



Fact Sheet

USE OF CONTRACTORS IN MEDICARE AND MEDICAID

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Chairman, Subcommittee on Contracting Oversight

In October 2009, the Government Accountability Office reported “pervasive deficiencies” in contract management at the Centers for Medicare and Medicaid Services (CMS), which is responsible for the administration of Medicare, Medicaid, and the Children’s Health Insurance Program. According to GAO, weak internal controls, inadequate strategic planning for staffing, and unreliable data put CMS at increased risk of improper payments and waste.

The Subcommittee on Contracting Oversight has been investigating the management and oversight of CMS contracts, including the extent to which CMS has outsourced the management and oversight of Medicare and Medicaid. This fact sheet provides a summary of the Subcommittee’s findings.

Billions in Contract Spending: In 2009, CMS awarded nearly \$4 billion on contracts. The Department of Health and Human Services, of which CMS is only one component, spent more on contracts in 2009 than any federal agency other than the Department of Defense or the Department of Energy. In 2009, CMS spent more on contracts than the Departments of Commerce, Labor, or Education.

CMS relies heavily on a relatively small number of contractors. In 2009, CMS had active contracts with 511 unique companies. The ten largest recipients of CMS contracts received nearly 40% of all CMS contract dollars.

Contracting Out Medicare & Medicaid: Contractors perform most of the day-to-day administration of Medicare, Medicaid, and SCHIP, including paying providers, enrolling physicians, and processing appeals. In 2009, CMS spent more than \$1.4 billion on contracts relating to CMS’ mission. Almost \$710 million was awarded to the “Medicare Administrative Contractors,” the companies responsible for managing Medicare’s fee-for-service programs and other activities. The single largest recipient of CMS contracting dollars is Vangent, Inc., which in 2009 received \$258 million to operate the 1-800 MEDICARE help line.

Contractors Providing Oversight: In 2009, CMS spent more than \$855 million on contracts for oversight of Medicare and Medicaid, including contractors responsible for detecting and preventing fraud, detecting and correcting improper payments, and auditing claims. Among the contractors who received CMS contracts for fraud prevention in 2009 were Safeguard Services (\$117.7 million), Cahaba Safeguard Administrators (\$25 million), and TrustSolutions (\$15.4 million).

Technology, Administration, and Support Contracts: CMS also relies on contractors to provide consulting, consumer research and communications, database administration, technical support, expert advice, and accounting systems. In 2009, CMS spent more than \$1 billion on these types of contracts.

For data on contracting at CMS, Subcommittee staff relied on data obtained by GAO from CMS at the Subcommittee’s request.