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Grassley follows up on IG findings about CMS involvement in offline purchases

WASHINGTON — Sen. Chuck Grassley is asking the head of the Centers for Medicare and Medicaid Services (CMS) to explain the role played by an agency employee in authorizing inappropriate expenditures made by the Iowa Foundation for Medical Care and what the consequences have been for that CMS employee.

The Iowa Foundation for Medical Care is a contractor retained by the federal government to monitor and improve the quality of care provided to Medicare beneficiaries. In a report issued two months ago, the Inspector General for the Department of Health and Human Services said that \$55,000 worth of electronics equipment was purchased without proper authorization by the Iowa Foundation for Medical Care for use by CMS officials and contractors at the direction of a CMS official.

“That CMS official needs to be held accountable for unauthorized expenditures, and CMS needs to make sure the problem isn’t bigger than this one case and one employee,” Grassley said.

The text of Grassley’s letter to the Acting Administrator at CMS follows below. Grassley has conducted a broad-based review of expenditures by Quality Improvement Organizations like the Iowa Foundation for Medical Care over the last two years.

December 10, 2007

Kerry Weems
Acting Administrator
Centers for Medicare and Medicaid Services
Department of Health and Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

Dear Acting Administrator Weems:

The United States Senate Committee on Finance (Committee) has jurisdiction over, among other things, the Medicare and Medicaid programs. As Ranking Member of the Committee, I have a responsibility to protect these programs and the more than 80 million beneficiaries who receive health care through them. This includes oversight of the Quality Improvement Organizations, which are supposed to ensure medical care is reasonable and medically necessary, provided in the most economical setting, and meets professionally recognized standards.

On December 19, 2005, I asked the Department of Health and Human Services' Office of Inspector General (OIG / HHS OIG) to assess the beneficiary complaints system and fiscal integrity of the Quality Improvement Organizations (QIO). I also asked the OIG, as part of its assessment, to review questionable equipment and administrative charges at the organizations it visited. Subsequently, on July 27, 2006, I wrote to the Centers for Medicare and Medicaid Services (CMS) concerning information indicating possible misuse of federal funds by one or more of the QIOs related to the purchase of mobile phone handsets and related service contracts.

It had been reported that the CMS employees received top-of-the-line mobile phones bought by QIOs and paid for with Medicare dollars. These reports followed on the heels of my concerns over QIOs using Medicare dollars to provide its management with exorbitant salaries, conferences at lavish resorts, and other misuses of taxpayer dollars.

On October 11, 2006, I received a response to my July 27, 2006 letter to then-Administrator Mark McClellan. In this letter, Dr. McClellan indicated that the Iowa QIO, the Iowa Foundation for Medical Care (IFMC), had entered into an agreement to provide CMS staff with cell phones, and that the costs associated with these agreements totaled \$8,230.21 for 2004-2006, with all services ending on January 31, 2006. This letter indicated that these costs were associated with IFMC's role as the Standard Data Processing System contractor for the QIO program as a whole, rather than with their contract as a QIO.

Then on October 15, 2007, I received a final HHS OIG report on IFMC, which was done in response to my December 19, 2005 letter. For the period of February 1, 2003, through January 31, 2006, IFMC received \$108.6 million in Federal reimbursement. The OIG reviewed \$10.3 million of these monies, finding that, of this amount, IFMC incurred \$208,974 of costs that were unallowable and \$530,822 that may not have complied with Federal requirements. Of the costs that were not allowable, I was especially interested in \$83,711 in equipment, property, and services purchased for CMS officials and CMS contractors.

The OIG found that IFMC purchased equipment for the use of CMS officials and contractors, including \$55,852 for video conferencing equipment and installation at five CMS offices, \$17,755 for at least 23 cellular phones and 2 personal digital assistants, and \$10,104 for five laptop computers and related accessories. This equipment was charged to the QIO contract, intended for use by CMS officials and contractors, and some of the items were physically located at CMS offices. The OIG also found that these costs were not incurred specifically for the QIO contract, did not benefit the QIO contract, and were not necessary to the overall operation of IFMC as a QIO. I understand that these purchases were directed by one, specific CMS official. It is also my understanding that, when the OIG informed CMS that its employees and contractors

were directing the QIO to purchase equipment for CMS use, CMS simply directed IFMC to stop its provision of service on the cellular phones.

As the Acting Administrator of CMS, I am sure you share my concerns over the proper management of quality improvement organizations. To this end, please explain your understanding of what has happened at IFMC and whether these problems are an aberration, or are symptoms of a larger problem. Specifically, please respond to the following questions:

1. Is it the policy of CMS to direct QIOs to purchase equipment for use by CMS employees? If so, upon what authority is this policy based? Please provide details of any purchases by a QIO for equipment used by one or more CMS employees or CMS contractors, including but not limited to the item purchased, the cost and date of the purchase, the individual who directed the purchase, and the QIO that made the purchase. The scope of this question is not limited to the Iowa QIO and is for the period of October 1, 2004 to the present.
2. CMS's October 11, 2006 letter stated that IFMC purchased cell phones and cell phone service for CMS employees and contractors through their Standard Data Processing System contract, rather than their QIO contract. The CMS letter also stated that these costs totaled \$8,230.21 from 2004 to 2006. In contrast, the HHS OIG's report found that the IFMC in fact incurred these costs under their QIO contract and paid for them with Medicare dollars, and that the total for 2004-2006 was in fact \$17,755, not \$8,230.21. Can you please explain these discrepancies in detail?
3. The HHS OIG also found that IFMC purchased video conferencing equipment, laptop computers, and related accessories for CMS employees and contractors under its QIO contract. The video conferencing equipment, which was kept at CMS offices, cost \$55,852, and the laptop computers and related accessories cost \$10,104. Please state whether or not this equipment was provided to CMS employees and contractors by IFMC. If so, where is this equipment now?
4. I understand that the purchases described above were done at the direction of one particular CMS employee. It is my further understanding that this individual lacked the authority to direct these purchases. Accordingly, I would appreciate knowing whether or not CMS conducted an internal investigation to determine whether or not other purchases were made by other QIOs at the direction of the CMS individual in question or improperly by any other CMS employees.
5. For the CMS employee who directed the improper purchase of computer, telephone and other equipment by IFMC, please set forth his title at the time of the purchases, his current title if different, and address whether or not this employee directed other QIOs to purchase to make other such purchases. In addition please describe what action if any was initiated against this CMS employee.

I look forward to your prompt response by no later than December 21, 2007.

Sincerely,
Charles E. Grassley
Ranking Member