

Why GAO Did This Study

The Medicare program makes about \$500 billion in payments per year and continues to have a significant amount of improper payments—almost \$48 billion in fiscal year 2010. The Centers for Medicare & Medicaid Services' (CMS) Medicare Integrity Program (MIP) is designed to identify and address fraud, waste, and abuse, which are all causes of improper payments. MIP's authorizing legislation provided funding for its activities and subsequent legislation provided additional funding.

GAO was asked to report on how effectively CMS is using MIP funding to address Medicare program integrity. GAO examined (1) how CMS used MIP funding to support the program's activities from fiscal years 2006 through 2010, (2) how CMS assesses the effectiveness of MIP, and (3) factors CMS considers when allocating MIP funding. GAO analyzed CMS budget and other documents, interviewed CMS officials, and examined the agency's method of calculating return on investment (ROI), a performance measure used by CMS to measure the effectiveness of MIP activities.

What GAO Recommends

GAO recommends that CMS communicate the linkage between MIP activities and the goals for reducing improper payments and that CMS expeditiously improve the reliability of data used to calculate ROI. The Department of Health and Human Services concurred with these recommendations.

View [GAO-11-592](#) or key components. For more information, contact Kathleen M. King at (202) 512-7114 or kingk@gao.gov.

MEDICARE INTEGRITY PROGRAM

CMS Used Increased Funding for New Activities but Could Improve Measurement of Program Effectiveness

What GAO Found

CMS used the increase in total MIP funding received, from \$832 million in fiscal year 2006 to \$1 billion in fiscal year 2010, to expand MIP's activities. The additional funding supported oversight of Medicare Part C (Medicare benefits managed through private plans) and Part D (the outpatient prescription drug benefit) and agency efforts to examine the claims of Medicare beneficiaries who also participate in Medicaid—a joint federal-state health care program for certain low-income individuals. CMS officials also reported that CMS was able to move some funding from activities, such as provider audit, to other activities because of savings achieved from consolidating contractors. The largest percentage increase from this redistribution went to benefit integrity activities, which aim to deter and detect Medicare fraud through proactive data analysis and coordination with law enforcement.

Although CMS has reported that the agency measures MIP's performance with goals related to reductions in the improper payment rates for Medicare fee-for-service, Part C, and Part D, CMS officials with direct responsibility for MIP generally do not connect measurements of effectiveness of MIP activities with the CMS goals of reducing improper payments. These goals to reduce improper payments, which were reported as goals previously and for fiscal year 2012, are particularly important in light of the President's Accountable Government Initiative, which aims to reduce overall improper payments by \$50 billion by the end of 2012. In interviews with GAO, CMS officials with direct responsibility for implementing MIP activities generally did not connect the measurement of effectiveness of MIP activities with these CMS goals to reduce improper payments and instead cited other measures of effectiveness. This suggests that CMS has not clearly communicated to its staff the relationship between the daily work of conducting MIP activities and the agency's improper payment reduction performance goals. Because MIP will be central to CMS's efforts to reduce Medicare improper payments, MIP staff need to understand how their work supports these goals. In addition, the Patient Protection and Affordable Care Act requires CMS to report annually on the use of funds for MIP and the effectiveness of the use of those funds. One way that CMS already measures MIP effectiveness is ROI, which CMS calculates as savings from an activity in relation to expenditures. CMS calculates ROI for most of its MIP activities, but the data it uses have two flaws. First, ROI calculations are not updated when program expenditure data, a key component in the ROI calculation, are updated, which may lead to an incorrect ROI. Second, CMS does not have reliable information to determine the amount of MIP spending by activity for one type of contractor that received about 22 percent of total MIP funding in fiscal year 2010. It will be important for CMS to correct these flaws to ensure reliability in ROI reporting.

CMS considers a variety of factors when allocating MIP funding. Based on a review of the documents submitted to justify funding of specific MIP activities, CMS may consider the prior year's funding level, the consequence of not funding, and the performance goal that the activity is intended to meet.