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**BAUCUS, GRASSLEY, MCCASKILL, WAXMAN, TOWNS
URGE CMS TO CRACK DOWN ON CONTRACT FRAUD**

*Members Call for Substantial Improvements in Centers for Medicare and Medicaid Services
Contract Management Following a GAO Report Citing Serious Problems*

Washington, DC— Senate Finance Committee Chairman Max Baucus (D-Mont.), Ranking Member Chuck Grassley (R-Iowa) and Senate Homeland Security and Governmental Affairs Subcommittee on Contracting Oversight Chairman Claire McCaskill (D-Mo.), along with House Energy and Commerce Chairman Henry A. Waxman (D-Calif.) and House Oversight and Government Reform Chairman Edolphus Towns (D-N.Y.) commented today following the release of new Government Accountability Office (GAO) findings that pervasive deficiencies in the Centers for Medicare & Medicaid Services' (CMS) contract management have put billions of taxpayer dollars at risk of being wasted. Additionally, GAO found CMS had largely failed to implement its recommendations following a 2007 report that found similar deficiencies.

"These problems are unacceptable, and CMS's failure to implement prior recommendations to correct the problems is even more troubling. Fraud, waste and abuse cost our system billions of dollars each year," said Baucus. **"Health reform will take significant steps to crack down on fraud, waste and abuse, so we can use our limited resources more wisely and do more to invest in critical health care programs like Medicare, Medicaid and CHIP. It is vital CMS do its part to ensure that effort is successful and I fully expect the agency to implement GAO's recommendations. I will continue to work with my colleagues in both the Senate and the House and use the oversight authority of the Finance Committee to make sure taxpayer dollars are not wasted."**

"CMS is relying on contractors more than ever," Grassley said. **"By failing to do a good job of overseeing them, CMS is increasing the risk that taxpayer dollars will be lost to fraud. Fraud in Medicare and Medicaid already costs the taxpayers more than \$60 billion every year. CMS doesn't have a choice other than keeping a better eye on contractors."**

"It's been two years and, as this report released today shows us, we've made very little progress in fixing CMS's contract management and implementing past GAO recommendations. This is unacceptable performance and underscores the need to increase Congressional pressure on those who refuse to change the way they do business," McCaskill said.

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“The Obama Administration faces a serious challenge. Years of neglect and inadequate oversight emboldened contractors and put taxpayer dollars at risk,” said Chairman Waxman. **“I am pleased that the new Administration has committed itself to be a good steward of taxpayers’ interests and agrees with GAO’s recommendations. I also hope that Congress ensures that CMS has the resources it needs to put needed internal controls in place.”**

“The GAO report reveals our worst fear that contracting abuses at CMS remain out of control, costing taxpayers precious dollars that could otherwise go to improving our health care system. Now, more urgently than ever, we must find ways to eliminate waste and fraud from our Medicare and Medicaid system. I call on CMS to take action immediately on past GAO recommendations to reform its contracting system,” said Towns.

CMS relies heavily on contractors to carry out the agency’s mission and was responsible for \$3.6 billion under contracts in 2008. GAO found systemic problems with CMS’s ability to implement internal control of its contracts -- the plans and procedures for meeting objectives which are critical to detecting and preventing fraud and waste.

Specifically, GAO found CMS failed to implement key controls in nearly 85 percent of all contract actions in 2008. GAO noted that a lack of agency-specific procedures along with poor strategic planning for staffing and resources and inadequate data collection contributed to the problem.

Following similar findings in 2007, GAO issued nine recommendations, seven of which CMS has yet to substantially address. Along with reaffirming the need to implement those seven previous recommendations, GAO issued 10 new recommendations. GAO noted that further failure to address the concerns associated with these findings will continue to put billions of taxpayer dollars at risk of being wasted.

View the full GAO report, “Centers for Medicare and Medicaid Services: Deficiencies in Contract Management Internal Control Are Pervasive,” at <http://www.gao.gov/new.items/d1060.pdf>.

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