Each year, the Office of Inspector General (OIG) of the Department of Health & Human Services (HHS or the Department) highlights to HHS and Congress the most significant challenges facing HHS. For 2010, OIG identified the following top management challenges for HHS:

**Health Care Reform Implementation**
Ensuring program integrity is critical as HHS implements the Patient Protection and Affordable Care Act (ACA). The challenges of implementing the ACA while maintaining program integrity include:

- meeting tight implementation timeframes
- ensuring compliance with program rules
- ensuring accuracy of claims data and payments
- providing effective oversight of grants, contracts, and other obligations
- promoting quality of care
- implementing changes to Part D and other Medicare and Medicaid programs
- responding to fraud schemes that put HHS and its beneficiaries at risk

**Integrity of Medicare, Medicaid, and the Children’s Health Insurance Program**
OIG has identified principles that guide the Department’s health care integrity strategy and that provide a framework for designing and implementing integrity safeguards to prevent fraud, waste, and abuse:

- **Enrollment**: HHS faces challenges in ensuring the integrity of the programs’ provider and supplier enrollment processes. A small percentage of providers and suppliers intent on defrauding these programs has exploited weaknesses in the enrollment process, draining resources that should be spent on providing care to beneficiaries. Scrutinizing providers and suppliers who apply to participate in Medicare, Medicaid, and CHIP is crucial to program integrity.

- **Payment**: The importance of establishing and maintaining the integrity of payment methodologies is critical so that scarce resources are not lost to fraud, waste, and abuse and that the quality of beneficiary care is not diminished. Initial payment methodologies must be set to fairly reimburse for appropriate care while remaining responsive to changes in practice and in the marketplace.

- **Compliance**: Effectively combating fraud, waste, and abuse includes ensuring that providers and suppliers are well informed about program rules and are active partners in compliance efforts.

- **Oversight**: HHS must provide appropriate oversight and implement effective measures to prevent and detect fraud, waste, and abuse, while making timely payments to legitimate providers. Schemes have become increasingly sophisticated, and criminals adapt to oversight efforts. To address this challenge, the Centers for Medicare & Medicaid Services (CMS) must use analysis of claims data and other tools to vigilantly monitor the programs for evidence of fraud, waste, and abuse.

- **Response**: The Government must respond swiftly to fraud, impose appropriate punishment to deter others, and promptly eliminate program vulnerabilities. The Medicare, Medicaid, and CHIP administration and program integrity responsibilities are divided among a variety of contractors...
and systems. Because of the size and complexity of the programs, it is often difficult for CMS to respond swiftly, which can result in a significant monetary loss before a remedy is applied.

- **Quality:** The challenge of ensuring that beneficiaries receive quality health care has many dimensions, including overseeing providers’ compliance with quality-of-care standards, ensuring patient safety, and identifying opportunities for improvements in quality of care.

**INTEGRITY OF DEPARTMENT’S PUBLIC HEALTH AND HUMAN SERVICES PROGRAMS**

HHS faces important challenges in ensuring integrity of its public health and human services programs:

- **Food, Drugs, and Medical Devices:** Recent outbreaks of food-borne illness and increased drug and medical device recalls underscore the importance of ensuring the safety and security of the Nation’s food supply, human and veterinary drugs, biologics, and medical devices. Ensuring that drugs, biologics, and medical devices are labeled and advertised appropriately is more demanding than ever given technological advances in the media used to promote such products.

- **Emergency Preparedness:** The combination of public and private sector organizations with significantly different roles and structures required to plan for and coordinate and communicate during public health emergencies poses unique and unprecedented demands on HHS. The Department should continue to focus on providing additional guidance to States and localities to improve their public health emergency preparedness and response capabilities.

- **Grants and Contracts:** In 2009, HHS awarded over $364 billion in grants, making it the largest grant-awarding department in the Federal Government, and awarded over $20 billion in contracts. The size and scope of the Department’s grant and contract expenditures are significant and pose a challenge to effective oversight and management for the Department. New legislative mandates, such as the American Recovery and Reinvestment Act (Recovery Act) and the ACA, which increase the Department’s portfolio of grants and oversight responsibilities, exacerbate this challenge.

**CROSS-CUTTING ISSUES**

OIG has identified three more Departmentwide issues as top management challenges:

- **Recovery Act:** The Recovery Act provides $141.4 billion to the Department for additional Federal assistance for health care and public health and human services programs and for investing in research and health information technology (health IT). The magnitude of expenditures and the potential impact of this funding make it critical that Recovery Act funds be used efficiently and effectively and be protected from fraud, waste, and abuse.

- **Health IT:** Protecting sensitive health data is a challenge because of the patchwork of authorities and agencies overseeing and managing such data. Given the heightened concern about the security of personal health information, OIG has increasingly focused on combating medical identity theft. OIG has divided health IT management challenges into two categories: (1) ensuring the integrity of information systems through which health information is transmitted and stored to prevent fraud, waste, and abuse and (2) ensuring the integrity of the Department’s programs to promote health IT.

- **Ethics:** Conflicts of interest in the health care system generally, and specifically in the Department, have been the subject of scrutiny, raising the issue of which stakeholders should be responsible for monitoring and managing conflicts of interest: individuals, Government, or institutions.