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Sens. Baucus, Carper, McCaskill Call for Additional Oversight After the HHS Inspector General Examines Potential Conflicts of Interest Among Medicare Contractors

Report Finds Medicare Officials Need Additional Measures to Ensure Conflicts of Interest do not Affect Efforts to Reduce Improper Payments; Investigation Result of Senators' 2011 Request

WASHINGTON – Today, Sens. Max Baucus (D-Mont.), Tom Carper (D-Del.), and Claire McCaskill (D-Mo.) highlighted the results of a recent report that examines how Medicare officials' address potential conflicts of interests among the private-sector contractors that perform most of the payment, administration and oversight functions of Medicare. The U.S. Department of Health and Human Services (HHS) Inspector General report, which is the result of a year-long analysis requested by the Senators, found that while the Centers for Medicare and Medicaid Services (CMS) is taking several substantive steps to reduce conflicts of interests that could lead to oversights and overpayments among the private-sector Medicare contractors, more work remains to reduce potential conflicts of interest and ensure the integrity of the Medicare payment program.

In 2011, a congressional survey of contractors within the Medicare program revealed several examples of potential conflicts that raise concerns about the integrity of the Medicare program. The survey examined the Medicare contractor hired by CMS that handle Medicare reimbursements, called Medicare Administrative Contractors. Some of these Medicare reimbursement contractors have financial relationships with CMS-contracted Zone Program integrity Contractors, which perform oversight on the work of the Medicare Administrative Contractors. Also, some of these oversight contractors have financial relationships with Medicare providers. In response to these concerns, the Senators requested that the HHS Inspector General conduct a review of relevant contracts to ensure compliance with federal regulations.

Through its review released today, the Inspector General found that CMS did not have an adequate conflict of interest policy in place, which is standard practice among federal agencies. Many contractors' bids contained incomplete or inconsistent information, with some contractor bids failing to provide all relevant and required information regarding financial interests with other contractors. As a result of the Inspector General's review, CMS has improved its contractor bids review process, requiring contractors to provide more complete conflict of interest documents and information, as well as more consistent bid reviews. Additionally, the agency will implement its first written conflict of interest policy.

"Medicare is vital to millions of Americans and it must be protected. Every effort must be made to fight Medicare fraud and abuse. We can start by ensuring the contracting process is both transparent and accountable," said Sen. Baucus. "Requiring more complete information will allow us to thoroughly review conflicts among contractors paying Medicare claims as well as their corporate entities. This greater transparency will ensure that taxpayer dollars are not wasted because contractors provided Medicare with incomplete and inaccurate information."

"Last year my colleagues and I urged the Inspector General to examine this issue after our own initial analysis revealed a disturbing potential for conflicts of interest to exist among the private-sector contractors hired by Medicare to protect the integrity of Medicare payments and identify instances of waste, fraud, and abuse," said Sen. Carper. "The resulting report from the Inspector General shows that Medicare officials are already taking some important steps to ensure that their contractors avoid financial conflicts of interest, while identifying some additional measures that can further strengthen the integrity of the contractor program."

"According to the Government Accountability Office, Medicare has long been vulnerable to instances of waste and fraud, making this effort to eliminate potential conflicts of interest all the more critical because these private-sector contractors perform many of the key payment, oversight, and other administrative functions in Medicare," continued Sen. Carper. "As a key tool in our ongoing efforts to improve efficiency and effectiveness in Medicare, we need to ensure that these private-sector contractors are free of any conflicts of interest that could compromise their ability to perform their duties. I will work closely with my colleagues and the Administration to ensure that Medicare officials continue their efforts to eliminate potential conflicts of interests among private contractors, including implementing the Inspector General's suggestions so that we can be confident that taxpayer dollars are being spent responsibly."

"We need to keep our promise to seniors—and part of keeping that promise is ensuring that resources going to Medicare aren't mismanaged along the way," said McCaskill. "The Inspector General successfully identified changes that will strengthen protections for our seniors and better safeguard taxpayer dollars, and now we need to ensure those changes get made."

Senator Baucus chairs the U.S. Senate Committee on Finance. Senator Carper chairs the Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management. Senator McCaskill chairs the Homeland Security and Governmental Affairs Subcommittee on Contracting Oversight.