

GAO Highlights

Highlights of [GAO-15-633](#), a report to the Chairman, Subcommittee on Health, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

In 2014, the federal government spent \$58 billion on Medicare Part D, the voluntary, outpatient prescription drug coverage program. An estimated \$1.9 billion of this total was improper payments—including overpayments or underpayments that may be due to errors, such as the submission of duplicate claims for the same service. In January 2011, CMS began a RAC program in Part D that was intended in part to identify and recoup improper payments, as required under the Patient Protection and Affordable Care Act. The RAC is paid a contingency fee from amounts recovered.

GAO was asked to review CMS's Part D RAC program implementation, oversight, and results. GAO examined (1) how CMS has implemented the Part D RAC program and any challenges it faced during implementation; (2) the extent to which CMS has overseen the RAC's audit activities; and (3) the results of the RAC's work to date and any challenges CMS and the RAC faced in identifying and collecting improper payments. To do this, GAO analyzed the RAC contract and audit documents, and federal statutes and regulations on Part D and federal contracting. GAO also interviewed CMS and RAC officials.

What GAO Recommends

As CMS prepares to solicit the next RAC contract(s), CMS should set clear expectations in contract work statements, conduct annual RAC performance evaluations, and review the process for developing new audit issues. HHS concurred with GAO's recommendations.

View [GAO-15-633](#). For more information, contact Kathleen King at (202) 512-7114 or kingk@gao.gov.

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MEDICARE PART D

Changes Needed to Improve CMS's Recovery Audit Program Operations and Contractor Oversight

What GAO Found

The Centers for Medicare & Medicaid Services (CMS) within the Department of Health and Human Services (HHS) implemented the Part D recovery audit contractor (RAC) program in January 2011 by undertaking various activities, including establishing a statement of objectives and conducting a solicitation process to select a RAC to identify improper payments. However, CMS's challenges in setting expectations about the work the Part D RAC would conduct and establishing the length of time required for CMS and the RAC to reach project milestones hampered Part D RAC program implementation. Consistent with federal contracting requirements, agencies should clearly define requirements for services. As a result of CMS's challenges in setting expectations and establishing realistic timelines as it implemented the RAC program, the RAC did not have a clear understanding about the work it should perform, and CMS recovered improper payments for Part D more than a year after it had projected.

As of May 2015, CMS had not completed any annual evaluations of the Part D RAC, but an initial evaluation of the RAC's contract year 2014 performance was in progress, and the agency had conducted other oversight of the RAC's performance. Federal internal controls and contracting standards and GAO's prior work contain requirements and suggestions for conducting regular performance evaluations and developing performance measures. In March 2015, CMS officials acknowledged that the agency should have completed annual evaluations and noted that CMS has been behind schedule in conducting evaluations of some its contractors, including the RAC. In May 2015, CMS officials finished the initial evaluation of the RAC's 2014 performance and provided the evaluation to the RAC for review and comment. An annual performance evaluation would provide CMS with a clear basis for assessing RAC performance in identifying improper payments and provide the RAC with targets against which the RAC could compare its performance. While CMS has not completed annual evaluations, it has established quality assurance procedures to conduct oversight of the RAC. For example, CMS uses a separate contractor to review and validate 100 percent of the RAC's audit findings, in part because of concerns about the quality of the RAC's work.

As of May 2015, CMS had collected less than \$10 million in improper payments, and had not approved the RAC to perform new audit work since March 2014. Both CMS and the RAC are charged with reducing Medicare Part D improper payments, and federal internal control standards call for agencies to have effective and efficient processes to meet agency goals. However, as a result of CMS's and the RAC's challenges in determining audit work to conduct and the RAC's challenges in developing audit methodologies, CMS has approved 1 of the 15 audit proposals from the RAC since the beginning of the contract in 2011 and has collected a limited amount of improper payments relative to the estimated \$1.9 billion in improper payments in Part D in 2014. With a more effective and efficient process for identifying, reviewing, and approving appropriate new audit work, more audit work would likely have been approved each year of the RAC contract, resulting in more improper payments being identified and collected.