



Highlights of [GAO-06-12](#), a report to the Chairman, Committee on Finance, U.S. Senate

INFORMATION TECHNOLOGY

Centers for Medicare & Medicaid Services Needs to Establish Critical Investment Management Capabilities

Why GAO Did This Study

To carry out its mission of ensuring health care security for beneficiaries, the Centers for Medicare & Medicaid Services (CMS) relies heavily on information technology (IT) systems. In fiscal year 2005, CMS's total IT appropriations was about \$2.55 billion, of which about \$760 million, or 30 percent, was to support internal investments, and \$1.79 billion was to fund the Medicaid Management Information Systems (MMIS) that states use to support their Medicaid programs. (GAO is using the term "internal" to refer to all of CMS's IT investments excluding state MMISs.) In light of the size and significance of these investments, GAO's objectives were to (1) evaluate CMS's capabilities for managing its internal investments, (2) determine any plans the agency might have for improving these capabilities, and (3) examine CMS's process for approving and monitoring state MMISs.

What GAO Recommends

GAO recommends that the Secretary of Health and Human Services direct CMS's Administrator to develop and implement a plan to (1) address the IT investment management weaknesses identified in this report and (2) take actions to better monitor MMISs. In response to a draft of this report, CMS described actions under way and plans to address GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-12.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David A. Powner, (202) 512-9286, pownerd@gao.gov, or Leslie G. Aronovitz, (312) 220-7600, aronovitzl@gao.gov.

What GAO Found

Judged against GAO's framework for IT investment management, which measures the maturity of an organization's investment management process, CMS's capabilities for effectively managing its internal investments are limited. Specifically, the agency has established a little over half of the foundational practices it needs to manage individual investments (see figure below) and has executed 2 of the 27 key practices needed to manage investments as a portfolio. Until CMS fully establishes foundational and portfolio-level practices, executives will lack the assurance that they are managing the agency's collection of investments in a manner that minimizes risks and maximizes returns.

CMS has initiated steps to improve its investment management process; however, these steps do not fully address the weaknesses GAO identifies in this report, nor are they coordinated with other needed improvement efforts into a plan that (1) is based on an assessment of strengths and weaknesses; (2) specifies measurable goals, objectives, and milestones; (3) specifies needed resources; (4) assigns clear responsibility and accountability for accomplishing tasks; and (5) is approved by senior-level management. Without such a plan and procedures for implementing it, CMS will be challenged in sustaining the commitment it needs to fully establish its investment management process.

The process for approving requests for federal funding of MMIS activities (including development, operations, and maintenance activities) is characterized by standard procedures, guidance, and reported information to CMS's Center for Medicaid and State Operations. In contrast, the process for monitoring MMIS activities lacks standard procedures, guidance, and reporting requirements. Without these elements for monitoring MMIS activities, CMS may not be able to easily determine whether the state MMISs in which CMS invests close to \$1.7 billion annually are facilitating the delivery of Medicaid benefits in the most effective and beneficial manner.

Foundational Practices Implemented by CMS

Critical process	Key practices executed	Total required by critical process	Percentage of key practices executed
Instituting the investment board	5	8	63
Meeting business needs	5	7	71
Selecting an investment	4	10	40
Providing investment oversight	1	7	14
Capturing investment information	5	6	83
Total	20	38	53

Source: GAO.