Why GAO Did This Study
In fiscal year 2006, the Centers for Medicare & Medicaid Services (CMS) spent over $51 billion on the Medicare Advantage program, which serves as an alternative to the traditional fee-for-service program. Under the Medicare Advantage program, companies wishing to participate must annually submit bids (effective with contract year 2006) that identify the health services the company will provide to Medicare members and the estimated cost and revenue requirements for providing those services. For 2001 through 2005, the submissions were called Adjusted Community Rate (ACR) Proposals. The Balanced Budget Act (BBA) of 1997 requires CMS to annually audit the financial records supporting the submissions of at least one-third of participating organizations. BBA also requires that GAO monitor the audits. In this report, GAO examined (1) whether CMS met the one-third requirement for 2001 through 2005, (2) what information the ACR audits provided and how CMS used it, and (3) what information the bid audits provided and how CMS used it.

What GAO Recommends
GAO makes five recommendations to CMS for meeting the one-third audit requirement, enhancing its audit follow-up, and improving the bid audit process. CMS concurred with our recommendations.