

For Immediate Release

Thursday, December 20, 2007

Staff Contacts:

Carol Guthrie (Baucus) 202/224-4515

Jill Gerber (Grassley) 202/224-4515

Steven Broderick (Rockefeller) 202/224-6101

Finance leaders demand CMS fix serious and systemic contracting deficiencies that led to millions in questionable payments

New GAO report identifies major structural problems in CMS contracting program, through which agency spent \$3.8 billion in 2006

Washington, D.C. — Senate Finance Committee Chairman Max Baucus (D-Mont.), Finance Ranking Member Chuck Grassley (R-Iowa) and Health Subcommittee Chairman Jay Rockefeller (D-W.Va.) today urged the Centers for Medicare and Medicaid Services (CMS) to correct the major structural deficiencies that impact its contracting program based on the findings of a newly released report of the Government Accountability Office (GAO).

The GAO report released today focuses on the \$1 billion spent by CMS to initially implement the Part D Medicare prescription drug benefit created in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. The report's findings about contracting problems within CMS generally include the following.

- CMS made nearly \$90 million in questionable payments to a number of contractors as a result of systemic internal control problems. The \$90 million is 15 percent of the \$600 million in payments reviewed in detail by the GAO in this report.
- Total contract awards increased from \$1.9 billion in 1997 to about \$3.8 billion in 2006, or 103 percent. CMS oversight resources increased from 79 full-time employees in 1997 to 88 full-time employees in 2006, or 11 percent.
- CMS does not have sufficient procedures in place to ensure that its contracting oversight responsibilities are fulfilled.

“Every government agency should be vigilant about contracting rules, but it is particularly important for CMS because it was entrusted by Congress with money from the Medicare trust funds. Congress provided CMS \$1 billion to implement the Medicare drug benefit so those on Medicare could afford the prescription drugs they need. CMS did not spend this money wisely and responsibly, and so CMS failed to ensure the best service to America’s seniors,” said Baucus. “The questionable payments and lack of accountability described in this report are alarming and intolerable. CMS must act quickly to implement all of GAO’s recommendations to regain control over waste in the contracting process.”

--more--

“This new review is important because it reveals systemic internal control problems that go beyond the launch of the Medicare prescription drug program,” Grassley said. “It’s a wake-up call for the Centers for Medicare and Medicaid Services and for Congress, as it oversees the expenditure of taxpayer dollars. The amount of money flowing to contractors for Part D and Medicare generally has increased exponentially, and the agency charged with administering Medicare needs to beef up its controls, in turn. Every tax dollar lost or wasted is a dollar that doesn’t help Medicare beneficiaries. The new Part D drug benefit is an important and valuable addition to the Medicare program, bringing it up-to-date for the needs of seniors and the way that medicine is practiced today, as compared to the way things were done when Medicare was created in 1965. Logistically, the rollout of the Part D program was a huge operation that had to happen in a short period of time. Separate from the contracting issues in this report, there were early implementation problems, but CMS ultimately did a good job in getting Part D off the ground. Going forward, the new recommendations from the Government Accountability Office need to be implemented immediately. There’s no excuse for continued questionable and improper payments to contractors for Part D or other Medicare-related spending.”

“This report confirms some of my worst fears that taxpayer money was going to be used to boost the bottom lines of some private contractors, and not benefit our nation’s seniors,” said Rockefeller. “Now we learn that tens of millions of dollars from the Medicare Trust Fund, that could have been used to improve benefits or lower the cost of life-saving drugs, has been misspent. This is a clear violation of the public trust and needs to be addressed quickly, so that taxpayers who contribute their hard-earned wages to the trust fund have the confidence to know that CMS is using their money wisely.”

The questionable payments in the new report consist of reimbursements of costs that do not comply with contract terms and regulations, unsupported contracting costs, and payments that GAO labeled as potentially wasteful. To resolve the internal issues responsible for these deficiencies, GAO suggests that CMS develop standard contractor review policies, give staff sufficient training in those policies and develop a plan that will lessen the backlog of contracts awaiting closeout, among other recommendations. The GAO issued the report in response to a request from Senators Baucus, Grassley, Rockefeller and Hatch that it look into how CMS used the \$1 billion appropriation, whether CMS’s contracting practices and related internal controls were adequate to avoid waste and to detect improper payments, and whether payments to contractors were a valid use of government funds.

The GAO report is available at www.gao.gov. It is GAO-08-54, titled “Internal Control Deficiencies Resulted in Millions of Dollars of Questionable Contract Payments.” Baucus and Grassley were co-authors of the Senate version of the MMA and leading negotiators for the final legislative proposal that the President signed into law in December 2003.

###