

For Immediate Release

Wednesday, June 3, 2009

Grassley works to improve Medicare quality

Senator asks federal agency to explain why it relies on a substandard auditor of quality program

WASHINGTON --- Senator Grassley is asking the Centers for Medicare and Medicaid Services (CMS) to explain how it justifies using a government auditing firm that the Government Accountability Office has found to be “non-compliant” for its audits of the Quality Improvement Program, which is responsible for improving Medicare quality.

A report last summer of the Government Accountability Office (GAO), GAO-08-857, found that the contracted agency responsible for auditing the Quality Improvement Programs failed to be in compliance with acceptable government standards during its auditing of various Department of Defense contractors.

“There are documented problems with the QIO program and legislative reforms are needed to focus the program in an effective way. Until that gets done, CMS needs to do everything in its power to keep the QIO program on track,” Grassley said. “The fact that CMS is relying on a substandard auditor to review the QIO program is discouraging and calls into question the agency’s commitment to using the resources it has to improve Medicare quality.”

In 2007, Grassley introduced legislation to overhaul the QIO program. His bill, The Continuing the Advancement of Quality Improvement Act of 2007 (S.1947), would have required CMS to implement significant reforms to the QIO program to ensure that QIOs are effective and accountable in performing their responsibilities under the Medicare program. The reform initiative was based on Grassley’s own investigative findings, which included a QIO leasing residential properties and cars for board members and its CEO, and QIOs paying for conferences at lavish resorts.

The Inspector General for the Department of Health and Human Services also concluded in a 2007 report that quality concerns existed in the way that QIOs identified quality-of-care concerns throughout medical reviews and the interventions that QIOs took in response to the confirmed concerns.

Separately, the GAO issued a report in 2007 about the failure of QIOs to target adequately nursing homes providing poor quality care and the questionable effectiveness of QIOs to improve care in nursing homes that had received quality improvement technical assistance.

In addition, the Institute of Medicine of the National Academy of Sciences recommended in 2006, as required by legislation sponsored by Grassley, numerous changes to reform the QIO program.

Grassley said he hopes to have his reform measure considered as part of comprehensive health care reform.

June 3, 2009

Charlene Frizzera  
Acting Administrator  
Centers for Medicare and Medicaid Services  
U.S. Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

Dear Acting Administrator Frizzera,

The United States Senate Committee on Finance (Committee) has jurisdiction over the Medicare and Medicaid programs and, accordingly, a responsibility to the more than 80 million Americans who receive health care coverage under these programs. As Ranking Member of the Committee, I have a duty to protect the health of Medicare and Medicaid beneficiaries and safeguard taxpayer dollars appropriated for these programs. One such program is the Medicare Quality Improvement Organization (QIO), created by statute in 1982 to improve the quality and efficiency of services delivered to Medicare recipients. The Centers of Medicare and Medicaid Services (CMS) views the QIO Program as a cornerstone in its efforts to improve quality and efficiency for Medicare beneficiaries.<sup>1</sup>

In 2005, the Committee initiated a review of the QIO program resulting in the proposal of new legislation – S.1947, entitled “Continuing the Advancement of Quality Improvement Act of 2007” seeking to hold participants in the \$400 million a year QIO program accountable for providing technical assistance that improves the quality of Medicare program. In my continuing effort to provide oversight to various aspects of the QIO program, an issue was brought to my attention involving CMS’s use of the Defense Contract Audit Agency (DCAA) to perform QIO financial audits. Pursuant to the 2008 intra-agency agreement between CMS and the United States Department of Health and Human Service, Office of the Inspector General (HHS-OIG), DCAA will perform financial related audits of various QIOs, formally known as Peer Review Organizations (PROs), which are under contract with CMS.<sup>2</sup>

I would like to bring to your attention a Government Accountability Report (GAO), entitled “Allegations that Certain Audits at Three Locations Did Not Meet Professional Standards Were Substantiated” (Report) completed in July 2008. The Report was initiated after

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<sup>1</sup> Michael O. Leavitt, Secretary of Health and Human Services. Report to Congress, Improving the Medicare Quality Improvement Organization Program – Response to the Institute of Medicine Study 2006.

<sup>2</sup> 2008 Intra-Agency Agreement (IA) Between CMS and HHS-OIG (IA-08-28A), DCAA Audit Review Intra-Agency Agreement.

the Government Accountability Office (GAO) received complaints that DCAA failed to comply with Generally Accepted Government Auditing Standards (GAGAS). The Report resulted in GAO substantiating many allegations and documenting numerous examples of DCAA non-compliance of established GAGAS guidelines. One specific example cited in the Report is that contract officials and the Department of Defense (DOD) contracting community improperly influenced the audit scope, conclusions, and opinions of three audits which the GAO identifies as a serious independence issue.<sup>3</sup>

The following are additional examples of substantiated allegations:

- At two DCAA locations, GAO found evidence that working papers did not support reported opinions, DCAA supervisors dropped findings and changed audit opinions without adequate evidence for their changes and sufficient audit work was not performed to support audit opinions and conclusions.
- Throughout GAO's investigation, auditors at each of the three DCAA locations advised GAO investigators that the limited number of hours approved for their audits directly affected the sufficiency of audit test.
- During GAO's investigation, DCAA managers took actions against staff at two locations attempting to intimidate auditors, prevent them from speaking with investigators and creating a generally abusive work environment.<sup>4</sup>

On July 3, 2008, DCAA responded to the GAO Report and though they did not concur with GAO's overall conclusions they acknowledged that shortcomings existed in the working paper evidence and documentation to support the final audit conclusions in several of the reviewed assignments.<sup>5</sup> In light of the information substantiated by the GAO report, I am concerned with the use of DCAA to conduct the financial audits of the QIO's and of any other recipient of taxpayer funds through HHS.

With respect to this issue, I am requesting the following documentation and/or information be provided to my office. For each response, please repeat the enumerated request and follow with the appropriate answer.

- 1) Please provide a copy of any and all contracts/Memoranda of Understanding (MOU), or other agreements between CMS and DCAA regarding the performance of audit functions for the last five years.

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<sup>3</sup> GAO Congressional Report (GAO-08-857) DCAA Audits, Allegations that Certain Audits at Three Locations Did Not Meet Professional Standards Were Substantiated.

<sup>4</sup> Id.

<sup>5</sup> Letter from Kenneth J. Saccocia, Assistant Director Policy and Plans Directorate, DCAA, to GAO, dated July 3, 2008 and contained in report # GAO-08-857.

- 2) Please report how much DCAA is paid annually for these contracts for the last 5 years.
- 3) In order to ensure that U.S. taxpayer money is receiving a solid return on their investment, please advise what procedures are in place to insure that DCAA is abiding by GAGAS guidelines and produces a quality, and accurate work product?

Thank you for your attention to this important matter.

Sincerely,  
Charles E. Grassley  
Ranking Member