



## **OIG Work Plan Series – Installment Four – Oversight of Contracts**

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The Department of Health and Human Services' Office of Inspector General ("OIG") released its 2016 Work Plan, which includes the OIG's focus on various aspects of federal government contracts. This alert will focus on the new projects specific to the oversight of contracts as well as both new and revised projects specific to contractor functions and performance.

### **Oversight Of Contracts**

#### **Contract Management at the Centers for Medicare and Medicaid Services**

The Center for Medicare & Medicaid Services (CMS) relies extensively on private federal government contractors ("contractors") to help CMS carry out its basic mission: administration, management and oversight of its health program. This is very big business. In Fiscal Year 2013, CMS spent \$5.4 billion for goods and services. Not surprisingly, Government Accountability Office ("GAO") reports highlighted certain vulnerabilities and weaknesses in the contracting environment at CMS, including problems with the closeout process. Therefore, the OIG will oversee and monitor the contracting process to safeguard taxpayer dollars. Toward that effort, the OIG will determine the number, types and contract value of all active contracts including contracts that CMS has not closed out. This will serve to identify CMS's barriers to managing and closing out contracts in a timely and effective manner – thereby protecting the government's financial interests and allowing for recovery of excess funds.

#### **Administrative Costs Claimed by Medicare Contractors**

The OIG will review administrative costs claimed by contractors, focusing on claims claimed by terminated contractors, ensuring that such costs were allocable, allowable and reasonable. The OIG will coordinate with CMS regarding the selection of contractors that the OIG will review.

#### **Executive Compensation Benchmark**

The OIG will review contractor employee salaries charged to Medicare to determine whether the selected contractors applied a senior executive benchmark required by regulation, and OIG will determine the potential costs savings if contractors were required to apply the same benchmark to all employee compensation. OIG will determine the potential effect of expanding the executive compensation benchmark to all employees. The OIG will be right in line with the media which has recently examined and reported on the issue of high salaries for contractor executives.

#### **Contractor Pension Cost Requirements**

The OIG will determine whether Medicare contractors have calculated and claimed reimbursement for Medicare's share of various employee pension costs in accordance with their Medicare contracts and applicable federal requirements. The OIG will determine whether contractors have fully implemented contract clauses requiring them to determine and separately account for the employee pension assets and liabilities allocable to their contracts with Medicare. The OIG will also review Medicare carriers and fiscal intermediaries ("FIs") whose Medicare contracts have been terminated, assess Medicare's share of future pension costs and determine the amount of excess pension assets as of the closing dates.

## **Contractor Postretirement Benefits and Supplemental Employee Retirement Plan Costs**

The OIG will review the post-retirement health benefit costs and the supplemental employee retirement plans of Medicare FIs and carriers to determine the allocability, allowability and reasonableness of the benefits and plans, as well as the costs charged to Medicare contracts.

## **CONTRACTOR FUNCTIONS AND PERFORMANCE**

### **Revised – Medicare Benefit Integrity Contractors’ Activities in 2012 and 2013: A Data Compendium**

The OIG will review the level of benefit integrity activity performed by Medicare benefit integrity contractors in Calendar Years 2012 and 2013. This review will highlight trends in integrity activities and allow for a quick comparison of program results across years, across contractors, and across parts of the Medicare program. CMS contracts with entities to carry out benefit integrity activities to safeguard Medicare against fraud, waste and abuse. These contractors perform the following activities:

- Analyze data to identify aberrant billing patterns;
- Conduct fraud investigations;
- Respond to requests for information from law enforcement; and
- Refer suspected cases of fraud to law enforcement for prosecution.

### **Collection Status of ZPIC and PSC – Identified Medicare Overpayments**

Zone Program Integrity Contractors (“ZPICs”) and Program Safeguard Contractors (“PSCs”) are required to detect and deter fraud and abuse in Medicare Part A and/or Part B in their jurisdictions. They conduct investigations, refer cases to law enforcement and take administrative actions, such as referring overpayments to claims processors for collection and return to Medicare. The OIG will determine the total amount of overpayments that ZPICs and PSCs identified and referred to claims processors in 2014 and the amount of these overpayments that claims processors collected. The OIG will also review the procedures for tracking collections of overpayments identified by ZPICs and PSCs. The OIG has issued several reports regarding the tracking and collection of the overpayments that Medicare’s contractors have made to providers. In response, CMS stated that it has added reporting requirements that would improve overpayment tracking among the claims processors and ZPICs and PSCs.

### **Revised – Medicare Contractor Information Systems Security Programs – Annual Report to Congress**

The OIG will review independent evaluations of information systems security programs of Medicare Administrative Contractors (“MACs”). The OIG will report to Congress on its assessment of the scope and sufficiency of the independent evaluations and summarize their results. Federal law requires independent evaluations of the security programs of MACs and requires OIG to assess such evaluations and report the results of its assessment to Congress.

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