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# Highlights

Highlights of [GAO-06-813](#), a report to the Chairman, Committee on Finance, U.S. Senate

## Why GAO Did This Study

Since 1990, GAO has considered Medicare at high risk for fraud, waste, abuse, and mismanagement. The Medicare Integrity Program (MIP) provides funds to the Centers for Medicare & Medicaid Services (CMS)—the agency that administers Medicare—to safeguard over \$300 billion in program payments made on behalf of its beneficiaries. CMS conducts five program integrity activities: audits; medical reviews of claims; determinations of whether Medicare or other insurance sources have primary responsibility for payment, called secondary payer; benefit integrity to address potential fraud cases; and provider education. In this report, GAO determined (1) the amount of MIP funds that CMS has allocated to the five program integrity activities over time, (2) the approach that CMS uses to allocate MIP funds, and (3) how major changes in the Medicare program may affect MIP funding allocations.

## What GAO Recommends

GAO recommends that CMS develop an approach for allocating funds that is based on the effectiveness of the activities, contractors' workload, and risk. CMS generally agreed with GAO's recommendation. CMS also stated that a quantitative measure can be an indicator of effectiveness, but emphasized that such a measure cannot serve as the sole basis for informing funding decisions.

[www.gao.gov/cgi-bin/getrpt?GAO-06-813](http://www.gao.gov/cgi-bin/getrpt?GAO-06-813).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Leslie G. Aronovitz at (312) 220-7600 or [aronovitzl@gao.gov](mailto:aronovitzl@gao.gov).

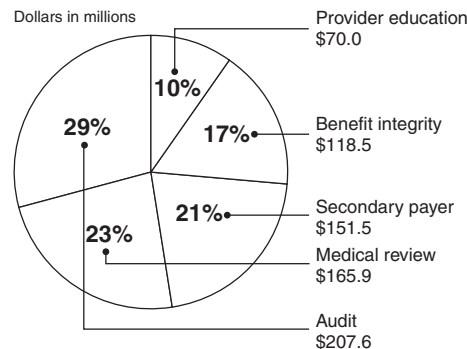
# MEDICARE INTEGRITY PROGRAM

## Agency Approach for Allocating Funds Should Be Revised

### What GAO Found

For fiscal years 1997 through 2005, CMS's MIP expenditures generally increased for each of the five program integrity activities, but the amount of the increase differed by activity. Since fiscal year 1997, provider education has had the largest percentage increase in funding—about 590 percent, while audit and medical review had the largest amounts of funding allocated. In fiscal year 2006, funding for MIP will increase further to \$832 million, which includes \$112 million in funds that CMS plans to use, in part, to address potential fraud and abuse in the new Medicare prescription drug benefit.

**MIP Expenditures for the Five Program Integrity Activities, Fiscal Year 2005**



Source: GAO analysis of CMS data.

CMS officials told us that they have allocated MIP funds to the five program integrity activities based primarily on past allocation levels. Although CMS has quantitative measures of effectiveness for two of its activities—the savings that medical review and secondary payer generate compared to their costs—it does not have a means to determine the effectiveness of each of the five activities relative to the others to aid it in allocating funds. Further, CMS has generally not assessed whether MIP funds are distributed to the contractors conducting each program integrity activity to provide the greatest benefit to Medicare.

Because of significant programmatic changes, such as the implementation of the Medicare prescription drug benefit and competitive selection of contractors responsible for claims administration and program integrity activities, the agency's current approach will not be adequate for making future allocation decisions. For example, CMS will need to allocate funds for program integrity activities to address emerging vulnerabilities that could affect the Medicare prescription drug benefit. Further, through contracting reform, CMS will task new contractors with performing a different mix of program integrity activities. However, the agency's funding approach is not geared to target MIP resources to the activities with the greatest impact on the program and to ensure that the contractors have funding commensurate with their relative workloads and risk of making improper payments.