year 2024



Source: GAO (data and icons). | GAO-25-108412

Note: See full report for details of payment estimates.

Artificial intelligence (AI) and other innovative technologies have the potential to enhance efforts to combat fraud and improper payments. However, these tools require high-quality data. Introducing insufficient, unrelated, or bad data will make an AI model less reliable. A system that produces errors will also erode trust in the use of AI to detect fraud. GAO's *AI Accountability Framework for Federal Agencies and Other Entities* includes key practices for ensuring data are high-quality, reliable, and appropriate for the intended purpose. Another potential step, which GAO recommended in 2022, is to establish a permanent analytics center of excellence focused on fraud and improper payments. Should such a center be realized, it is likely that an AI-based tool would be a key component.

An AI-ready workforce is another essential requirement if the federal government is to use this tool in the fight against fraud and improper payments. For decades, however, GAO has identified mission-critical gaps in federal workforce skills and expertise in science, technology, engineering, and mathematics. More specifically, there is a severe shortage of federal staff with AI expertise. GAO has reported that improvements may be hampered by uncompetitive compensation and the lengthy federal hiring process.

Chairman Schweikert, Ranking Member Hassan, and Members of the Committee:

Thank you for the opportunity to discuss using artificial intelligence (AI) to combat fraud and improper payments.

GAO has reported that improper payments and fraud are estimated to have collectively cost taxpayers trillions of dollars. In addition, these issues impact the integrity of federal programs, and erode public trust.[1] Improper payments are payments that should not have been made or that were made in the wrong amount, typically overpayments.[2] Fraud involves obtaining something of value through willful misrepresentation.[3] We estimated that the federal government loses between $233 billion and $521 billion annually from fraud, based on fiscal year 2018 to 2022 data.[4] Since fiscal year 2003, cumulative improper payment estimates by executive branch agencies have totaled about $2.8 trillion, but are almost certainly greater, in part because agencies have not reported estimates for some programs as required. For example, last year we reported that agencies failed to report fiscal year 2023 improper payment estimates for

[1]GAO, *Improper Payments: Agency Reporting of Payment Integrity Information,* GAO-25-107552, (Washington, D.C.: Jan. 23, 2025). GAO, *Improper Payments and Fraud: How They Are Related but Different,* GAO-24-106608, (Washington, D.C.: Dec. 7, 2023).

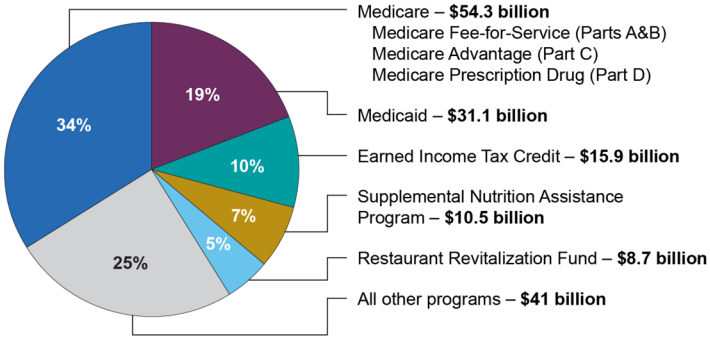
[2]An improper payment is defined by law as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. 31 U.S.C. § 3351(4). Executive agency heads are required periodically to review the programs and activities they administer and make an estimation of each program or activity's improper payments. If in conducting such a review an agency head is unable to discern whether a payment was proper because of insufficient or lack of documentation, that payment must also be included in the improper payment estimate. 31 U.S.C. § 3352(a),(c).

[3]Fraud can sometimes involve benefits that do not result in direct financial loss to the government (such as passport fraud). Improper payments, fraud, and fraud risk are related but distinct concepts. While unintentional error may cause improper payments, fraud involves obtaining something of value through willful misrepresentation. Whether an act is fraudulent is determined through the judicial or other adjudicative system. Fraud risk exists when individuals have an opportunity to engage in fraudulent activity.

[4]GAO. *Fraud Risk Management: 2018-2022 Data Show Federal Government Loses an Estimated $233 Billion to $521 Billion Annually to Fraud, Based on Various Risk Environments*, GAO-24-105833, (Washington, D.C.: Apr 16, 2024).

nine risk-susceptible programs.[5] Figure 1 shows that about 75 percent ($121 billion) of total government-wide estimated improper payments reported for fiscal year 2024 are concentrated in five program areas.

Figure 1: Programs Reporting the Largest Percentage of Improper Payments Estimates in Fiscal Year 2024



Source: GAO (data and icons). | GAO−25−108412

Note: Improper payment estimates displayed in the figure include both improper and unknown payments. Executive agency estimates of improper payments treat as improper any payments whose propriety cannot be determined due to lacking or insufficient documentation. 31 U.S.C §. 3352(c)(2)(A).

The advancement of AI presents both opportunities and challenges for combatting improper payments and fraud in the federal government. Today I will discuss 1) actions Congress and agencies can take to combat fraud and improper payments without the use of AI, 2) opportunities and challenges for using AI to combat fraud and improper payments, and 3) workforce challenges in the use of AI in the federal government. To complete this work, we reviewed GAO's body of work on improper payments, fraud, and artificial intelligence. Specifically, we assessed reports on federal financial management, fraud prevention,

[5]GAO, *Improper Payments: Key Concepts and Information on Programs with High Rates or Lacking Estimates*, GAO-24-107482 (Washington, D.C.: June 27, 2024).

GAO's High Risk List, and artificial intelligence. Appendix I shows selected GAO work on AI.

We performed the work on which this testimony is based in accordance with all applicable sections of GAO's Quality Assurance Framework.

Congress and Agencies Could Improve Existing Systems to Combat Fraud and Improper Payments

While eliminating all fraud is not a realistic goal, the federal government has many tools and resources already in place to help agencies prevent fraud prior to funds distribution and to combat fraud and improper payments once they have occurred.[6] Agency and congressional action on our recommendations for improvements in these areas could enhance these efforts.

One key resource for preventing improper payments and fraud is the Department of the Treasury's Do Not Pay system, which consolidates data on ineligible entities. The Social Security Administration (SSA) currently shares its full death data with Do Not Pay, but its authority to do so expires next year. We have recommended that Congress consider making it permanent.[7] In January 2025, Treasury reported recovering $31 million in payments to deceased individuals during a 5-month period on the pilot with the SSA Full Death Master file.[8]

For fraud risk management, preventive activities generally offer the most cost-efficient use of resources, since they enable managers to avoid a costly and inefficient "pay-and-chase" model. Managers of federal programs maintain the primary responsibility for managing fraud risk. Since 2016, agencies have been required to adhere to leading practices in GAO's Fraud Risk Framework to effectively design, implement, and

[6]Agency Inspectors General play an important role in investigating instances of fraud in their respective agencies. Per the Inspector General Act of 1978, as amended, the mission of agency Inspectors General includes preventing and detecting fraud, waste, and abuse. 5 U.S.C. § 402(b). However, often by the time an Office of Inspector General detects fraud or an improper payment that has already occurred, it is challenging to get the money back.

[7]In March 2022, we recommended that Congress amend the Social Security Act to accelerate and make permanent the requirement for SSA to share its full death data with the Treasury's Do Not Pay system. GAO, *Emergency Relief Funds: Significant Improvements Are Needed to Ensure Transparency and Accountability for COVID-19 and Beyond*, GAO-22-105715 (Washington, D.C.: Mar. 17, 2022).

[8]"Treasury Data Pilot Prevents and Recovers $31 Million in Payments to Deceased Individuals During a Five-Month Period," U.S. Department of the Treasury, January 15, 2025, https://home.treasury.gov/news/press-releases/jy2784.

operate an internal control system that addresses fraud risks.[9] A leading practice in the Fraud Risk Framework involves designing and implementing data analytic controls to prevent and detect fraud.[10] Our prior work has highlighted areas in which federal agencies need to take additional actions to help ensure they are effectively managing fraud risks consistent with leading practices, such as using data analytics to better manage fraud risk. Specifically, from July 2015 through August 2023, we made 47 recommendations to federal agencies in this area. These include recommendations to design and implement data-analytics activities to prevent and detect fraud, such as using data matching to verify self-reported information. Of the 47 recommendations, a little more than half have been implemented as of April 2024. To further help agencies build prevention-focused anti-fraud efforts, GAO developed its web-based Antifraud Resource, which provides interactive tools and resources for understanding and combatting fraud.[11]

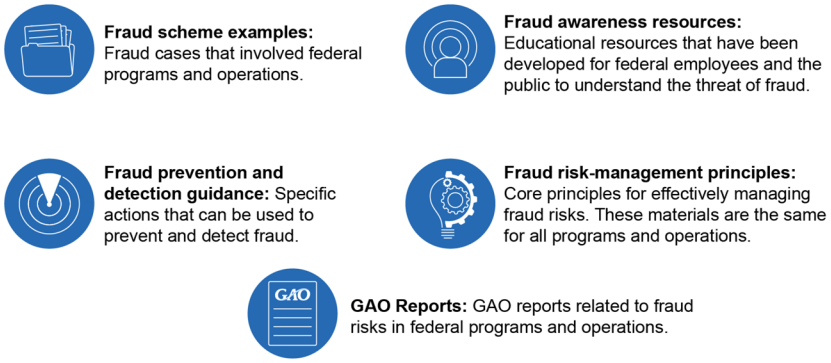
For example, our Antifraud Resource provides curated resources that can help agencies identify case examples, guidance, and other tools for combatting various types of fraud in federal programs (see fig. 2). Implementing our recommendations and using our resources can enable agencies to carry out their missions and better protect taxpayer dollars from fraud.

[9]GAO, *A Framework for Managing Fraud Risks in Federal Programs*, GAO-15-593SP (Washington, D.C.: July 28, 2015)

[10]OMB's Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, directs executive agencies to adhere to the Fraud Risk Framework's leading practices as part of their efforts to effectively design, implement, and operate an internal control system that addresses fraud risks.

[11]*GAO Fraud Ontology Version 1.1* (Washington, D.C.: Nov. 15, 2024), https://gaoinnovations.gov/antifraud_resource/howfraudworks.

Figure 2: Five Categories of Antifraud Resources



Source: GAO Antifraud Resource adapted from https://antifraud.gaoinnovations.gov/resources (data and icons). | GAO-25-108412

Opportunities and Challenges for Using AI to Combat Improper Payments and Fraud

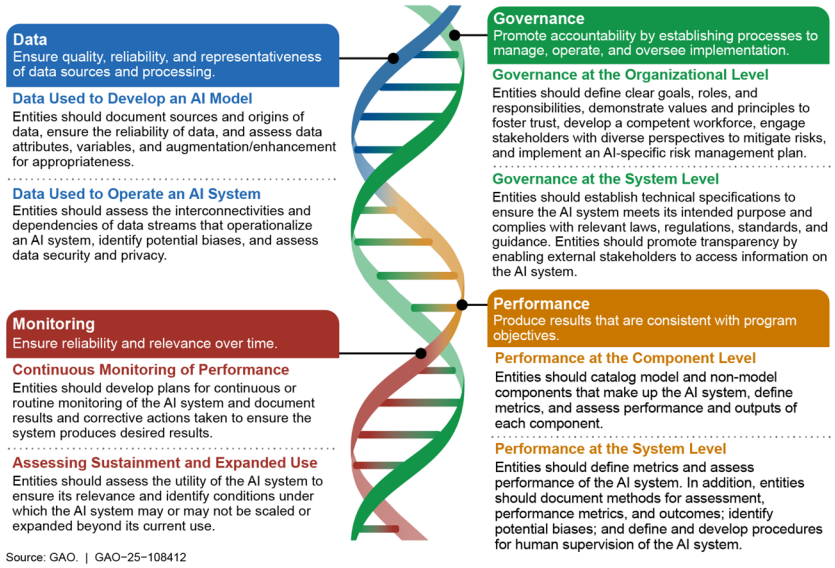
New innovations like AI-enabled tools can perform some of the tasks required to combat fraud and improper payments in the federal government. However, these tools require sufficient high-quality data, an understanding of risks, and staff with knowledge of how to use AI. Introducing insufficient, unrelated, or bad data will make an AI model less reliable, and maintaining a "human in the loop" is vital to ensuring oversight of the data and processes. A system that produces errors will also erode trust in AI to detect fraud.

AI, in general, refers to computer systems that can solve problems and perform tasks that have traditionally required human intelligence. Machine learning is a subset of AI that underpins many of the recent improvements in the field and could be used to detect fraud and improper payments. Many federal agencies are using or planning to use machine learning, including to support detecting improper payments.

In recognition of the opportunities and risks of AI, in 2021, we published Artificial Intelligence: An Accountability Framework for Federal Agencies

and Other Entities (see fig. 3).[12] We identified 31 key practices to help ensure accountability and responsible AI use by federal agencies and other entities, which could include use for combatting fraud and improper payments. These key practices include ensuring systems are documented, designed, and governed appropriately for their intended uses; ensuring data quality; and recruiting and retaining personnel with the necessary multidisciplinary skills and experiences.

Figure 3: GAO Artificial Intelligence (AI) Accountability Framework



Source: GAO. | GAO-25-108412

[12]GAO, *Artificial Intelligence: An Accountability Framework for Federal Agencies and Other Entities*, GAO-21-519SP, (Washington, D.C.: June 30, 2021).

Machine learning algorithms work by identifying statistical relationships between inputs and outputs from a training dataset. Training data can include numbers, images, or text. Training is the process of feeding training data through the algorithm until it identifies statistical relationships of interest.

Such a model might improve detection or prevention of fraud and improper payments by revealing anomalous patterns, behaviors, and relationships with a speed and scale that was not possible before.[13] But machine learning models can also pose risks. For example, they may fail to detect improper payments (false negatives) and they can erroneously identify legitimate payments as improper (false positives). False positives, in turn, can delay or deny payments to rightful recipients, such as small businesses and beneficiaries of Social Security and Medicare.

Critical to mitigating such risk is training the model on high-quality data. A common phrase among AI developers is “garbage in, garbage out,” meaning that poor data will give poor results. This axiom also applies to AI for detecting fraud and improper payments. In our AI Accountability Framework, we identified five key practices to help entities use appropriate data for developing AI models. For example, entities should document sources and origins of training data and ensure that the data are incorporated into the most appropriate AI model.

For detecting fraud and improper payments, machine learning systems could require training data in the form of payments labeled as one of three categories: accurate, improper without fraud, or fraud. Labeling historical data incorrectly could lead to false results. If these become too numerous, agencies will spend more time identifying AI’s mistakes than they will save compared with traditional detection methods. The training data could also be adulterated by “data poisoning,” a process by which someone changes the data, which changes the behavior of a system.

Technology can be used to identify targets of opportunity that allow the government agencies and Inspectors General to probe further into suspected fraud. AI tools can be a useful technology and will further evolve. But we need solid, reliable “ground truth” data and a human in the loop to ensure data reliability and appropriate application of the technology. AI does not replace the professional judgment of experienced

[13] Taka Ariga, “Artificial Intelligence Creates New Opportunities to Combat Fraud.” *International Journal of Government Auditing*, Summer 2020 Edition.

staff in detecting potentially fraudulent activities. While AI can sift through large volumes of data, human intelligence is still an essential element for choosing appropriate actions and technology tools.

Whether government data will reliably provide this ground truth is unclear. Such data vary in quality and standards. We have recommended numerous improvements to federal agencies, such as data mining and other analytic practices to ensure data are sufficient for fraud risk analysis. In our 2023 survey on fraud risk management, federal agencies told us that access to data to look for fraud indicators was a challenge.[14]

To improve the use of data analytics in identifying fraud and improper payments, we recommended in 2022 that Congress establish a permanent analytics center of excellence, similar to the Pandemic Analytics Center of Excellence (PACE).[15] Should such a center be realized, it is likely that an AI-based tool would be a key component.

An AI-Ready Federal Workforce Is Essential for Innovation

An AI-ready workforce is another essential requirement if the federal government is to use this tool in the fight against fraud and improper payments. For decades, however, we have identified mission-critical gaps in federal workforce skills and expertise in science, technology, engineering, and mathematics. More specifically, there is a severe shortage of federal staff with AI expertise.

One option Congress has considered is establishing a new digital services academy—like the military academies—to train future workers.[16] In 2021, we convened technology leaders from government, academia, and nonprofits to discuss such an academy and related issues. Among their comments:

- Current federal digital staff compensation is not competitive.

[14] GAO, *Fraud Risk Management: Agencies Should Continue Efforts to Implement Leading Practices*, GAO-24-106565 (Washington, D.C.: Nov. 01, 2023).

[15] GAO-22-105715. And, according to a March 31, 2025, press release from PACE, investigators used the PACE data analytics platform to untangle the electronic trail that fraudsters left behind in the amount of $109 million. "Statement from PRAC Chair Michael E. Horowitz Following Guilty Pleas in $109 Million Pandemic Fraud Investigation Supported by the Pandemic Analytics Center of Excellence" PandemicOversight.gov, March 31, 2025, https://pandemicoversight.gov/news/articles/statement-from-prac-chair-following-guilty-pleas-in-109-million-pandemic-fraud-investigation-supported-by-pace.

[16] GAO, *Digital Services: Considerations for a Federal Academy to Develop a Pipeline of Digital Staff*, GAO-22-105388, (Washington, D.C.: Nov. 19, 2021).

- Many digital staff may not be willing to endure the lengthy federal hiring process.
- An academy might best focus on master's degrees because agencies need staff with advanced skills.

Chairman Schweikert, Ranking Member Hassan, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contact and Staff Acknowledgments

Sterling Thomas, Chief Scientist, ThomasS2@gao.gov.

GAO staff who made key contributions to this testimony are Lisa Gardner (Assistant Director), Claire McLellan (Analyst-in-Charge), Jenique Meekins, Joseph Rando, and Ben Shouse. With contributions from Seto Bagdoyan, Virginia Chanley, Alex Gromadzki, Michael Hoffman, Hannah Padilla, Rebecca Shea, Jared Smith, Andrew Stavisky, Kevin Walsh, and Candice Wright.

Appendix I: A Selection of Artificial Intelligence Work from GAO



Source: Bluehousestudio/stock.adobe.com (AI text image); GAO (analysis, icons, and graphical elements). | GAO-25-108412

Appendix I: A Selection of Artificial Intelligence Work from GAO



Source: Bluehousestudio/stock.adobe.com (AI text image); GAO (analysis, icons, and graphical elements). | GAO-25-108412

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission	The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.
Obtaining Copies of GAO Reports and Testimony	The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. You can also subscribe to GAO's email updates to receive notification of newly posted products.
Order by Phone	The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, https://www.gao.gov/ordering.htm. Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537. Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.
Connect with GAO	Connect with GAO on X, LinkedIn, Instagram, and YouTube. Subscribe to our Email Updates. Listen to our Podcasts. Visit GAO on the web at https://www.gao.gov.
To Report Fraud, Waste, and Abuse in Federal Programs	Contact FraudNet: Website: https://www.gao.gov/about/what-gao-does/fraudnet Automated answering system: (800) 424-5454
Media Relations	Sarah Kaczmarek, Managing Director, Media@gao.gov
Congressional Relations	A. Nicole Clowers, Managing Director, CongRel@gao.gov
General Inquiries	https://www.gao.gov/about/contact-us



Please Print on Recycled Paper.

Testimony of Brian J. Miller, M.D., M.B.A., M.P.H.

Associate Professor of Medicine and Business (Courtesy)
The Johns Hopkins University School of Medicine
The Johns Hopkins Carey Business School

Nonresident Fellow
American Enterprise Institute

Before the

U.S. State Congress Joint Economic Committee

On

"Reducing Waste, Fraud and Abuse Through Innovation:
How AI & Data Can Improve Government Efficiency."

April 9, 2025

Chairman Schweikert, Vice Chairman Schmitt, and distinguished members of the Joint Economic Committee:

My name is Brian Miller, and I practice hospital medicine at the Johns Hopkins Hospital. As an academic health policy analyst, I serve as an Associate Professor of Medicine and Business (Courtesy) at the Johns Hopkins University School of Medicine and as a Nonresident Fellow at the American Enterprise Institute. My research focuses on how we can build a more competitive and vibrant health sector to make healthcare more efficient, flexible, and personalized for patients. This perspective is based upon my prior regulatory experience at four federal regulatory agencies. Through my current role as a faculty member, I regularly engage with regulators, policymakers, and businesses in search of solutions to help create a better healthcare system for all. Today I am here in my personal capacity, and the views expressed are my own and do not necessarily reflect those of the Johns Hopkins University or the Johns Hopkins Health System, the American Enterprise Institute, the North Carolina State Health Plan, or the Medicare Payment Advisory Commission (MedPAC).

Administrative waste pervades health care public and private, with some estimates of unaddressed administrative waste as high as $265.6 billion[1] out of an estimated $3.8 trillion in annual health care spending,[2] or 6.9% of annual expenditures (2019 dollars). In a financially unsustainable system that now comprises nearly one-fifth of the gross domestic product and is dependent upon high cost clinical labor, policymakers, regulators, and industry must work together to address waste.

In my testimony today, I will focus on three operational areas where technology and innovation can improve governmental efficiency, combating fraud, waste, and abuse:

1. Reducing improper payments in Medicaid: automation of eligibility determination and redetermination
2. Making diagnostic coding accurate again: increasing administrative efficiency in Medicare
3. Improving prior authorization

Each section will lay out the scope of the problem, policy options, and operational steps to solve the problem at hand.

1. Reducing improper payments in Medicaid: Automation of Medicaid eligibility determination and redetermination

As part of the 2020 Families First Coronavirus Response Act, Congress increased the federal Medicaid matching funds by 6.2% if states implemented continuous Medicaid coverage for enrollees, with redetermination for an estimated 20 million Americans starting on April 1, 2023.[3,4] Initial eligibility and redetermination are two sides of the same process, each with a different policy constituency.

Historically, both the GAO[5] and policy analysts have highlighted challenges with enrollment, with the Kaiser Family Foundation and others[6] as far back as 2000 denoting that 72% of beneficiaries had difficulty getting the required papers and 62% found the process complicated and confusing.[7] While this improved in the early-2010s,[8] challenges grew anew during the pandemic,[9] with concerns about swelling unemployment rolls, stressed state budgets due to

[1] Shrank WH, Rogstad TL, Parekh N. Waste in the US Health Care System: Estimated Costs and Potential for Savings. JAMA. 2019;322(15):1501–1509. doi:10.1001/jama.2019.13978

[2] Martin AB, Hartman M, Lassman D, Catlin A; National Health Expenditure Accounts Team. National Health Care Spending In 2019: Steady Growth For The Fourth Consecutive Year. Health Aff (Millwood). 2021 Jan;40(1):14-24. doi: 10.1377/hlthaff.2020.02022. Epub 2020 Dec 1

[3] Medicaid Enrollment and Unwinding Tracker. Kaiser Family Foundation. May 23, 2024. https://www.kff.org/report-section/medicaid-enrollment-and-unwinding-tracker-national-federal-unwinding-and-enrollment-data/

[4] "CMCS Informational Bulletin: Conducting Medicaid and CHIP Renewals During the Unwinding Period and Beyond: Essential Reminders." *CMS* March 15, 2024. Available from: https://www.medicaid.gov/federal-policy-guidance/downloads/cib03152024.pdf

[5] "District of Columbia: Barriers to Medicaid Enrollment Contribute to Hospital Uncompensated Care." *GAO* HRD-93-28. December 29, 1992. Available from: https://www.gao.gov/products/hrd-93-28

[6] Stuber, Jennifer P.; Maloy, Kathleen A.; Rosenbaum, Sara; and Jones, Karen C., "Beyond Stigma: What Barriers Actually Affect the Decisions of Low-Income Families to Enroll in Medicaid?" (2000).Health Policy and Management Issue Briefs. Paper 53. http://hsrc.himmelfarb.gwu.edu/sphhs_policy_briefs/53

[7] See page 9 of "Medicaid and Children: Overcoming Barriers to Enrollment Findings from a National Survey." *KFF* January 2000. Available from: https://www.kff.org/wp-content/uploads/2013/01/medicaid-and-children-overcoming-barriers-to-enrollment-report.pdf

[8] Galewitz P. "States Ease Barriers to Medicaid, CHIP Enrollment, Survey Says." *KFF* 2012. Available from: https://kffhealthnews.org/news/states-ease-barriers-to-medicaid-chip-enrollment-survey-says/

[9] Brooks T. "Medicaid and CHIP Eligibility Verification Flexibilities Help States Keep up with Increased Application Volume due to COVID-19." *Georgetown Center for Children and Families* 2020. Available from: https://ccf.georgetown.edu/2020/04/14/medicaid-and-chip-eligibility-verification-flexibilities-help-states-keep-up-with-increased-application-volume-due-to-covid-19/

economic carnage, and access to COVID-19 care prompting an increase in federal match rates and continuous eligibility. With redetermination for over 20 million Americans ongoing, the prior administration harnessed CMS to drive rulemaking targeting administrative barriers to beneficiary entry.[10]

At the same time, longstanding reporting emphasizes the massive role that eligibility plays in driving federal government improper payments in the Medicaid program, where it accounts for ~76% or $61.3 billion in CY2022.[11] To put this number in perspective, improper payments due to eligibility in Medicaid could cover all 2022 gross drug generic drug costs for all 43.3 million beneficiaries in Medicare Part D who filled at least one generic prescription drug, estimated at $32.9 billion.[12]

Noting that the features that define Medicaid eligibility are defined in statute (categorical – low-income children and their parents, pregnant women, people with disabilities, etc.; financial)[13] leaving little discretion, both initial eligibility and redetermination offer an opportunity to deploy AI/automation in order to improve both sides of the same process.

In accordance with the Federal Activities Inventory Reform Act of 1998, the Office of Management and Budget Circular A-76 and the Office of Procurement Policy Letter 11-01,[14] inherently governmental functions must be performed by government personnel, while other functions are designated as commercial functions and are able to be performed by contractors. Two tests determine this, namely the nature of function test (is the function an exercise of sovereign power?) and the exercise of discretion.

While most AI tools are used to empower governmental users, more questions arise as software increasingly becomes autonomous. Ideally, AI would be best deployed performing functions that are discrete and specific functions that would not be defined as inherently governmental. As Medicaid eligibility requirements are codified in statute with little discretion, the initial eligibility and redetermination of eligibility processes are ripe for using AI to improve the efficiency of state administrative Medicaid operations, reducing administrative costs and combating improper payments. Simultaneously, automation of eligibility would make it easier for beneficiaries to enroll in times of economic distress.

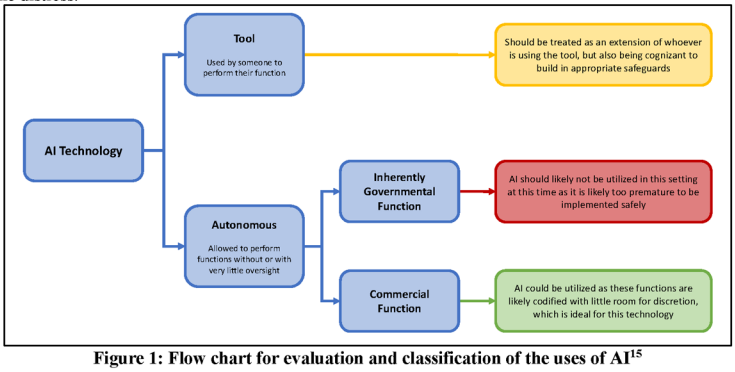


Figure 1: Flow chart for evaluation and classification of the uses of AI[15]

[10] Streamlining the Medicaid, Children's Health Insurance Program, and Basic Health Program Application, Eligibility Determination, Enrollment, and Renewal Processes Final Rule Fact Sheet. Centers for Medicare & Medicaid Services. March 27, 2024. https://www.cms.gov/newsroom/fact-sheets/streamlining-medicaid-childrens-health-insurance-program-and-basic-health-program-application

[11] See Table S1 on page 19 in 2022 Medicaid & CHIP Supplemental Improper Payment Data. Centers for Medicare & Medicaid Services. November 2022. https://www.cms.gov/files/document/2022-medicaid-chip-supplemental-improper-payment-data.pdf-0
It is also important to denoted that Managed Care had $106 million in improper payments during the same period.

[12] Feyman Y, et al. "Generic drug utilization and spending among Medicare Part D enrollees in 2022." *ASPE Issue Brief* March 7, 2024. Available from: https://aspe.hhs.gov/sites/default/files/documents/6a76dfa8551bf25dc98ca62553dde90e/generic-drug-landscape-ib.pdf

[13] "Medicaid 101: Eligibility." *MACPAC* Available from: https://www.macpac.gov/medicaid-101/eligibility/

[14] Congressional Research Service. Definitions of "Inherently Governmental Function" in Federal Procurement Law and Guidance. 2014. Accessed October 30, 2023. https://www.everycrsreport.com/files/20141223_R42325_ba76864808b1cfc5b92720461b225702a81ac71d.pdf

[15] Ted Cho, Brian J Miller, Using artificial intelligence to improve administrative process in Medicaid, *Health Affairs Scholar*, Volume 2, Issue 2, February 2024, qxae008, https://doi.org/10.1093/haschl/qxae008

While AI is still in its early stages and there exists concerns regarding hallucinations and improperly constructed AI (incomplete, low quality, or improper training data), automated Medicaid eligibility should initially still be subject to human review. After a period of auditing and iterative improvement, algorithmic or fully autonomous review of eligibility could be permitted to proceed.

Policymakers could require CMS to move the entire Medicaid eligibility process towards automation. Alternatively, CMS could approve state waivers to implement automated eligibility determinations, issue guidance to states on the use of AI in eligibility determination, hold public workshops, contract with vendors to begin developing this technology, or a variety of combination of policy options. Recognizing that there is bipartisan frustration with Medicaid enrollment and eligibility determination, regardless of one's perspective the specific and discrete qualifying criteria for Medicaid along with the codification in statute of eligibility groups presents an ideal opportunity to automate eligibility and ensure appropriate access while reducing federal improper Medicaid payments.

2. Making diagnostic coding accurate again: Increasing administrative efficiency in Medicare

Beneficiaries have two formulations through which they can receive their Medicare benefits–either through participation in the Medicare Advantage (MA) program or Traditional Fee For Service (FFS) Medicare. Payment methodology across the two programs differs. MA plans are paid on a population basis, receiving a risk-adjusted capitated payment or per member per month (PMPM). Risk adjustment is currently based upon the CMS hierarchical condition categories (HCC) model implemented in 2004.[16] From 1985-1999, payment was based upon the adjusted average per capita cost (AAPCC) model, which paid 95% of the AAPCC adjusted for demographic factors such as age, sex, Medicaid, institutional status, working age status; and was found to predict only 1% of beneficiary expenditures.[17]

While imperfect, the continuously iteratively updated, post-2004 diagnosis-based risk adjustment addressed the low predictive value of prior risk adjustment models, and based upon the 2016 21st Century Cures Act, utilized 2 years of data. Adjusting payment for health status ideally rewards plans for covering seriously ill beneficiaries and discourages risk selection in favor of only healthy beneficiaries. Practically, diagnostic categories should be clinically meaningful, predict medical expenditures, and characterize a beneficiary's illness level within a disease process. As part of the HCC model, over 72,000 ICD-10 diagnosis codes are narrowed into diagnostic groups representing a specified condition, and then further condition categories describing broader set of diseases. Hierarchy is then imposed, so that if a beneficiary has multiple conditions with a condition that the risk score only includes the most severe manifestation (see below).

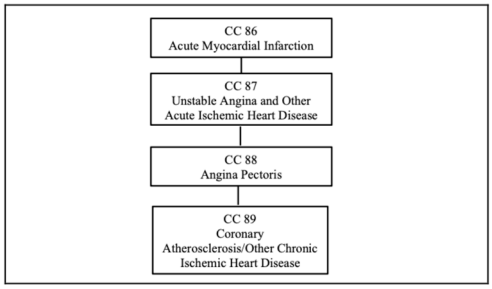


Figure 2: HCC classification (under prior V24 model)[18]

[16] Pope GC, Kautter J, Ellis RP, Ash AS, Ayanian JZ, Lezzoni LI, Ingber MJ, Levy JM, Robst J. Risk adjustment of Medicare capitation payments using the CMS-HCC model. Health Care Financ Rev. 2004 Summer;25(4):119-41.
[17] Pope GC, et al. "Evaluation of the CMS-HCC Risk Adjustment Model: Final Report." RTI Project Number 0209853.006 March 2011 available from: https://www.cms.gov/medicare/health-plans/medicareadvtgspecratestats/downloads/evaluation_risk_adj_model_2011.pdf
[18] Page 18 of "Report To Congress: Risk Adjustment in Medicare Advantage." CMS. December 2021.

HCCs are assigned to the beneficiary using multiple data sources for ICD-10 diagnosis codes (hospital principal and secondary diagnoses, outpatient visits), noting that some HCCs are excluded from payment.

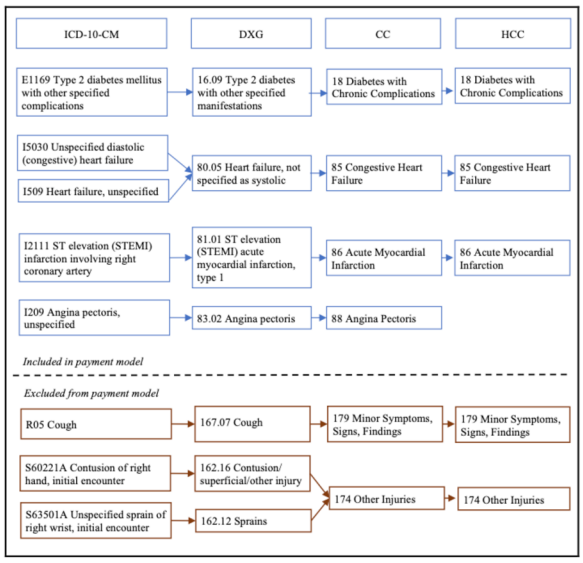


Figure 3: Crosswalk from ICD-10 to HCC (under prior V24 model)[19]

The risk adjustment factor can vary for the same patient depending upon how well they are coded, with MA plans having a natural market incentive to code for more diagnoses, diagnostic specificity, and disease severity. Consider the example of a hypothetical 76 year old woman enrolled in Medicare Advantage, coded differently in three scenarios resulting in different plan payments as demonstrated below.

[19] Page 21 of "Report To Congress: Risk Adjustment in Medicare Advantage." CMS. December 2021.

No conditions coded		Some conditions coded – poor specificity		All conditions coded appropriately	
76 year old female	0.468	76 year old female	0.468	76 year old female	0.468
Medicaid eligible	0.177	Medicaid eligible	0.177	Medicaid eligible	0.177
No diabetes coded		Diabetes w/o complications (HCC 19)	0.181	Diabetes w/vascular complications (HCC 15)	0.608
No vascular disease coded		Vascular disease w/o complications (HCC 105)	0.324	Vascular disease w/complications (HCC 104)	0.645
CHF not coded		CHF not coded		CHF (HCC 80)	0.395
No Disease Interaction		No Disease Interaction		Disease Interaction (DM + CHF)	0.204
Total RAF	0.645	Total RAF	1.15	Total RAF	2.497
PMPM Payment	**$516**	**PMPM Payment**	**$920**	**PMPM Payment**	**$1,998**
Annual Payment	**$6,192**	**Annual Payment**	**$11,040**	**Annual Payment**	**$23,971**

Figure 4: Risk Adjustment Factor based upon an $800 county rate (example from prior V12/22 models)[20]

In contrast, FFS Medicare coding is based upon a more limited data set. For example, payment for inpatient hospitalization is based upon the diagnosis-related group (DRG), a prospective payment system relying upon an episode-based grouper introduced in 1983,[21] a model with analogs in other countries.[22] The DRG is based upon a principal diagnosis or procedure, secondary diagnoses, adjusted for complications/comorbidities, age, and sex.[23] Consequently, full capture of the range of diagnoses, specificity, and severity of clinical conditions are not fully captured as the incentive to do so is absent.

In contrast, outpatient physician care in FFS Medicare is even less tied to diagnostic coding and is not explicitly tied to diagnostic specificity or severity. Instead, payment for "evaluation and management" services is based upon one of two pathways. First, physicians may bill on "medical decision making" based upon the number and complexity of problems, amount or complexity of data analyzed, and level of risk. Alternatively, physicians may bypass this framework and instead bill based purely upon time (e.g. a new 30-minute patient visits is a 99203).[24] While there are functional adjustments to physician payment for elements such as professional liability insurance and practice expense,[25] even more so that acute hospital care, outpatient physician care lacks incentive for coding for diagnostic complexity, severity, and completeness.

In this setting, it is no surprise that there are coding differences between the populations of beneficiaries enrolled in MA and FFS Medicare. Policymakers and regulators have attempted to address this differential, with the continuation of the application of the 5.9% coding pattern adjustment. Under the Biden administration, CMS updated the risk adjustment model and moved to the V28 HCC model over a 3 year period starting in 2024, with a full transition anticipated in 2026.

[20] Slide 15 from Wilson, Marja. "Medicare Part C." Lecture at UNC. April 12, 2019.
[21] "Design and development of the Diagnosis Related Group (DRG)." *CMS*. 2019. Available from: https://www.cms.gov/icd10m/version37-fullcode-cms/fullcode_cms/Design_and_development_of_the_Diagnosis_Related_Group_(DRGs).pdf
[22] Mihailovic N, Kocic S, Jakovljevic M. Review of Diagnosis-Related Group-Based Financing of Hospital Care. Health Serv Res Manag Epidemiol. 2016 May 12;3:2333392816647892
[23] "Hospital Acute Inpatient Services Payment System." *MedPAC Payment Basics* October 2024. Available from: https://www.medpac.gov/wp-content/uploads/2024/10/MedPAC_Payment_Basics_24_hospital_FINAL_SEC.pdf
[24] "Evaluation and Managed Services Reference Guide." *IDSA* February 2024. Available from: https://www.idsociety.org/globalassets/idsa/clinical-practice/2024-em-services-reference-guide-final.pdf
[25] "Physician and Other Health Professional Payment System." *MedPAC Payment Basics* October 2024. Available from: https://www.medpac.gov/wp-content/uploads/2021/11/medpac_payment_basics_21_physician_final_sec.pdf

Despite these and other changes, many analysts still have concerns[26] about coding differentials in MA v. FFS Medicare. Researchers such as Richard Kronick[27] have estimated that coding intensity has grown over the intervening years,[28] with other analysts such as Jeffrey Kang, M.D., the former Chief Medical Officer of CMS noting that FFS Medicare is undercoded and lacks program-level risk adjustment, suggesting that a more pragmatic policy goal is to improve the accuracy of risk adjustment in both programs.[29] Other bodies such as MedPAC have noted that coding intensity represented ~7-10% in increased payments annually from 2007 – 2021, partially offset by the statutory downward payment adjustment of 5.9%.[30] While a subsequent MedPAC methodological change[31] resulted in this update being revised upwards to 16-17%,[32] it remains inconvertible that there are coding differences between MA and FFS, some of which are clinically appropriate and others which are not, noting that both raise costs for the Medicare program.

In contrast to the above debate, other experts including myself noted a practical middle ground, denoting that there are three components of coding intensity[33] due to the differing incentives between MA and FFS Medicare:

1. Fraudulent coding (e.g. adding diagnoses unsupported by medical documentation)
2. Diagnostic upcoding (debatable by reasonable people, albeit likely inappropriate)
3. Clinically appropriate diagnostic coding intensity (the reciprocal of FFS undercoding)

While MedPAC notes that "part of the cause of coding intensity is that providers do not report all possible diagnosis codes for their FFS beneficiaries," no analyst nor CMS has yet to clearly and accurately measure the three components of coding intensity in MA.[34] Instead, most stakeholders label all differential payment as overpayment, which is incorrect.

While the first category of coding intensity should result in civil or criminal enforcement as statute dictates and the second component represents a gray likely in need of further examination and enforcement, the third category– clinically appropriate coding intensity – represents appropriate diagnostic descriptive specificity and sound clinical care. The idea that some coding intensity is appropriate and some is not, and that different market participants behave differently fits with recent applied work, wherein researchers noted that coding intensity varies significantly in MA, with rates varying from 3.4 to 12.7%.[35]

At the same time as plans and regulators wrestle with coding intensity, in a clinical environment electronic health record (EHR) data is frequently inaccurate, comprised of copy and pasted content, with one study of over 104 million clinical notes denoting that 50.1% of documentation was duplicated from prior notes[36] while another study note that structured event data missed 27% of psychiatric study diagnoses.[37]

---

[26] Skopec L, et al. "Reimagining the Medicare Advantage Risk Adjustment Program." *Urban Institute* May 2023. Available from: https://www.urban.org/sites/default/files/2023-05/Reimagining%20the%20Medicare%20Advantage%20Risk%20Adjustment%20Program_0.pdf

[27] Kronick R, Welch WP. Measuring coding intensity in the Medicare Advantage program. Medicare Medicaid Res Rev. 2014 Jul 17;4(2):mmrr2014.004.02.a06. doi: 10.5600/mmrr2014-004-02-a06

[28] Kronick, Richard and Chua, F. Michael, Industry-Wide and Sponsor-Specific Estimates of Medicare Advantage Coding Intensity (November 11, 2021). Available at SSRN: https://ssrn.com/abstract=3959446 or http://dx.doi.org/10.2139/ssrn.3959446

[29] Kang J, et al. "Making The Right Diagnosis: A Response To Berwick And Gilfillan." *Health Affairs Forefront*, July 8, 2022.

[30] See Figure 11-2 on page 353, "The Medicare Advantage Program: Status report." *MedPAC* March 2023. Available from: https://www.medpac.gov/wp-content/uploads/2023/03/Ch11_Mar23_MedPAC_Report_To_Congress_SEC.pdf

[31] "Estimating Medicare Advantage coding intensity and favorable selection." *MedPAC* March 2024. Available from: https://www.medpac.gov/wp-content/uploads/2024/03/Mar24_Ch13_MedPAC_Report_To_Congress_SEC.pdf

[32] See Figure 11-7 on page 356, "The Medicare Advantage Program: Status report." *MedPAC* March 2025. Available from: https://www.medpac.gov/wp-content/uploads/2025/03/Mar25_Ch11_MedPAC_Report_To_Congress_SEC.pdf

[33] Debusk B, Miller BJ, Craig Samitt, Kan K. "The Need for Holistic Policy Thinking in Medicare." *Health Affairs Forefront* May 23, 2024.

[34] Page 364 of "The Medicare Advantage program: Status report." *MedPAC* 2025. Available from: https://www.medpac.gov/wp-content/uploads/2025/03/Mar25_Ch11_MedPAC_Report_To_Congress_SEC.pdf

[35] Curto VE, Politzer E, Anderson TS, Ayanian JZ, Souza J, Zaslavsky AM, Landon BE. Coding intensity variation in Medicare Advantage. Health Aff Sch. 2025 Jan 16;3(1):qxae176

[36] Steinkamp J, Kantrowitz JJ, Airan-Javia S. Prevalence and Sources of Duplicate Information in the Electronic Medical Record. *JAMA Netw Open.* 2022;5(9):e2233348

[37] Madden JM, Lakoma MD, Rusinak D, Lu CY, Soumerai SB. Missing clinical and behavioral health data in a large electronic health record (EHR) system. J Am Med Inform Assoc. 2016 Nov;23(6):1143-1149. doi: 10.1093/jamia/ocw021. Epub 2016 Apr 14

Unsurprisingly, as part of the quest to improve diagnostic accuracy, health plans have undertaken both chart review and in-home health risk assessments, with research[38] suggesting that this drives higher risk scores. In contrast, others have claimed that FFS Medicare is undercoded, with one study utilizing historical data from 2017-2019, finding that FFS Medicare is undercoded by 2.85% or $8.1 billion,[39] a measure of magnitude that is worthy of repeat independent analyses with updated data.

Regardless of the magnitude, it is clear that both MA has greater coding intensity, some appropriate and some inappropriate while FFS Medicare is undercoded, with both factors contributing to a coding intensity gap between the two programs. A problem debated for over 20 years, coding intensity in MA can be solved through automation to improve data and payment accuracy.

Diagnosis coding can and should be automated

Automation of diagnosis coding would allow the simultaneous achievement of reducing clinician burden, enhance trust in the coding process, and improving accuracy of diagnostic coding in both MA and FFS Medicare in tandem. Doing so would address coding inflation that can occur when beneficiaries enter MA, ensure accurate payment to plans, and improve clinical communication.

Recognizing that competition is critical to product and service innovation, automation of diagnosis coding should not be centralized at CMS or completed by a CMS-contracted vendor, as vendors would have an incentive to undercode in order to reduce plan payments and thus win or maintain contracts/preferred status. Instead, policymakers should work to ensure both precision and accuracy through promotion of an organically grown, decentralized competitive market to drive competition with multiple third-party organizations/vendors approved or recognized by CMS. As a regulator, CMS could ensure that software products under appropriate validation by an independent third party standards development organization(s), tying this process to regulatory recognition.

Providers would select (or alternatively seek guidance from other providers or plans) and purchase software from an approved vendor or alternatively build the software internally and validate it across MA and FFS Medicare, ideally compared to a chart review control group. Alternatively, for some providers that may not have deep technological expertise such as small independent physician groups or critical access hospitals, plans may recommend but not require providers to use a recommended software vendor(s).

Operationally, while there are many potential solutions this could be executed as a "copilot" model in clinical practice, with a real-time validation and review by the clinician permitting correction or adjustment of suggested diagnoses. This de-burdens clinicians from the administrative task of diagnostic coding imposed on them by both health systems and plans, an important consideration with 62.8% of physicians reporting at least one manifestation of burnout[40] and time-motion studies showing that physicians spend as little as 25.8% - 44%[41,42] in direct patient care not engaged in the EHR. Furthermore, engagement of the clinician in review of automated diagnosis generated from AI-review of charts, labs, and imaging will further increase trust in diagnosis coding, while simultaneously eliminating gaps between FFS Medicare and MA coding.

The current MA risk adjustment model is calibrated on FFS experience and data. If diagnostic coding is improved and more uniform across both FFS Medicare and MA, given the increasing completeness of MA encounter data[43] and that MA now comprises just over half of the Medicare program, policymakers could consider transitioning the basis of MA risk adjustment from FFS experience and data to MA encounter data alone. Doing so would eliminate the

---

[38] Jacobs PD. In-Home Health Risk Assessments And Chart Reviews Contribute To Coding Intensity In Medicare Advantage. Health Aff (Millwood). 2024 Jul;43(7):942-949

[39] Ghoshal-Datta N, Chernew ME, McWilliams JM. Lack Of Persistent Coding In Traditional Medicare May Widen The Risk-Score Gap With Medicare Advantage. Health Aff (Millwood). 2024 Dec;43(12):1638-1646

[40] Shanafelt TD, West CP, Dyrbye LN, Trockel M, Tutty M, Wang H, Carlasare LE, Sinsky C. Changes in Burnout and Satisfaction With Work-Life Integration in Physicians During the First 2 Years of the COVID-19 Pandemic. Mayo Clin Proc. 2022 Dec;97(12):2248-2258.

[41] Ching MM, et al. "A Time-motion study of Emergency and hospitalist Physicians in a Community Hospital Setting." *Journal of Wellness* 2023;5(7):1-6.

[42] Young RA, Burge SK, Kumar KA, Wilson JM, Ortiz DF. A Time-Motion Study of Primary Care Physicians' Work in the Electronic Health Record Era. Fam Med. 2018 Feb;50(2):91-99.

[43] See Table 3-2, "Assessing data sources for measuring health care utilization by Medicare Advantage enrollees: Encounter data and other sources." *MedPAC* June 2025. Available from: https://www.medpac.gov/wp-content/uploads/2024/06/Jun24_Ch3_MedPAC_Report_To_Congress_SEC.pdf

statutory, arbitrary minimum 5.9% coding intensity adjustment (per 1853 of SSA, (a)(1)(C)(ii)(IV))[44] and transition the program to improved data-driven risk-adjustment and more accurate plan payments, eliminating an artificial FFS anchor that distorts MA payment.

Plans would no longer have an economic incentive to engage in chart reviews and home health risk assessments, as Medicare beneficiaries would be subject to more precise, complete, and accurate diagnostic coding as part of routine clinical care regardless of whether they receive their health benefits through MA or traditional FFS Medicare. Accordingly, financial capital could be more efficiently redirected towards clinical care for beneficiaries and away from administrative operational activities targeting diagnosis code harvesting. Automation of diagnosis coding would improve accuracy and precision of both diagnosis and payment levels across programs, setting the stage for later risk adjustment of the FFS Medicare plan. Automation would also provide plans with less coding discretion, while addressing coding inflation that can occur when beneficiaries enter MA.

CMS could also work to undertake these efforts. Alternatively, Congress could require CMS to undertake action to transition diagnosis coding to an automated copilot or some other operational automated model, with internal or random audits of charts to validate special populations of regulatory concern, such as high cost or rare diseases. Regardless, execution via negotiated rulemaking could ensure that the interests of regulators, clinicians, health systems, and plans are balanced equally.[45]

This would mark a desperately needed transition of the 20+ year policy policy discussion around MA coding intensity from a debate over models towards operational solutions.

3. Improving prior authorization

Prior authorization remains a pervasive practice across all plan markets, encompassing both publicly-funded, privately-delivered health benefits markets such as MA and Medicaid MCOs in addition to private markets. With high administrative costs in the delivery, some experts have proposed a variety of changes such as:

- Elimination of or opposition to implementation of step therapy for drugs[46,47] and medical services
- Requiring review by a relevant clinical specialty[48,49]
- Elimination of prior authorization for low cost services
- Implementation of gold card programs[50]

And other interventions.

In contrast, other stakeholders have denoted prior authorization as an essential tool[51,52,53] to direct appropriate utilization, control cost, and steer care.

Regardless of where stakeholders, regulators, and policymakers sit, it is clear that both inappropriate and appropriate prior authorization generate administrative waste in the current system. The average physician fills out 37 prior

---

[44] https://www.ssa.gov/OP_Home/ssact/title18/1853.htm

[45] Similar actions could be undertaken to support automation of other components of FFS Medicare such as time-based billing for ambulatory care as a valid alternative to MDM billing.

[46] "PhRMA comments to administration on Medicare Part D proposed rule." *PhRMA* January 25, 2019. Available from: https://phrma.org/blog/phrma-comments-to-administration-on-medicare-part-d-proposed-rule

[47] "Step Therapy: Clinician's Concerns and Challenges." *American Academy of Ophthalmology EyeNet Magazine* April 2022. Available from: https://www.aao.org/eyenet/article/step-therapy-clinicians-concerns-and-challenges

[48] "Fixing prior auth: Give doctors a true peer to talk with—stat." *AMA* May 6, 2024. Available from: https://www.ama-assn.org/practice-management/prior-authorization/fixing-prior-auth-give-doctors-true-peer-talk-stat

[49] Walker M. "True peer-to-peer conversations will improve prior authorization." *STAT* April 6, 2025. Available from: https://www.statnews.com/2024/04/26/prior-authorization-true-peer-to-peer-conversations/

[50] Congressmen Gonzalez and Burgess Re-Introduce Bipartisan Bill to Improve Care for Medicare Recipients. Press Release. Office of Congressman Vicente Gonzalez Representing the 34th District of Texas. August 2, 2023. https://gonzalez.house.gov/media/press-releases/congressmen-gonzalez-and-burgess-re-introduce-bipartisan-bill-improve-care

[51] "The Academy of Managed Care Pharmacy's Concepts in Managed Care Pharmacy: Prior Authorization." *AMCP* 2012. Available from: https://www.amcp.org/sites/default/files/2019-03/Prior%20Auth%204.2012.pdf

[52] "Prior authorizations help optimize patient outcomes by encouraging use of therapies with established evidence and safety." *ACMP* Available from: https://www.amcp.org/blog/prior-authorization-help-optimize-patient-outcomes-encouraging-use-therapies-established-evidence

[53] Forrester C. Benefits of Prior Authorizations. J Manag Care Spec Pharm. 2020 Jul;26(7):820-822. doi: 10.18553/jmcp.2020.26.7.820.

authorization forms weekly[54] while the average oncologist's office has 6 full time staff to manage prior authorization.[55] Prior authorization affects a significant share of clinical visits, with a survey of an academic dermatology department finding that 6.6% of visits generated a prior authorization.[56]

Recent CMS rulemaking[57] has focused on prior-authorization reform,[58] with the 2024 final rule requiring payers to implement a payer-to-payer application programming interface (API) for continuity, a prior authorization API, and a patient access API in conjunction with standards for prior authorization decisions timeframes, provider notice, and denial reason. These nonpartisan and practical goals are to be admired, however, oversight and accountability for the plan, hospital, and physician industries will be critical to finally achieving operational success.

CMS could also require through rulemaking attached to Conditions of Participation, a requirement for payment, or some other method; Congress could exercise oversight of, or the Office of National Health Coordinator for Health IT could through the promulgation of meaningful use regulations, facilitate the retirement of fax,[59] paper, and separate submission of PDFs through third party web portals for prior authorization.

Ideally, CMS or ONC should require and Congress should exercise oversight to ensure that on a predetermined timeline that all prior authorizations are conducted through the electronic health record, with minimal burden for submission of clinical data (notes, labs, imaging) coupled with a regulatory requirement for the use of algorithms/automation for *approval only* in order to speed patient access, with health plan denial still being subject to human review prior to execution. While prior authorization will exist across Medicare and Medicaid for years to come, improving the process so that it is not unduly burdensome for patients and physicians and thus wasting taxpayer dollars is a critical first step.

4. Conclusions

Automation and AI offers us an incredible opportunity to improve government efficiency and simultaneously reduce waste, fraud and abuse in the Medicaid and Medicare programs. While there a litany of other operational opportunities, policymakers should focus on statutory change, oversight, and encouragement of CMS to target three operational areas:

1. Reducing improper payments in Medicaid: automation of eligibility determination and redetermination
2. Making diagnostic coding accurate again: increasing administrative efficiency in Medicare
3. Improving prior authorization

These are nonpartisan policy areas for operational improvements that will reduce costs, expand access, and unburden patients and clinicians. With the advent of DOGE and a renewed focus on operations, now is the time to act.

---

[54] Survey quantifies time burdens of prior authorization. American Medical Association. Published January 30, 2017. Accessed July 10, 2023. https://www.ama-assn.org/practice-management/prior-authorization/survey-quantifies-time-burdens-prior-authorizationc

[55] Lin NU, Bichkoff H, Hassett MJ. Increasing Burden of Prior Authorizations in the Delivery of Oncology Care in the United States. *J Oncol Pract.* 2018;14(9):525-528. doi:10.1200/JOP.18.00428

[56] Carlisle RP, Flint ND, Hopkins ZH, Eliason MJ, Duffin KC, Secrest AM. Administrative Burden and Costs of Prior Authorizations in a Dermatology Department. *JAMA Dermatol.* 2020;156(10):1074-1078. doi:10.1001/jamadermatol.2020.1852

[57] CMS Interoperability and Prior Authorization Final Rule CMS-0057-F. Centers for Medicare & Medicaid Services. January 17. 2024. https://www.cms.gov/newsroom/fact-sheets/cms-interoperability-and-prior-authorization-final-rule-cms-0057-f

[58] Kyle MA, Song Z. The Consequences and Future of Prior-Authorization Reform. N Engl J Med. 2023 Jul 27;389(4):291-293.

[59] A recent survey denoted that 45% of prior authorizations are done via fax, see: https://www.ama-assn.org/practice-management/prior-authorization/why-end-could-be-near-prior-authorization-faxes#:~:text=A%20recent%20AMA%20survey%2C%20however,phone%20and%2045%25%20via%20fax.

ABUNDANCE INSTITUTE

Improving Government Efficiency with AI Technologies

→ Neil Chilson*

April 9, 2025

* Head of AI Policy, Abundance Institute

Thank you, Chairman Schweikert and members of the Joint Economic Committee, for inviting me to discuss how artificial intelligence and data can enhance government efficiency. I am Neil Chilson, the Head of AI Policy at the Abundance Institute.

The Abundance Institute is a mission-driven nonprofit dedicated to creating the cultural and policy environment necessary for emerging technologies to thrive and drive widespread human prosperity.

The United States currently leads the world in advanced computing technologies commonly called "artificial intelligence." These technologies have the potential to significantly drive economic growth and improve human flourishing nationwide. The private sector is already deploying these technologies to increase efficiency, eliminate fraud, streamline complex processes, and improve quality of interactions with customers. Some forward-looking governments are heavily using AI technologies to improve government services and deploy new ones. For example, Estonia, which has the approximate population of San Antonio, Texas, has deployed over 160 AI projects across diverse areas, including border security, forest management, and public services.[1] Their *Bürokratt* system, a nationwide network of chatbots, provides citizens with information and basic government services directly on public websites.[2]

These benefits can and should be leveraged in the U.S. public sector as well. The U.S. federal government does have many implementations of AI technology, defined broadly. A January 2025 inventory counted 2133 use cases from 41 different agencies.[3] Approximately a quarter of those use cases identify efficiency or a related benefit.[4] Only 86 use cases identify waste, fraud, or abuse or related ideas in a description of

1 *See,* Estonia Ministry of Justice and Digital Affairs, *AI use cases* (visited Apr. 7, 2025), https://www.kratid.ee/en/ai-use-cases.

2 *See,* Estonia Ministry of Justice and Digital Affairs, *The virtual assistant Bürokratt* (visited Apr. 7, 2025), https://www.kratid.ee/en/burokratt.

3 Office of Management and Budget, *2024 Federal Agency AI Use Case Inventory* (visited Apr. 7, 2025), https://github.com/ombegov/2024-Federal-AI-Use-Case-Inventory. *See also,* CIO.gov, *2024 AI Use Case Inventory* (visited Apr. 7, 2025), https://www.cio.gov/policies-and-priorities/Executive-Order-13960-AI-Use-Case-Inventories-Reference/.

4 526 use cases mention "efficiency", "efficient", "reduce time", "speed", "streamline", "automation", "productivity", "fast', or "rapid" in response to the question "What is the intended purpose and expected benefits of the AI?".

the expected benefit.[5] Only 40 of those are currently operating, and a mere seventeen of those in-operation use cases appear intended to directly identify fraud, waste, or abuse, although others contribute indirectly. Of these seventeen systems, five are at the Department of Homeland Security; three are at each of Health and Human Services, Department of Treasury, and Department of Justice; and one each at the Social Security Administration, USAID, and Veterans Affairs. See Appendix A for more details.

In short, while there are many AI projects across the federal government, there remains a significant additional opportunity to take advantage of recently developed artificial intelligence technologies to reduce costs and improve government efficiency.

Key Technologies and Methods in AI and Data Analytics

Since OpenAI released ChatGPT in 2022, artificial intelligence has gained new prominence. Of course, powerful AI and data analysis tools existed before ChatGPT. Many of these technologies, new and old, are already in use across the private sector, and some have found their way into government as well. Yet government services have only begun to explore the full potential of these technologies. Here are some of the kinds of AI-related technologies that could offer substantial benefits:

Predictive analytics uses historical and real-time data combined with statistical algorithms and machine learning to forecast future events and manage risk. By identifying patterns in data, predictive models enable organizations to anticipate problems and optimize decisions before issues occur. For example, retailers use predictive models to anticipate customer demand and thus optimize inventory levels and logistics.[6] Government services with consumer-facing functions could apply insights from predictive analytics to right-size the number of service representatives, for example, on duty at certain times of the month, week, or day.

5 86 use cases mention “waste”, “fraud”, “abuse”, “misuse”, “integrity”, “compliance”, or “accountability” in response to the question “What is the intended purpose and expected benefits of the AI?”.

6 *See,* Michael Hickins, Oracle, *What is Retail Analytics? The Ultimate Guide* (Mar. 17, 2023), https://www.oracle.com/retail/what-is-retail-analytics/.

Anomaly detection uses AI and statistical methods to identify outliers or unusual patterns in data that could indicate errors, fraud, or inefficiencies. Traditional rule-based systems often fail to detect novel or complex fraud schemes and frequently over-scrutinize legitimate transactions ("false positives"). In contrast, modern anomaly detection models quickly identify unusual activities by continuously learning what constitutes 'normal' behavior. You may have experienced the benefits of these systems when your credit card company occasionally texts or calls you after a transaction to ensure that it was a genuine transaction. These methods have been highly successful in the financial industry: for example, HSBC's anomaly detection upgrade helps them find two to four times more financial crime with 60% fewer false positives.[7]

Natural Language Processing (NLP) uses AI to understand and generate human language (text or speech). NLP enables computers to process large volumes of unstructured text data – such as documents, emails, support tickets, or voice transcripts – far faster and more consistently than people. Overall, NLP enhances human capacity by quickly interpreting and analyzing large volumes of text. This improves efficiency (faster processing, less paperwork) and can unveil fraud signals hidden in volumes of text.[8] NLP is also used for customer service and can handle routine inquiries, freeing human agents for complex issues. This can improve the customer experience while providing quicker responses. NLP can also streamline compliance, scanning through legal texts and regulations to ensure company filings or communications comply with required standards and flagging any deviations.

Robotic Process Automation (RPA) uses software "bots" to automate repetitive, rules-based tasks usually done by humans, such as clicking, typing, and copying data. These bots rapidly perform tasks without errors, significantly reducing manual workflow inefficiencies common in finance, operations, and customer service. They are particularly useful for integrating legacy systems. RPA streamlines routine tasks, cutting labor costs, eliminating human error, and improve customer and worker

7 Jennifer Calvery, HSBC, *Harnessing the power of AI to fight financial crime* (Jun. 10, 2024) https://www.hsbc.com/news-and-views/views/hsbc-views/harnessing-the-power-of-ai-to-fight-financial-crime.

8 Petros Boulieris, John Pavlopoulos, *et al., Fraud detection with natural language processing,* 113 Mach. Learn. 5087–5108 (2024), https://doi.org/10.1007/s10994-023-06354-5.

satisfaction.[9] Deloitte reports average efficiency gains of 22-31% from RPA, while reducing processing errors by 20-40%.[10] Companies often integrate RPA with other AI tools for more complex workflows. For example, bots extract data from invoices, while anomaly detection checks for fraud. In government agencies, where legacy paperwork and labor-intensive workflows are common, RPA has huge potential to reduce backlogs in areas like processing benefits or licensing applications.

Graph analytics map relationships between entities, such and customers, suppliers, or contractors. This enables the detection of patterns of abuse or fraud that span many entities in the real world. For example, banks use graph analytics to identify and shut down fraud rings much faster, and insurance companies use graph analytics to uncover networks of staged-accident rings (where multiple claims across different insurers are coordinated by criminals).[11]

Federated learning is a new mode of machine learning that shares patterns in sensitive data without sharing the data itself, making it possible, for example, for banks to catch cross-bank activity without having to share customer data.[12] This enhances financial institutions' ability to identify fraud that spans many institutions without creating new privacy or compliance risks.

These AI technologies are already widely used by businesses. They help improve efficiency, reduce fraud, and deliver better customer service. While each technology is valuable on its own, combining them can solve more complex problems. Government

9 McKinsey, *The value of robotic process automation* (Mar. 1, 2017), https://www.mckinsey.com/industries/financial-services/our-insights/the-value-of-robotic-process-automation.

10 Anastasiia Polner, David Wright, *et al., Automation with intelligence* at 8 (2022), https://www2.deloitte.com/us/en/insights/focus/technology-and-the-future-of-work/intelligent-automation-2022-survey-results.html; Deloitte, *The robots are here: Are you ready?* (visited Apr. 7, 2025), https://www2.deloitte.com/ca/en/pages/consulting/articles/Robots-are-here.html.

11 Todd Blaschka and Gaurav Deshpande, *How the World's Largest Banks Use Advanced Graph Analytics to Fight Fraud* (Jan. 22, 2020), https://www.rtinsights.com/how-the-worlds-largest-banks-use-advanced-graph-analytics-to-fight-fraud/; AWS, *Fraud Graphs on AWS* (visited Apr. 7, 2025), https://aws.amazon.com/neptune/fraud-graphs-on-aws/.

12 Vineet Dave and Arun Santhanagopalan, *Google Cloud and Swift pioneer advanced AI and federated learning tech to help combat payments fraud* (Dec. 10, 2024), https://cloud.google.com/blog/products/identity-security/google-cloud-and-swift-pioneer-advanced-ai-and-federated-learning-tech.

agencies, which often manage large amounts of data, outdated systems, and public-facing services, can greatly benefit from using these tools. The next section provides specific examples of how government agencies might effectively apply AI to improve operations and serve citizens better.

Potential Government Use Cases of AI

Government agencies frequently handle large amounts of data, rely on legacy systems, and provide many public-facing services. As a result, they can significantly benefit from the AI tools described earlier. This section explores two key areas—procurement and contracting, and benefits administration—where government agencies can effectively apply AI to enhance operations and improve citizen services.

Procurement and Contracting

Government procurement and contracting face significant challenges, including cost overruns, fraud, improper payments, bid-rigging, and vendor collusion. They also suffer from repetitive manual tasks, clerical errors, corruption, favoritism, and insufficient transparency.

Data analytics and AI technologies can address these challenges. Predictive analytics can proactively flag high-risk contracts and vendors by analyzing historical patterns *before* any money goes out the door. Anomaly detection can identify irregularities in invoices and payments to prevent improper transactions. Graph analytics can detect collusion by revealing hidden connections between bidders. RPA can speed the procurement process by automating repetitive procurement tasks, such as compiling all received bids into a comparison spreadsheet instantly.

These technologies collectively offer profound improvements in procurement. Fraud detection, streamlined workflows, and automated processes offer substantial cost savings and improve timely project delivery. Implementing these solutions requires upfront investment and training but promises a procurement system that is efficient, effective, and reliable.

Benefits Administration

Benefits administration – managing programs like unemployment insurance, food assistance (SNAP), Medicaid, Social Security, etc. – is another government domain that can reap huge rewards from AI and data analytics. These programs often suffer from fraudulent claims, eligibility errors, and processing backlogs, which lead to both financial losses and delays for legitimate beneficiaries. Here's how the technologies can help.

AI and related technologies offer powerful tools for improving benefits administration. Anomaly detection and predictive analytics can swiftly identify fraudulent or suspicious benefit claims by analyzing patterns such as unusual filing locations or multiple claims from a single address. NLP can efficiently verify applicant documentation, ensuring consistency and authenticity, such as assessing medical evidence against disability claims. RPA can streamline the application process, reducing manual errors and speeding approvals by automating tasks like income verification and reminders. Federated learning can facilitate anti-fraud collaboration across agencies without compromising privacy, detecting multi-agency fraud patterns like shared bank accounts across different states. Finally, predictive analytics allows agencies to forecast caseload trends, optimizing resource allocation and enhancing service delivery.

Adopting these tools in benefits administration means greater program integrity and faster service. Using AI in social service programs could substantially cut the estimated billions in annual improper payments (for example, Medicare and Medicaid combined for an estimated $85 billion in improper payments during 2024[13]) and ensure that public assistance reaches only those who truly qualify. Legitimate beneficiaries could receive quicker approvals and fewer wrongful denials (since AI can reduce human error and bias too), while fraudulent applicants find it much harder to get through the net.

13 U.S. Government Accountability Office, *Improper Payments: Information on Agencies' Fiscal Year 2024 Estimates* at 2 (Mar. 11, 2025), https://www.gao.gov/assets/gao-25-107753.pdf.

Conclusion

Commercial sectors like banking, insurance, and healthcare demonstrate that advanced technologies such as AI analytics effectively reduce waste, prevent fraud, and boost efficiency. Governments face similar challenges—including fraudulent claims, tax evasion, procurement inefficiencies, and bureaucratic delays—and can benefit significantly by adopting predictive analytics, NLP, RPA, federated learning, and graph analytics. Such technologies ensure funds reach intended purposes, improve citizen services through faster processing and transparent operations, and could lead to substantial savings.

Government adoption of these innovations will face challenges. The government will need to update legacy IT systems, safeguard data privacy and security, and address policy considerations like audit standards. Nonetheless, as demonstrated by private sector successes, these technologies offer government agencies powerful tools for stronger oversight, increased efficiency, and better outcomes. Adopting them will greatly benefit American governance—and the people our government serves.

Appendix A

The below content is an excerpt of selected records from the 2024 Federal Agency AI Use Case Inventory as of January 23, 2025. All language used is from the original inventory, including a few typos.

AGENCY	USE CASE NAME	WHAT IS THE INTENDED PURPOSE AND EXPECTED BENEFITS OF THE AI?
DEPARTMENT OF HOMELAND SECURITY	Customs Broker License Exam - Proctor Support	The model supports remote proctoring of the exam and ensure the integrity of the testing process, by ensuring the exam is conducted under secure conditions, preventing cheating or fraud, while also verifying the identity of exam takers to confirm they meet the necessary requirements.
	CBP One	TVS uses facial recognition to compare live or uploaded images with CBP's database, enabling real-time identity verification. This automation streamlines border processes, enhances accuracy, and reduces fraud.
	USCIS Consular Consolidated Database (CCD) Facial Recognition (FR) On Demand Report (VISA Only)	USCIS uses the Facial Recognition (FR) on Demand report (Visa only) to combat fraud by benefit applicants whose fingerprints are not in IDENT but who may have photos in the Department of State's (DoS) Consular Consolidated Database (CCD) that predate the fingerprinting of visa applicants.
	Text Analytics Data Science Sentence Similarity Model	Text Analytics augments the tedious and time-consuming manual process to identify potential fraud, national security, and/or public safety concerns and enables the identification of such concerns across jurisdictional boundaries. It increases the integrity of immigration programs, strengthens officers, confidence in their work, and contributes to the reduction in customer wait times.
	Automated Realtime Global Organization Specialist (ARGOS) for Company Registration Submissions to E-Verify	ARGOS sentiment analysis produces a risk score and keyword extraction identifies the keword category of interest to the VAC MPAs (management and program analyst) for the aggregated open-source information to help quickly identify any pertinent information to aid the MPAs in their open-source investigation of company applications. This saves potentially thousands of MPA man hours in open-source investigation and creates a single source-of-truth for each MPAs investigation of a company application. This, in turn, allows for quicker application processing and, if risk of company fraud exists, much faster referral processing time quickening the next-step referral to FDNS for further investigations.

AGENCY	USE CASE NAME	WHAT IS THE INTENDED PURPOSE AND EXPECTED BENEFITS OF THE AI?
DEPARTMENT OF HEALTH AND HUMAN SERVICES	Enhanced Direct Enrollment Outlier Detection	Enhanced Direct Enrollment (EDE) allows consumers to apply for and enroll in an exchange plan directly through an approved partner, UI, without being redirected through the Healthcare.gov application. These partner systems directly interface with the APIs developed by the FFE. As EDE Partners gain more control over their application process, the FFE must ensure program integrity. Ensure FFE EDE program integrity
	Risk Adjustment Outlier Analysis	The RA program spreads the financial risk borne by Issuers due to offering a variety of plans meeting the need of the diverse population. RA payments are distributed based on population risk levels. The FFE uses a distributed data solution to calculate plan average actuarial risk and associated payments and must avoid potential impacts to annual calculations. Maintain RA Program risk integrity
	Agent/Broker Fraud Analysis	Agent/Brokers (A/Bs) support the consumer enrollment and eligibility process. Because of this, they have learned the intricate details of the FFE for accessing applications, submitting eligibility determinations, and adding enrollments to their line of business, opening up the possibility of fraud. Improves the oversight and integrity of Marketplace Applications and Enrollments assisted by Agents and Brokers. Helps CCIIO identify suspicious behaviors to refer to CPI.
SOCIAL SECURITY ADMINISTRATION	Representative Payee Misuse Model	This AI use case identifies possible representative payee fraud and flags for review. This use case reduces representative payee fraud.
DEPARTMENT OF THE TREASURY	DATA Act Bot for Procurement Data Matching	Purpose: The Digital Accountability and Transparency Act (DATA) Act Bot automates verifying that IRS Federal Procurement Data System (FPDS) reporting matches the information in contract documents (e.g. dollar amounts, dates, location of work). Supervised learning and natural language processing are used to extract unstructured information from contract documents. F1 accuracy scores are used to measure performance of validation models for each specific data element. Benefits: The AI improves operational efficiency by validating consistency and accuracy of contract metadata.

AGENCY	USE CASE NAME	WHAT IS THE INTENDED PURPOSE AND EXPECTED BENEFITS OF THE AI?
DEPARTMENT OF THE TREASURY (CONT'D)	EFTPS Fraud Monitoring	The Electronic Federal Tax Payment System (EFTPS) Fraud Initiative performs fraud detection within the Direct Pay and EFTPS Online payment channels. It supports near-real-time identification, profiling, scoring, and alerting of suspicious transactions and behavior. When user activity is captured, the model compares features of the activity/payment to EFTPS historical data and produces a score based on assessed risk level. This risk score generates an alert in the solution case manager for further review by a fraud analyst. The results of the [human] review could warrant blocking of the user account, monitoring of future activity, or escalation to law enforcement for further investigation.
	Check Fraud Pipeline	Since the dramatic spike in Economic Impact Payments and Advance Child Tax Credit checks, there has been a sharp uptick in U.S. Treasury check fraud. Specifically, fraudsters have been stealing U.S. Treasury checks and altering the names on the checks. The situation is not typically detected until a payee claimed non-receipt to issuing agency (often long after fraud occurred, also after time limits to recover from FI). Additionally, Law Enforcement has been challenged in recovering evidence (e.g., ATM footage) to prosecute, as well as identifying organized fraud at the transactional level. This pilot has enabled the streaming of check images into the payment analytics environment and is leveraging AI/ML to read check image and check settlement data for comparison against check issue data. To date, 30 million check images and settlement transactions have been analyzed identifying 12K fraudulent altered items worth over $100M
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT	DARTS: Accurate, accountable cash transfer data and reconciliation	DARTS: A web app that uses advanced machine learning to enable WFP country offices to ensure accurate, accountable cash transfer data and reconciliation. DARTS (Data Assurance and Reconciliation Tool Simplified) is a user-friendly web app. It enables WFP to implement controls on large cash transfer data and generate reconciliation reports, which is vital in cash assistance programs. This ensures accountability, evaluating efficiency, building trust and ensuring accurate fund distribution. Funded through WFP Innovation Accelerator.
DEPARTMENT OF VETERANS AFFAIRS	Payment Redirect Fraud (PRF) Model	Criminals make direct deposit (DD) changes to steal Veterans benefit payments. Most direct deposit changes are safe, but 1-2 out of 1,000 (.1% - .2%) are fraudulent. The goal of the Payment Redirect Fraud (PRF) model is to identify which DD changes are likely to be fraudulent and refer them to team investigators for review and remediation.

AGENCY	USE CASE NAME	WHAT IS THE INTENDED PURPOSE AND EXPECTED BENEFITS OF THE AI?
DEPARTMENT OF JUSTICE	National Insurance Crime Bureau ISO ClaimSearch	Purpose: The purpose of the AI features in National Insurance Crime Bureau ISO ClaimSearch is to analyze insurance claim data and highlight suspicious patterns or anomalies more efficiently. By applying AI-driven pattern recognition, risk assessment, and anomaly detection, this tool streamlines what would be a lengthy manual review process. This leads to faster fraud identification, more accurate identification of problematic claims, and better resource utilization, ultimately strengthening investigative outcomes. Expected benefits: The expected benefit is more effective resource use, identifying claims that differ from typical patterns.
	Medical Claims Adjudication	Purpose: FBOP uses Quantum Choice to adjudicate medical claims and analyze system data. Expected benefits: Cost savings and increased compliance with billing regulations and contract pricing terms. It also provides data analysis to assist with the FBOP's mission.
	SAS Enterprise Miner - Grant risk assessment model	Purpose: To estimate a financial assistance award & questioned costs during an audit. Expected benefits: Provide auditors with an additional resource in performing risk assessments that assist in the audit selection process. Allowing auditors to focus work on higher-risk grants can allow for the recovery or redirection of misused government funds and improve auditor effectiveness and efficiency.

Hearing before the
Joint Economic Committee
United States Congress



Statement of Andrew Cannarsa
Executive Director
Council of the Inspectors General on Integrity and Efficiency

Reducing Waste, Fraud, and Abuse Through Innovation: How AI and Data Can Improve Government Efficiency

April 9, 2025

Good afternoon, Chairman Schweikert, Ranking Member Hassan, and Members of the Committee. Thank you for inviting me to discuss how technology can improve government efficiency and reduce waste, fraud, and abuse.

I serve as the Executive Director for the Council of the Inspectors General on Integrity and Efficiency, or CIGIE, the membership organization for more than 70 federal IGs. The IG community has a nearly 50-year history of conducting effective government oversight and detecting and preventing waste, fraud, and abuse.

The *Inspector General Act of 1978* established IGs and empowered them to provide independent, objective, and impartial oversight of agency programs and operations.

IGs have a dual reporting responsibility, reporting to both their agency head and to Congress. We have a long-standing relationship with Congress and a shared goal of ensuring that taxpayer dollars are spent wisely and effectively, and that government benefits are administered correctly.

IG findings are based on facts and applicable law and guided by OIG standards. Trained auditors, investigators, inspectors, evaluators, IT specialists, and attorneys work every day to promote efficient and effective government operations. In fiscal year 2024 alone, the IG community collectively totaled over $71 billion in audit and investigative monetary accomplishments, generating a return of about $18 for every $1 invested in OIGs through their appropriations.

For the government to see the full value of this oversight, departments and agencies must take action to resolve OIG recommendations. There are currently over 14,000 unimplemented OIG recommendations—many of them related to improper payments. If implemented, such actions would improve payment integrity across dozens of federal programs.

For example, the Department of Labor OIG identified over $45 billion in potentially fraudulent pandemic unemployment benefits, and the OIG has engaged the Department in resolving these high-risk payments. However, there are still outstanding recommendations in this area.

While all fraud is an improper payment, not all improper payments are fraudulent. There are several other common causes, to include administrative mistakes, recipient self-reporting issues, and policy limitations.

For instance, the Social Security Administration OIG estimated over $7 billion in Supplemental Security Income payment errors because SSA did not follow policies or use all available tools to prevent, detect, and recover overpayments. SSA OIG made several recommendations to reduce and collect the overpayments, but the recommendations have not yet been resolved.

The use of technology is critical to the IG community's oversight work, and IGs have significant experience leveraging data analytics and Artificial Intelligence. While these tools do not replace investigative or audit work, they enhance IGs' ability to identify anomalies for further review.

For example, last year, the Treasury Inspector General for Tax Administration leveraged data analytics to help the IRS prevent $3.5 billion of potentially improper Employee Retention Credits and Sick and Family Leave Credits. TIGTA notified IRS officials of the scheme, who then put controls in place to guard against similar fraudulent claims.

OIGs are also using data-driven insights to prioritize and plan work. The Postal Service OIG uses machine-learning tools to analyze millions of Postal Service customer complaints to recognize trends and identify potential mail delivery or theft issues. And the Office of Personnel Management OIG is using machine-learning capabilities to inform which plans the OIG should audit in the Federal Employee Health Benefits Program.

To continue our effective oversight efforts and improve payment integrity, continued access to agency data and sustained resources to support analytics efforts are critical.

The IG community's top legislative priority is the establishment of a permanent, scalable data analytics platform to aid OIGs in detecting and preventing fraud and improper payments in federal spending. In 2021, Congress provided CIGIE's Pandemic Response Accountability Committee, or the PRAC, with the authority and funding to create and operate a data analytics center—the result was the Pandemic Analytics Center for Excellence, or the PACE.

The PACE has proven to be extremely successful in identifying improper payments and fraud in pandemic programs. In one recent case, the PACE helped an OIG develop risk models to review some 2,400 pension plans, which ultimately led to the recovery of over $165 million in civil settlements. This recovery for taxpayers in just one case far exceeds the $120 million that Congress appropriated for the PRAC to operate for the past five years.

However, with the PRAC scheduled to sunset on September 30, 2025, the IG community urges Congress to sustain the PRAC and the PACE's data analytics capabilities to support OIG oversight efforts. Just last month, the House Committee on Oversight and Government Reform advanced legislation—the FACT Act—to sustain the PRAC and its capabilities, which we support. We look forward to working with Congress on this important reform and ensure the IG community is equipped to both prevent and detect fraud and improper payments with advanced technology and data analytics.

In conclusion, the federal IG community remains committed to conducting effective program oversight, making recommendations that can improve government efficiency, and leveraging analytics and AI-supported tools in its efforts.

Thank you again for inviting me to testify, and I am happy to answer any questions.

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

April 30, 2025

The Honorable Amy Klobuchar
Joint Economic Committee
United States Congress

Subject: "Reducing Waste, Fraud, and Abuse Through Innovation: How AI & Data Can Improve Government Efficiency"— GAO Response to Questions for the Record

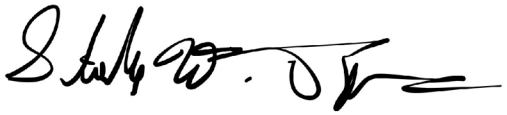
Dear Senator Klobuchar:

Enclosed please find responses to your question for the record from the Joint Economic Committee hearing on April 9, 2025, "*Reducing Waste, Fraud, and Abuse Through Innovation: How AI & Data Can Improve Government Efficiency*."

Thank you for the opportunity to discuss how AI can be used to detect fraud and improper payments in the federal government.

GAO looks forward to continuing to work with you. If you or members of your staff have any questions about our responses, please contact me at (202) 379-4595 or ThomasS2@gao.gov.

Sincerely yours,



Sterling Thomas, PhD
GAO Chief Scientist

Enclosure

Joint Economic Committee

"Reducing Waste, Fraud and Abuse Through Innovation: How AI & Data Can Improve Government Efficiency"

April 9th, 2025

Questions for the Record

Senator Amy Klobuchar

Questions for Dr. Sterling Thomas, Chief Scientist, Government Accountability Office

For years we have been using data to try and catch improper government payments—whether it's duplicate checks, wrong amounts, or payments to people who aren't eligible. But those payments have still gone up overall, even with tools like the "Do Not Pay" initiative. More recently, the Treasury Department has started using machine learning to identify fraud more quickly and recover billions.

- Where have you seen the most success in using artificial intelligence to reduce these kinds of mistakes?

  The federal government does not yet have widespread use of AI for detecting improper payments. We've noted progress in some areas of improper payments and fraud. In June 2023, we identified common strategies used by agencies to reduce estimated improper payments (in 19 programs reporting reductions comparing FY 2017 to FY 2022), including the use of technology, tools, and training targeted to root causes. For example, the Federal Communications Commission uses the National Verifier system to address program integrity issues. The system uses a combination of automated and manual processes to verify eligibility and avoid duplicate enrollments. But fraud is ever evolving and facilitated by advances in technology. AI is another technology that agencies could deploy to help combat fraud and improper payments. As I said in my written statement, its use requires sufficient high-quality data, an understanding of risks, and staff with knowledge of how to use AI. Often, fraudsters can pick up tools like AI faster than government can, but better preparation by agencies can help.

- How much more effectively can we detect fraud with the help of artificial intelligence tools?

  The federal government does not have widespread use of AI for fraud detection yet, but machine learning and predictive analytics for fraud detection is growing, and GAO has made recommendations to numerous agencies to enhance these efforts. Furthermore, as noted in my written statement, AI and other innovative technologies have the potential to enhance efforts to combat fraud and improper payments. However, these tools require high-quality data and an AI-ready workforce. Future GAO work on this topic includes an ongoing review of efforts by the Centers for Medicare & Medicaid Services to use data analytics, including the Fraud Prevention System, to identify and mitigate Medicare fraud.

COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

May 16, 2025

The Honorable David Schweikert, Chairman
Joint Economic Committee
United States Congress
Washington, DC 20510

Dear Chairman Schweikert,

Thank you for the opportunity to testify at the Committee's hearing on April 9, 2025, "Reducing Waste, Fraud, and Abuse Through Innovation: How AI and Data Can Improve Government Efficiency." Today I am enclosing a response to an additional Question for the Record directed to me after the hearing.

I look forward to continued dialogue with you about the Federal Inspector General community and its efforts to improve government efficiency and detect and prevent waste, fraud, and abuse. If you have any questions, please feel free to contact me at 202-292-2603, or your staff may contact Juan Lara at juan.lara@cigie.gov.

Sincerely,

Andrew Cannarsa

Andrew M. Cannarsa
Executive Director

Question for Andrew M. Cannarsa
Executive Director, Council of the Inspectors General on Integrity and Efficiency

April 9, 2025: Joint Economic Committee hearing titled, "Reducing Waste, Fraud, and Abuse Through Innovation: How AI and Data Can Improve Government Efficiency"

Question from Senator Amy Klobuchar

The Department of Government Efficiency (DOGE) is reportedly encouraging aggressive implementation of artificial intelligence tools at the Social Security Administration and the Treasury Department to reduce costs and reduce instances of fraud.

How should we be evaluating whether these artificial intelligence tools are being deployed responsibly—especially under pressure from internal mandates or political priorities?

Thank you for the question and the opportunity to respond. Federal Offices of Inspectors General (OIGs) have the statutory responsibility to evaluate how agencies administer programs and operations, in accordance with existing federal laws, guidance, policies, and procedures, and according to OIG auditing and evaluation standards. As lawmakers and agencies develop laws and regulations related to artificial intelligence (AI) tools and practices, it will be critical for OIGs to establish a proper framework for evaluating agency use of AI against said laws and regulations.

To support AI-related oversight efforts, the Council of the Inspectors General on Integrity and Efficiency Technology Committee has established an AI working group, comprised of OIG technology professionals. The working group is focused on educating the OIG community on AI, equipping OIG auditors and investigators with the knowledge and tools to conduct effective oversight of agency use of AI, and considering how OIGs themselves might use AI to support their own operations.

In all cases, it is critical that agencies have strong data governance and internal controls that restrict access to sensitive agency data and information, to prevent unauthorized access to that data and information, whether it is via direct search/navigation or via AI. OIGs regularly review agency information security programs, to include internal controls, through annual *Federal Information Security Modernization Act* audits, so we could expect that issues related to agency data/information access would be identified in these audits. As AI technology advances and is increasingly adopted, OIGs will need to develop post-deployment monitoring strategies and oversee how agencies adapt to new information and data sources.

Congress of the United States
Washington, DC 20515

April 16, 2025

The Honorable Russell Vought
Director
Office of Management and Budget
725 17th St, NW
Washington, DC 20503

Dear Director Vought:

We write to express concern about the use of artificial intelligence (AI) systems within this Administration's "Department of Government Efficiency" (DOGE), without standards or regard for sensitive data. We understand AI's potential for modernization and efficiency improvements within the federal government, and support implementation of AI technologies in a manner that complies with existing data security and software development, acquisition, and usage laws, and that provides proper transparency, vetting, and oversight over the use of such AI technologies. We are specifically concerned about reports of Elon Musk and DOGE's monitoring and sharing of federal employee and non-public federal data using AI tools, and reports of intentions to use sensitive data to train private AI models. These present serious security risks, self-dealing, and potential criminal liability if not handled correctly, and have the potential to undermine successful and appropriate AI adoption.

A DOGE staffer who is also currently employed at SpaceX reportedly created an "AI assistant" for DOGE staff, powered by Musk's xAI Grok-2 model—this model was hosted on a subdomain of the staffer's external website, raising both security concerns and conflict of interest issues.[1] In addition to privacy and security concerns, Musk stands to profit from access to government data or contracting opportunities that are not available to competitors or the public.[2] Increased access to sensitive government data would set his AI models at an unfair competitive advantage over other AI service providers—the conflicts of interest become exponentially worse if Musk pursues further contracts to become a major provider of government AI services.

Further, DOGE reportedly used a chatbot named "GSAi" based on Anthropic and Meta models with the stated intent of analyzing contract and procurement data via a centralized system consolidated under GSA, which would pose similar security and conflict of interest problems.[3] Giving Musk's teams access to sensitive government data on other contracts across the federal government is especially problematic when considering Musk's business interests with SpaceX

[1] Rollet, Charles and Zack Whittaker, "Elon Musk staffer created a DOGE AI assistant for making government 'less dumb'," *TechCrunch*, February 18, 2025.
[2] Stone, Peter, "Elon Musk's Conflicts of Interest 'Should Scare Every American.'" *The Guardian*, February 27, 2025.
[3] Kelly, Makena and Zoë Schiffer, "DOGE Has Deployed Its GSAi Custom Chatbot for 1,500 Federal Workers," *Wired,* March 7, 2025.

—already a major government contractor—as well as with SpaceX subsidiary Starlink, Tesla, and elsewhere.[4,5]

In addition, DOGE's reported use of AI technologies on sensitive information raises significant concerns about data security. Musk's DOGE team at the Office of Personnel Management reportedly used AI systems to analyze emails from a large portion of the two million person federal workforce describing their previous week's accomplishments—without model transparency and without addressing major concerns about security or conflicts of interest.[6] Alarmingly, sensitive data from across the Department of Education was also reportedly fed into an AI system, including data with personally identifiable information for people who manage grants, as well as sensitive internal financial data.[7] Without proper protections, feeding sensitive data into an AI system puts it into the possession of a system's operator—a massive breach of public and employee trust and an increase in cybersecurity risks surrounding that data. Generative AI models also frequently make errors and show significant biases—the technology simply is not ready for use in high-risk decision-making without proper vetting, transparency, oversight, and guardrails in place.

Sharing of such data would constitute a major data privacy and data security risk. Specifically, we are concerned that sharing such data outside of federal systems or lawfully vetted contracts may run in violation of laws such as the Privacy Act of 1974, the E-Government Act of 2002, and the Federal Information Security Modernization Act of 2014.[8] These laws set requirements for the federal government's collection and use of personal information and sensitive data—including through establishing limits on agency information sharing, and requirements for data minimization, disclosure limitations, cybersecurity, transparency, and privacy impact assessments for developing or procuring information technology. In addition, the federal government is legally obligated to comply with codified requirements for vetting software and cloud products and services across the federal government, through programs such as the Federal Risk and Authorization Management Program (FedRAMP).[9]

In 2023, OMB established memoranda to help implement requirements to vet and approve AI technologies for federal use, such as OMB memoranda M-24-10 and M-24-18, which directed federal agencies to use AI only after developing tests and guidelines to ensure that its use would not compromise privacy and cybersecurity.[10,11,12] These memoranda recognized the sensitive nature of the information the federal government handles every day and the significant privacy

---

[4] Swan, Jonathan, Theodore Schleifer, Maggie Haberman, Kate Conger, Ryan Mac, & Madeleine Ngo, "Inside Musk's Aggressive Incursion Into the Federal Government," *New York Times,* February 3, 2025.
[5] Koebler, Jason, Joseph Cox, & Emanuel Maiberg, "'Things Are Going to Get Intense:' How a Musk Ally Plans to Push AI on the Government," *404 Media*, February 4, 2025.
[6] Smith, Alan, "HHS warns employees that responses to Elon Musk's request may 'be read by malign foreign actors'," *NBC News*, 24 February 2025.
[7] Natanson, Hannah, Gerrit De Vynck, Elizabeth Dwoskin & Danielle Douglas-Gabriel, "Elon Musk's DOGE is feeding sensitive federal data into AI to target cuts," *Washington Post*, February 6, 2025.
[8] Pub. L. No. 93-579; Pub. L. No. 107-347; Pub. L. No. 107-347.
[9] Pub. L. No. 117-263.
[10] Executive Office of the President, Joseph R. Biden Jr., "Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence," November 11, 2023.
[11] Office of Management and Budget, Shalanda Young, "M-24-10," March 28, 2024.
[12] Office of Management and Budget, Shalanda Young, "M-24-18," October 3, 2024.

risks of using unvetted AI technologies on such information—including the risk of sharing personally identifiable or otherwise sensitive information with the AI model deployers. While these memoranda were recently revised through OMB's M-25-21 and M-25-22, the new memoranda retain some provisions on data security and data privacy, including calls against using non-public data for training commercial AI models.[13] These memoranda also define employment decisions for federal employees as a high-impact AI use application.

It is clear that DOGE's use of AI clearly does not meet the standards the previous memoranda set. Worse, existing AI systems like CamoGPT have been used in the misguided purging of federal materials from references to achievements of Americans of color and women, including the Navajo Code Talkers and the Tuskegee Airmen.[14,15,16] It is not clear how the use of CamoGPT meets the Congressional authorization for AI usage provided in the 2021 National Defense Authorization Act, but it is alarming that the result of such usage by this Administration was referred to as an error—raising questions about the appropriateness of and lack of sufficient oversight of its use.

While we support the federal government integrating new, approved AI technologies that can improve efficiency or efficacy, we cannot sacrifice security, privacy, and appropriate use standards when interacting with federal data. We also cannot condone use of AI systems, often known for hallucinations and bias, in decisions regarding termination of federal employment or federal funding without sufficient transparency and oversight of those models—the risk of losing talent and critical research because of flawed technology or flawed uses of such technology is simply too high. We ask that you immediately terminate any use of AI systems that have not been approved by FedRAMP or equivalent formal approval procedures or that do not comply with existing laws. In addition, we ask that you do not use any AI system to make employment termination decisions relating to civil servants.

It is important to understand the extent to which this administration's reckless disregard for legal authorities and necessary security protocols has extended into use of AI systems. Thoughtful adoption of AI is of strategic national importance. Please provide responses to the following questions by no later than April 25, 2025:

1. Has DOGE or the Trump Administration used AI technologies powered by xAI's models?

2. What new AI software has been deployed and used by this Administration that was not used by a previous administration? Provide a list.
    a. Include whether each is on the CISA or DISA authorized technologies list or FedRAMP approved services list, and the date such technology or service was added.

---

[13] Office of Management and Budget, Russell T. Vought, "M-25-21," April 3, 2025; Office of Management and Budget, Russell T. Vought, "M-25-22," April 3, 2025.
[14] Tang, Terry, "Pentagon restores histories of Navajo Code Talkers, other Native veterans after public outcry," *Associated Press,* March 19, 2025.
[15] Keller, Jared, "The US Army Is Using 'CamoGPT' to Purge DEI From Training Materials," *Wired,* March 6, 2025.
[16] Baldor, Lolita C. and Tara Cropp, "Military Ordered to Purge Social Media Sites of Diversity Mentions by March 5," *Military.com,* February 27, 2025.

   b. Include how this Administration's use of each of such technologies is in compliance with laws such as the Privacy Act of 1974, the E-Government Act of 2002, and the Federal Information Security Modernization Act of 2014.

3. Of the models used in the past two months, who has access to the information submitted to such models and how is oversight being conducted?
   a. Please provide the level of clearance, authorization, and training they have received.
   b. Please provide whether they are a special government employee or what category of employee they are.

4. Have the "Grok" models used or the AI technologies used in "GSAi" gone through a federal procurement process prior to use?
   a. Describe the process such technologies were subject to, and provide documentation.

5. As many AI deployers collect information on the prompts input into their AI models, and use those prompts and their inferences to train their models, how are you ensuring that no deployers of any AI technologies that DOGE or the Trump Administration may use engage in this practice?

6. Has DOGE or the Trump Administration to date used any AI technology to make or recommend an employment decision about a federal employee?
   a. If so, which technologies has the Department or Administration used?
   b. If so, how many federal employees did the Department or Administration use AI technology to make or recommend an employment decision about?

7. Has DOGE or the Trump Administration to date used any AI technology to make or recommend a decision regarding a contract or federal funding?
   a. If so, which contracts and/or which funding? Please provide the search query and rationale for the decision.

8. Have Musk or DOGE employees used government datasets that are not publicly accessible in the training of any non-Federal AI technologies, including for any "Grok" models?

9. Has DOGE or the Trump Administration to date shared any government datasets that are not publicly accessible with any services, sites, or actors that are not approved by FedRAMP or in a way that is not in compliance with the Privacy Act of 1974, the E-Government Act of 2002, the Federal Information Security Modernization Act of 2014, or any other relevant laws governing data security?
   a. If so, which data or datasets? Provide a list containing the following:
      i. The name, agency or department of origin, and a timespan of the information covered in the dataset;
      ii. A description of the static or dynamic data sources and scope of the data accessed for the analyses performed; and

iii. A description of the content of the data accessed, including data types and known features. This should include identification of any metadata collected (such as associated users, IP addresses, locations, or timestamps).

10. Do any DOGE servers or websites incorporate AI technologies not previously approved under the requirements set by M-24-10 or M-24-18, or agency guidance in compliance with those memoranda, or not on the CISA or DISA authorized technologies list or FedRAMP approved services list? If so, provide a list.

11. What steps has the Trump Administration taken to ensure that Musk and all DOGE employees are not using their federal government role to enrich themselves personally or the companies in which they hold ownership or maintain affiliation, including through sharing of data?

Sincerely,

Donald S. Beyer Jr.
Member of Congress

Mike Levin
Member of Congress

Melanie Stansbury
Member of Congress

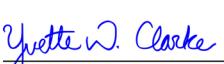
Gerald E. Connolly
Member of Congress

Zoe Lofgren
Member of Congress

Pramila Jayapal
Member of Congress

Doris Matsui
Member of Congress

Suzanne Bonamici
Member of Congress



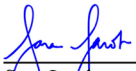
Yvette D. Clarke
Member of Congress



Bill Foster
Member of Congress



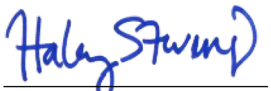
Valerie P. Foushee
Member of Congress



Sara Jacobs
Member of Congress



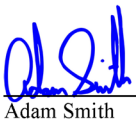
Brittany Pettersen
Member of Congress



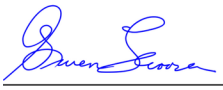
Haley M. Stevens
Member of Congress



Rick Larsen
Member of Congress



Adam Smith
Member of Congress



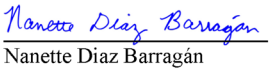
Gwen S. Moore
Member of Congress



Dave Min
Member of Congress



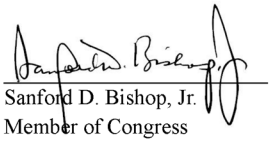
Henry C. "Hank" Johnson, Jr.
Member of Congress



Nanette Diaz Barragán
Member of Congress



LaMonica McIver
Member of Congress



Sanford D. Bishop, Jr.
Member of Congress



Paul D. Tonko
Member of Congress



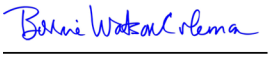
Linda T. Sánchez
Member of Congress



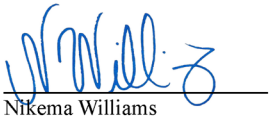
Danny K. Davis
Member of Congress



Kim Schrier, M.D.
Member of Congress



Bonnie Watson Coleman
Member of Congress



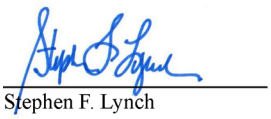
Nikema Williams
Member of Congress



Shontel M. Brown
Member of Congress



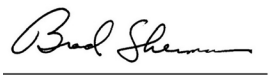
James P. McGovern
Member of Congress



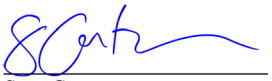
Stephen F. Lynch
Member of Congress



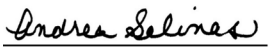
Suhas Subramanyam
Member of Congress



Brad Sherman
Member of Congress



Sean Casten
Member of Congress



Andrea Salinas
Member of Congress



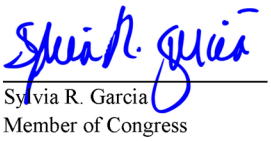
Suzan K. DelBene
Member of Congress



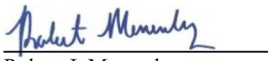
Chrissy Houlahan
Member of Congress



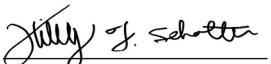
Betty McCollum
Member of Congress



Sylvia R. Garcia
Member of Congress



Robert J. Menendez
Member of Congress



Hillary J. Scholten
Member of Congress



Greg Casar
Member of Congress



Jared Huffman
Member of Congress



Gabe Amo
Member of Congress

Mark DeSaulnier
Member of Congress

Juan Vargas
Member of Congress

Nydia M. Velázquez
Member of Congress

Bradley Scott Schneider
Member of Congress

CC:

Ms. Amy Gleason
Acting Administrator
"Department of Government Efficiency"
Eisenhower Executive Office Building
1650 Pennsylvania Avenue, NW
Washington, DC 20502

The Honorable Michael Kratsios
Director
Office of Science and Technology Policy
Eisenhower Executive Office Building
1650 Pennsylvania Avenue, NW
Washington, DC 20502

The Honorable Stephen Ehikian
Deputy Administrator and Acting Administrator
General Services Administration
1800 F Street, NW
Washington, DC 20405

○