The Daily Dish

DOGE and Medicare

DOUGLAS HOLTZ-EAKIN | APRIL 30, 2025

When the Department of Government Efficiency (DOGE) transformed itself from outside-ideas source (i.e., think tank) to slash-and-burn human resources department to actual efficiency effort, Eakinomics kept waiting for the effort to home in on Medicare. First of all, that is where the money is – more than $800 billion in federal spending in fiscal 2024.

Second, Medicare has a long and troubled history of payment problems. In order to pacify the opposition of the American Medical Association, at the beginning Medicare dedicated itself to the prompt payment of providers in the original fee-for-service (FFS) program. The basic strategy was referred to as "pay-and-chase." In this system, payments were made promptly and then scrutinized for their legitimacy and accuracy.

It was not a great system, but it survived any number of supposed reform efforts. It was not until 2019 that Medicare dropped the pay-and-chase approach:

> *"While CMS regularly implements GAO recommendations, sometimes we lack the tools or capabilities to integrate worthy suggestions," the agency said in a blog post, citing as an example provisions in law that limit its ability to go after fraud and waste in its fee for service program. Also, the growing complexity of programs such as Medicare Advantage have brought "new challenges in identifying improper payments, beneficiary safety and quality issues, and other program integrity concerns.*

The data below are from the Centers for Medicare and Medicaid Services and show the "improper payment rates" (IPRs) in FFS, the Medicare Advantage program, and the Part D prescription drug program. Notice that "improper" is not the same as fraud or waste. A payment can be improper because it is too large, too small, or not adequately documented, for example. Nevertheless, they are suggestive of the degree to which Medicare spending can be reduced without touching benefits.

Year	FFS	MA	Part D
2014	12.70%	4.19%	1.32%
2015	12.09%	2.47%	0.51%
2016	11.00%	1.37%	0.06%
2017	9.51%	1.33%	0.08%
2018	8.12%	0.55%	0.93%
2019	7.25%	3.18%	0.98%
2020	6.27%	4.44%	1.45%
2021	6.26%	4.62%	1.46%
2022	7.46%	4.51%	2.62%
2023	7.38%	–	–
2024	7.66%	–	–

There are two interesting patterns in the data. First, FFS has a much higher IPR than the other programs. Second, there is not much of a change in IPRs before or after the 2019 regime change. This seems to suggest there was still room for DOGE to provide some efficiency improvements in Medicare payments administration.

The DOGE non-attention reflects the overall directive from the president that Congress does not touch Medicare (or Social Security). The administration is seemingly dead-set on not accomplishing anything to meaningfully improve the federal budget outlook.