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ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
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Washington, DC 20515-6115

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July 31, 2007

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The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Comptroller General Walker:

The Institute of Medicare (IOM) recently recommended a change in the work of Quality Improvement Organizations (QIOs) that could affect oversight of Medicare payments to hospitals. QIOs have two roles in the Medicare program. The first role involves working with consumers, physicians, hospitals, and other caregivers to refine the quality of care in delivery systems. The second role is focused on safeguarding the integrity of the Medicare Trust Fund by reviewing hospital claims to verify that they were correctly filed for medically necessary services and investigating beneficiary complaints. QIOs review claims from acute care inpatient hospitals paid under the prospective payment system (PPS) and long-term care hospitals, while other entities called fiscal intermediaries or Medicare Administrative Contractors review other types of hospital claims, such as those from rehabilitation, critical access, and psychiatric hospitals. In 2004, funding for QIO integrity activities was about \$200 million or 21 percent of the core contract budget and for beneficiary complaints about \$46 million or 6 percent of the core contract budget.

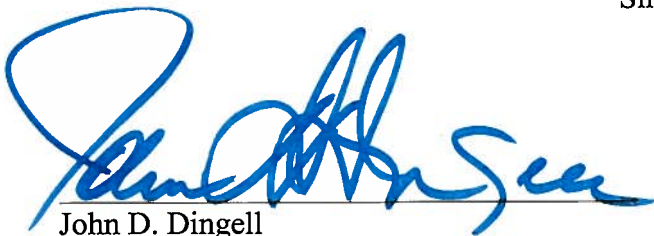
IOM recommended that the role of QIOs be focused solely on technical assistance to improve quality of care and that efforts by QIOs to reduce improper Medicare payments and investigate beneficiary complaints be delegated to other entities chosen by the Centers for Medicare and Medicaid Services (CMS). The role of ensuring proper hospital billing is a critical program safeguard, since CMS estimated that in 2005, hospitals for which claims review was a QIO responsibility, improperly billed \$4.9 billion. CMS agreed with IOM's recommendation to remove review function from QIOs, but stated that the removal would need to be implemented through legislation.

In light of the importance of decreasing improper billing in Medicare and concerns about the proper role of QIOs, we ask that the Government Accountability Office (GAO) conduct a study of the actions of QIOs to ensure proper billing, their coordination with other Medicare contractors or entities with responsibility for hospital claims payment and improper payments, and whether other alternatives should be considered. More specifically, we would ask that GAO address the following questions:

- 1) What activities have QIOs been conducting, how do their responsibilities compare to those of other CMS contractors, and how much funding have QIOs been allocated to decrease improper billing?
- 2) How effective have QIOs been at reducing improper payments?
- 3) What alternatives should CMS consider to conduct program integrity activities for acute care hospitals paid under PPS and long-term care hospitals, and how would these activities be integrated with the work of CMS's other contractors?
- 4) Are there any lessons learned from oversight of QIOs that should be applied to any future contracting for these functions?

Thank you for your consideration of this request. If you require additional information, please contact us, or have your staff contact Kristine Blackwood of the Committee staff at (202) 226-2424.

Sincerely,



John D. Dingell
Chairman



Bart Stupak
Chairman
Subcommittee on Oversight and Investigations

cc: The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce

The Honorable Ed Whitfield, Ranking Member
Subcommittee on Oversight and Investigations