



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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## Grassley urges Medicare officials to take steps to achieve important contracting reforms

WASHINGTON — The investigative arm of Congress says that the government's plan for reforming the Medicare contracting system is not complete and that more time is needed to implement changes Congress mandated in 2003.

The Government Accountability Office (GAO) provided its new report today to Congressional leaders who crafted the Medicare modernization legislation, including Sen. Chuck Grassley of Iowa, chairman of the Senate Committee on Finance.

"It's important for Medicare officials to take advantage of the timing of this assessment by the Government Accountability Office," Grassley said. "By taking responsible action now, officials can still achieve the important reforms that Congress said were needed when the Medicare prescription drug bill was passed. These reforms were intended to improve the program and save tax dollars. This is really a situation where an ounce of prevention is worth a pound of cure."

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 calls on the Centers for Medicare and Medicaid Services (CMS) to begin conducting full and open competition for all of its claims-administration contracts and to transfer the work to Medicare administrative contractors (MACs) by October 2011.

In the report released today, the GAO said the contracting reform plan developed so far by CMS "provides detailed information in some areas," but "does not comprehensively address (1) contracting reform risks and how the agency plans to mitigate them; (2) the intended approach for implementing certain aspects of MAC contracting, including details on how CMS will monitor MACs' performance; and (3) coordination of contracting reform activities with other complex initiatives that CMS is implementing." The agency has said that it intends to transfer all claims processing work to MACs by July 2009, which is more than two years ahead of the time frame identified in the 2003 Medicare law. The GAO also said that CMS estimates for costs and savings, based on Medicare contracting reform are based on "questionable evidence and assumptions about a contracting environment that differs considerably from its current one. "More specifically, the GAO notes that CMS' estimate that the costs to implement contracting reform would total about \$666 million, but that figure is more likely to be a 'guesstimate.' GAO went on to say that CMS' savings, along with CMS' consultants' savings, estimates are also "highly uncertain." CMS staff members agreed with this assessment.

In response to its findings, the GAO recommended that CMS extend its implementation schedule from 2009 to 2011, “so it can be better prepared to manage contracting reform.”

This new GAO report is available at [www.gao.gov](http://www.gao.gov). Search for GAO-05-873.