



**DEPARTMENT
of HEALTH
and HUMAN
SERVICES**

**Fiscal Year
2011**

Office of Inspector General

*Justification of
Estimates for
Appropriations Committees*

Message from the Inspector General



I am pleased to present the U.S. Department of Health and Human Services (HHS), Office of Inspector General's (OIG), Fiscal Year (FY) 2011 Justification of Estimates for the Appropriations Committees. This budget request is in accordance with reporting requirements established by the Inspector General Reform Act of 2008 (Public Law 110-409) and presents my office's aggregate budgetary requirements for meeting its responsibility to protect the integrity of HHS's programs, as well as the health and welfare of the beneficiaries served by those programs.

This budget estimate includes \$324 million for FY 2011 in furtherance of OIG's mission, including requests for:

- \$52 million in discretionary funding, an increase of +\$1.5 million above the FY 2010 enacted discretionary appropriation for OIG's oversight of HHS's more than 300 non-Medicare/Medicaid programs, which account for more than \$100 billion in spending and have grown significantly in size and scope during the last decade.
- \$272 million, an increase of +\$40 million above the FY 2010 appropriated amount for OIG's oversight of the Medicare and Medicaid programs. The request includes \$40 million for the joint HHS and Department of Justice Health Care Fraud Prevention and Enforcement Action Team initiative.

As HHS programs and operating divisions grow in size, scope, and complexity, we must be increasingly vigilant to ensure that they are protected against threats of fraud, waste, and abuse. This is even more important today, as our Nation and all levels of State and local government are struggling to address the historic and rising costs involved in providing health care and human services benefits to eligible individuals.

Since its establishment in 1976, this office has consistently achieved commendable results in fulfilling its vital oversight responsibilities. Given OIG's past positive returns on investment, I am confident that the funding requested in this budget will ensure similar future benefits for American taxpayers and their families.

Daniel R. Levinson
Inspector General

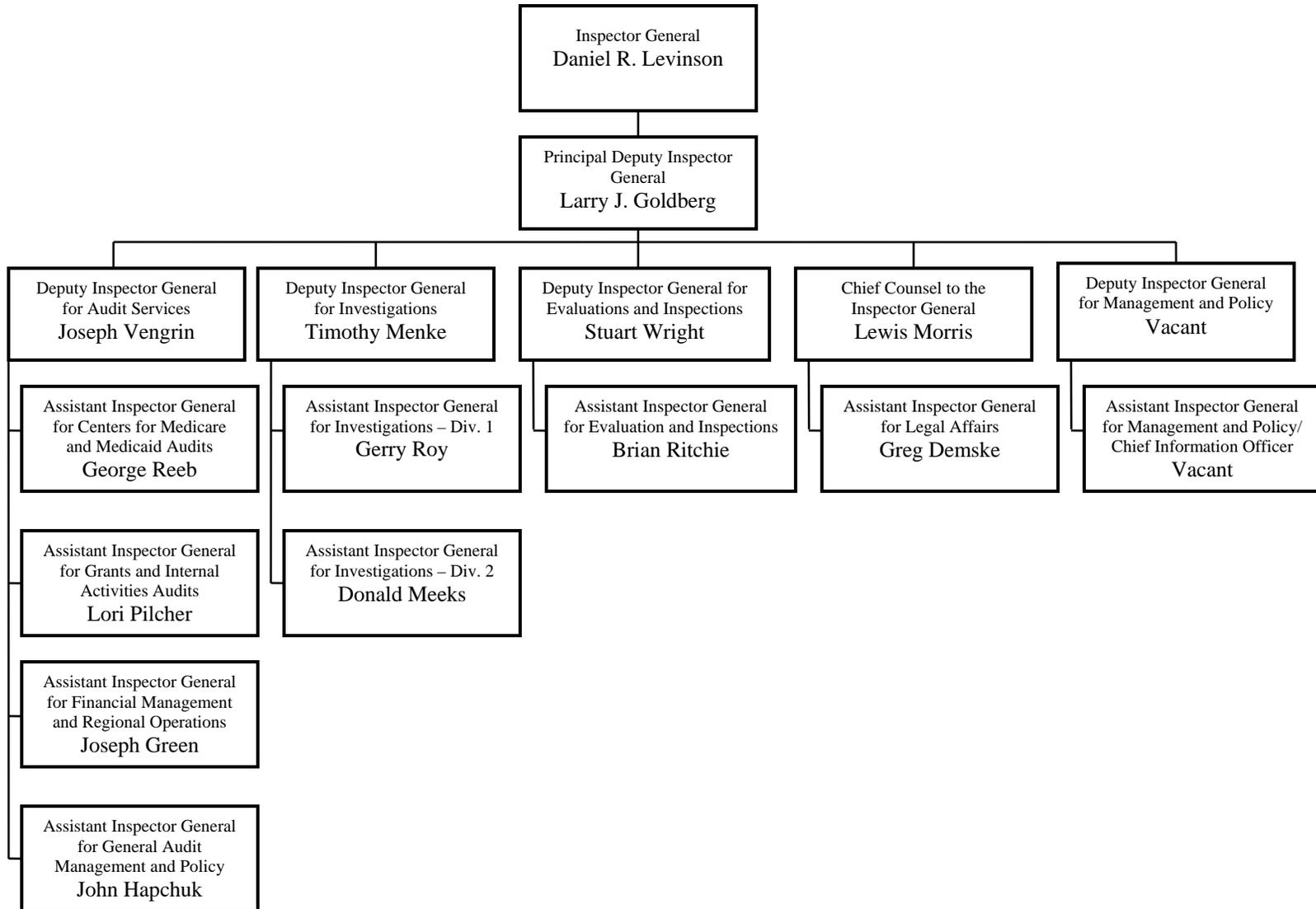
FY 2011 Justification of Estimates for Appropriations Committees
U.S. Department of Health and Human Services
Office of Inspector General

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**Department of Health and Human Services
Office of Inspector General**

Organizational Chart



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Overview

The Office of Inspector General (OIG) is an independent and objective oversight organization that promotes economy, efficiency, and effectiveness in the programs and operations of the U.S. Department of Health and Human Services (HHS). HHS consists of 12 operating divisions designed to enhance the health and well-being of Americans by providing for effective health and human services and by fostering sound, sustained advances in the sciences underlying medicine, public health, and social services. HHS's mission is carried out by the following entities:

- Administration for Children and Families (ACF)
- Agency for Health Care Research and Quality (AHRQ)
- Agency for Toxic Substances and Disease Registry (ATSDR)
- Administration on Aging (AoA)
- Centers for Disease Control and Prevention (CDC)
- Centers for Medicare & Medicaid Services (CMS)
- Food and Drug Administration (FDA)
- Health Resources and Services Administration (HRSA)
- Indian Health Service (IHS)
- National Institutes of Health (NIH)
- Substance Abuse and Mental Health Services Administration (SAMHSA)
- Office of the Secretary (OS), which includes staff divisions dedicated to departmental management and coordination, such as the Assistant Secretary for Preparedness and Response (ASPR) and the Office of the National Coordinator (ONC) for Health Information Technology.

OIG's program integrity and oversight priorities are dictated, in part, by statutory mandates requiring OIG to conduct specified oversight activities and by requirements embedded in OIG's various budget authorities.

Mission

OIG's mission is to protect program integrity and the well-being of program beneficiaries by detecting and preventing waste, fraud, and abuse; identifying opportunities to improve program economy, efficiency, and effectiveness; providing industry guidance; and holding accountable those who do not meet program requirements or who violate Federal laws.

Overview of Budget Request

The FY 2011 President's Budget estimate for OIG is \$323,789,000 and 1,776 full-time equivalents (FTE), an increase of +\$41,515,000 and +210 FTE above FY 2010.

Program Increases

- Direct Discretionary (+\$1,475,000)

The request provides additional funding to maintain current staffing levels and support costs. This investment is essential for providing oversight of HHS's more than 300 non-Medicare/Medicaid programs through investigations, audits, evaluations, and inspections.

- Discretionary Allocation Adjustment (+\$65,040,000)

This request includes +\$25,000,000 to continue oversight of Medicaid and Medicare program activities previously funded through mandatory appropriations and +\$40,040,000 in support of the Administration's initiative to focus collaborative efforts on preventing health care fraud and enforcing current anti-fraud laws around the country through the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative. While this funding is requested through the budget for CMS, information on OIG-specific activities can be found in this document.

Program Decreases

- Mandatory Funding for Oversight of Medicaid Activities (-\$25,000,000)

The authority for this funding expires at the end of FY 2010. As discussed above in the "Program Increases" section, the FY 2011 President's Budget requests this funding to be continued as a discretionary allocation adjustment.

All-Purpose Table
Office of Inspector General
(Dollars in thousands)

	<u>FY 2009 Approp.</u>	<u>FY 2009 Recovery Act</u>	<u>FY 2010 Approp.</u>	<u>FY 2011 Pres. Budget</u>	<u>FY 2011 +/ FY 2010</u>
Annually Appropriated:					
Discretionary Appropriation	\$45,279	\$17,000	\$50,279	\$51,754	+\$1,475
Discretionary Allocation Adjustment /1. HEAT (non-add).....	18,967 --	-- --	29,790 --	94,830 40,040	+65,040 +40,040
Mandatory:					
Health Care Fraud and Abuse Control Program (HCFAC).....	177,205	--	177,205	177,205	--
Medicaid Oversight Supplementals /2....	<u>50,000</u>	<u>31,250</u>	<u>25,000</u>	<u>--</u>	<u>-25,000</u>
Total Funding, All Sources	\$291,451	\$48,250	\$282,274	\$323,789	+\$41,515
FTE	1,501	11	1,566	1,776	+210

Note: Table excludes discretionary reimbursable funding and HCFAC Collections. In FY 2009 OIG received \$16,808,373 in reimbursable discretionary funding. The estimate for FY 2010 and 2011 is \$18,000,000. In FY 2010 and FY 2011, OIG estimates that it will collect \$10,000,000 in HCFAC Collections.

1/ OIG's Discretionary Allocation Adjustment is appropriated to the Centers for Medicare and Medicaid Services (CMS) HCFAC account. The FY 2011 Request includes funding \$25 million, previously funded through mandatory appropriations, that will be used to carry out the Medicaid and Medicare activities of HCFAC.

2/ "Medicaid Oversight Supplementals" includes funding made available through the Deficit Reduction Act of 2005 (P.L 109-171), \$25,000,000 in both FY 2009 and FY 2010, and the Supplemental Appropriations Act of 2008 (P.L 110-252), \$25,000,000 in FY 2009.

American Reinvestment and Recovery Act of 2009**OIG-Funded Activities: Obligations**

	FY 2009 Actual	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	Total Budget Authority
Recovery Act Oversight (Discretionary)	\$2,515,707	\$4,900,000	\$4,900,000	\$4,684,293	\$17,000,000
Medicaid Oversight (Mandatory)	--	15,625,000	15,625,000	--	31,250,000
Total	\$2,515,707	\$20,525,000	\$20,525,000	\$4,684,293	\$48,250,000

Program Description

The American Recovery and Reinvestment Act of 2009 (Recovery Act) provided OIG with \$48,250,000 for oversight activities, including \$17,000,000 for general oversight of HHS activities and \$31,250,000 specifically to ensure the proper expenditure of Medicaid funding.

OIG is also responsible for ensuring that HHS Recovery Act spending is meeting the accountability objectives defined by the Office of Management and Budget (OMB). As defined by OMB Memo-09-10, February 10, 2009, OIG's objectives for Recovery Act oversight include determining whether:

- funds are awarded and distributed in a prompt, fair, and reasonable manner;
- the uses and recipients of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- funds are used for authorized purposes, and instances of fraud, waste, error, and abuse are mitigated;
- projects funded under the Recovery Act avoid unnecessary delays and cost overruns; and
- program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Consistent with Enterprise Risk Management principles, HHS OIG is assessing the risk of HHS Recovery Act programs by examining the following: internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring. As part of its audits of HHS programs, OIG reports to management on internal control deficiencies to provide information on risk.

Accomplishments

In FY 2009, OIG obligated \$2,515,707 in Recovery Act funding and had initiated 141 audits and evaluations in furtherance of HHS OIG's Recovery Act oversight responsibilities. During the year, OIG published four audits related to the Recovery Act, including:

- *National Institutes of Health – Internal Control Review of the Process for Awarding American Recovery and Reinvestment Act Funds (A-05-09-00064),*

- *Status of the Office of Community Services' Corrective Actions Resulting From the Government Accountability Office Review of the Community Services Block Grant Program (A-01-09-02502),*
- *Review of the Calculation of Additional Medicaid Funding Awarded Under the American Recovery and Reinvestment Act (A-09-09-00080), and*
- *Review of the Calculations of Temporary Increases in Federal Medical Assistance Percentages Under the American Recovery and Reinvestment Act (A-09-09-00075).*

Additionally, since the inception of the Recovery Act, HHS OIG has provided training and outreach to the agencies and recipients of HHS Recovery Act funds. For FY 2009, OIG provided 20 training sessions, trained 1,901 individuals, and conducted 24 outreach sessions to ensure the appropriate use of funds.

Monthly updates of HHS OIG Recovery Act activities, as well as access to published reports, are available at <http://www.oig.hhs.gov/RecoveryAct>.

FY 2011 Planned Activities

While HHS OIG's detailed work plan for Recovery Act oversight during FY 2011 has not yet been finalized, OIG is committed to working with HHS management to minimize risk; assess controls to prevent fraud, waste, and abuse; and conduct audits to ensure that program goals are achieved and Recovery Act funds are accurately tracked and reported. In doing so, OIG's work is coordinated with Government Accountability Office (GAO); the Recovery Accountability and Transparency Board; and other audit and law enforcement organizations at the Federal, State, and local levels.

Additionally, the OIG Office of Investigations (OI) will continue to receive allegations of fraud, and its special agents will investigate individuals and organizations that knowingly and willfully execute schemes to defraud any HHS program, grant, or contract involving Recovery Act funds. OIG investigators will collaborate with Federal, State, and local law enforcement and other agencies regarding HHS Recovery Act fund distribution. In addition, the Office of Investigations will provide oversight and management of the exclusions program authorized to prohibit individuals and entities that have engaged in certain types of activities from participating in programs involving HHS Recovery Act funds.

For additional information about OIG's planned and ongoing Recovery Act oversight activities, visit: <http://oig.hhs.gov/recovery/workplan.asp>.

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**Appropriations Language
Office of Inspector General**

For expenses necessary for the Office of Inspector General, including the hire of passenger motor vehicles for investigations, in carrying out the provisions of the Inspector General Act of 1978, [\$50,279,000] *\$51,754,000*: Provided, That of such amount, necessary sums shall be available for providing protective services to the Secretary of Health and Human Services and investigating non-payment of child support cases for which non-payment is a Federal offense under 18 U.S.C. Section 228[: Provided further, That at least forty percent of the funds provided in this Act for the Office of Inspector General shall be used only for investigations, audits, and evaluations pertaining to the discretionary programs funded in this Act]. (P.L. 111-117 Consolidated Appropriations Act, 2010)

Language Analysis

Language Provision	Explanation
<p>Provided further, That at least forty percent of the funds provided in this Act for the Office of Inspector General shall be used only for investigations, audits, and evaluations pertaining to the discretionary programs funded in this Act.</p>	<p>OIG proposes that the bracketed bill language be deleted from the latest enacted Appropriations Bill because:</p> <p>(1) the distribution of OIG's workload for FY 2008 and FY 2009 met this criterion, and</p> <p>(2) the requirement has the potential to limit OIG's flexibility to implement risk responsive oversight efforts to address known and emerging issues of importance to Congress, HHS, and taxpayers.</p>

Amounts Available for Obligation

(Dollars in thousands)

	FY 2009 Actual	FY 2010 Est.	FY 2011 Pres. Budget
Discretionary			
<u>General Fund Discretionary Appropriation:</u>			
Appropriation (L/HHS).....	\$45,279	\$50,279	\$51,754
Subtotal, Appropriation (L/HHS)	45,279	50,279	51,754
<u>Recovery Act Appropriation (P.L 111-5):</u>			
General Fund Appropriation	17,000	--	--
Total, Discretionary Appropriation	62,279	50,279	51,754
Discretionary Appropriation less Recovery Act.....	45,279	50,279	51,754
<u>Offsetting Collections from:</u>			
Trust fund HCFAC Discretionary Cap Adjustment.....	18,944	29,790	94,830
Mandatory			
<u>General Fund Mandatory Appropriations:</u>			
Medicaid Integrity Program (MIP, P.L 109-171)	25,000	25,000	--
Medicaid Fraud and Abuse (MFA) Supplemental (P.L 110-252)....	25,000	--	--
Subtotal, Mandatory Appropriation	50,000	25,000	--
<u>Recovery Act Appropriation (P.L 111-5):</u>			
General Fund Appropriation Medicaid Oversight	31,250	--	--
Total, Mandatory Appropriation	81,250	25,000	--
Available Mandatory less Recovery Act	50,000	25,000	--
<u>Offsetting collections from:</u>			
Trust Fund HCFAC	171,659	167,205	167,205
HCFAC collections.....	5,848	10,000	10,000
Subtotal, HCFAC Mandatory	177,507	177,205	177,205
Total Discretionary and Mandatory			
Unobligated balance, lapsing	-575	--	--
Unobligated balance, start of year	18,284	36,710	44,471
Unobligated balance, end of year.....	36,710	44,471	44,346
Unobligated balance, Recovery Act start of year.....	--	45,734	25,209
Unobligated balance, Recovery Act end of year.....	45,734	25,209	4,684
Total Obligations	\$275,245	\$295,038	\$344,439
Obligations less Recovery Act.....	\$272,729	\$274,513	\$341,923

Note: Table excludes discretionary reimbursable funding. In FY 2009 OIG received \$16,808,373 in reimbursable discretionary funding. The estimate for FY 2010 and 2011 is \$18,000,000.

Summary of Changes

(Dollars in thousands)

2010				
Total, Estimated Budget Authority				\$50,279
Obligations.....				50,279
2011				
Total, Estimated Budget Authority				51,754
Obligations.....				51,754
Net Change				+\$1,475
		FY 2011	Change	Change
	FY 2011	Estimate	From Base	From Base
	Estimate	Budget.	FTE	Budget.
	FTE	Authority		Authority
Increases:				
A. Built in:				
1. Provide for +1.4% pay raise, and pay-related costs.....	266	\$30,835	--	+\$468
2. Increased costs related to General Services Administration (GSA) rent.....	--	7,407	--	+166
Subtotal, Built-in Increases.....	266	--	1,501	+634
A. Program:				
1. Costs related to general operating expenses	--	13,498	--	+841
Subtotal, Program Increases.....	--	--	--	+841
Total, Increases	--	--	--	+\$1,475

Note: Table displays OIG's Direct Discretionary funding only. OIG's Discretionary Allocation Adjustment is appropriated to the Centers for Medicare and Medicaid Services (CMS) Health Care Fraud and Abuse Control account.

Budget Authority by Activity

(Dollars in thousands)

	FY 2009 Approp. /1	FY 2010 Approp.	FY 2011 Pres. Budget
Discretionary Appropriations			
Discretionary	\$45,279	\$50,279	\$51,754
HCFAC Discretionary Allocation Adjustment /2	<u>18,967</u>	<u>29,790</u>	<u>94,830</u>
Subtotal, Discretionary Appropriations	64,246	80,069	146,584
Mandatory Appropriations			
HCFAC	177,205	177,205	177,205
Medicaid Oversight Supplementals /3	<u>50,000</u>	<u>25,000</u>	<u>--</u>
Subtotal, Mandatory Appropriations	227,205	202,205	177,205
Total, Budget Authority	\$291,451	\$282,274	\$323,789
FTE	1,501	1,566	1,776

Note: Table excludes discretionary reimbursable funding and HCFAC Collections. In FY 2009 OIG received \$16,808,373 in reimbursable discretionary funding. The estimate for FY 2010 and 2011 is \$18,000,000. In FY 2010 and FY 2011, OIG estimates that it will collect \$10,000,000 in HCFAC Collections.

-
- 1/ FY 2009 column does not include funding appropriated or FTE supported by the Recovery Act (P.L 111-5). OIG was appropriated \$17,000,000 for oversight of HHS Recovery Act supported activities and \$31,250,000 to ensure proper expenditure of Medicaid funds.
 - 2/ OIG's Discretionary Allocation Adjustment is appropriated to the CMS Health Care Fraud and Abuse Control account. The FY 2011 Request includes funding \$25 million, previously funded through mandatory appropriations, that will be used to carry out the Medicaid and Medicare activities of HCFAC.
 - 3/ "Medicaid Oversight Supplementals" includes funding made available through the Deficit Reduction Act of 2005 (P.L 109-171), \$25,000,000 in both FY 2009 and FY 2010, and the Supplemental Appropriations Act of 2008 (P.L 110-252), \$25,000,000 in FY 2009.

Authorizing Legislation

	<u>FY 2010 Amount Authorized</u>	<u>FY 2010 Approp.</u>	<u>FY 2011 Amount Authorized</u>	<u>FY 2011 Pres. Budget</u>
<u>Office of Inspector General:</u>				
Inspector General Act of 1978 (P.L. 95-452, as amended)	Indefinite	\$50,279,000	Indefinite	\$51,754,000
Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, as amended), Mandatory	Indefinite	\$177,205,000	Indefinite	\$177,205,000
Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, as amended), Discretionary Allocation Adjustment	Indefinite	\$29,790,000	Indefinite	\$94,830,000
Deficit Reduction Act of 2005 (P.L. 109-171), MIP 2/	\$25,000,000	\$25,000,000	--	--
Supplemental Appropriations Act of 2008 (P.L. 110-252) MFA	\$25,000,000	--	\$25,000,000	--

Note: Cited authority for HCFAC Mandatory includes HCFAC collections found in Section 1128C(b) of the Social Security Act.

Appropriations History

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
<u>FY 2002</u>				
Discretionary Direct	\$35,786,000	\$35,786,000	\$35,786,000	\$35,786,000
Rescission	--	--	--	-228,000
HCFAC Mandatory	150,000,000	130,000,000	150,000,000	145,000,000
<u>FY 2003</u>				
Discretionary Direct	39,497,000	39,497,000	39,497,000	39,300,000
Rescission	--	--	--	-242,450
HCFAC Mandatory	160,000,000	160,000,000	160,000,000	160,000,000
<u>FY 2004</u>				
Discretionary Direct	39,497,000	39,497,000	39,497,000	39,094,000
Rescission	--	--	--	-403,000
HCFAC Mandatory	160,000,000	160,000,000	160,000,000	160,000,000
<u>FY 2005</u>				
Discretionary Direct	40,323,000	40,323,000	40,323,000	39,930,000
Rescission	--	--	--	-393,000
HCFAC Mandatory	160,000,000	160,000,000	160,000,000	160,000,000
<u>FY 2006</u>				
Discretionary Direct	39,813,000	39,813,000	39,813,000	39,813,000
Rescission	--	--	--	-398,000
HCFAC Mandatory	160,000,000	160,000,000	160,000,000	160,000,000
MIP	25,000,000	--	--	25,000,000
<u>FY 2007</u>				
Discretionary Direct	43,760,000	41,415,000	43,760,000	39,808,000
Discretionary Allocation Adjustment	11,336,000	--	--	--
HCFAC Mandatory	160,000,000	160,000,000	160,000,000	165,920,000
MIP	25,000,000	--	--	25,000,000
Never Events /1	--	--	--	3,000,000
<u>FY 2008</u>				
Discretionary Direct	44,687,000	44,687,000	45,687,000	44,000,000
Rescission	--	--	--	-769,000
Discretionary Allocation Adjustment	17,530,000	36,690,000	36,690,000	--
HCFAC Mandatory	169,238,000	--	--	169,736,000
MIP	\$25,000,000	--	--	\$25,000,000

/1 The Tax Relief and Health Care Act of 2006 (P.L. 109-432) included \$3,000,000 for the Office of Inspector General to study Medicare never events.

	<u>Budget Estimate to Congress</u>	<u>House Allowance</u>	<u>Senate Allowance</u>	<u>Appropriation</u>
<u>FY 2009</u>				
Discretionary Direct	\$46,058,000	\$44,500,000	\$46,058,000	\$45,279,000
Discretionary Allocation Adjustment	18,967,000	18,967,000	18,967,000	18,967,000
HCFAC Mandatory	174,998,000	--	--	177,205,000
MIP	25,000,000	--	--	25,000,000
Medicaid Supplemental	--	--	--	25,000,000
ARRA Mandatory	--	--	--	31,250,000
ARRA Discretionary	--	--	--	17,000,000
<u>FY 2010</u>				
Discretionary Direct	50,279,000	50,279,000	50,279,000	50,279,000
Discretionary Allocation Adjustment	29,790,000	29,790,000	29,790,000	29,790,000
HCFAC Mandatory	177,205,000	--	--	177,205,000
MIP	25,000,000	--	--	25,000,000
<u>FY 2011</u>				
Discretionary Direct	51,754,000	--	--	--
Discretionary Allocation Adjustment	94,830,000	--	--	--
HCFAC Mandatory	\$177,205,000	--	--	--

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**Office of Inspector General
Direct Discretionary**

	FY 2009 Appropriation	FY 2009 Recovery Act	FY 2010 Appropriation	FY 2011 President's Budget Request	FY 2011 + / - FY 2010
Budget Authority	\$45,279,000	\$17,000,000	\$50,279,000	\$51,754,000	+\$1,475,000
FTE	266	11	266	266	--

Authorizing Legislation: Inspector General Act of 1978 (P.L 95-452)

FY 2011 AuthorizationIndefinite

Allocation MethodDirect Federal

Program Description

For over 30 years, OIG has safeguarded HHS program administration and beneficiary well-being by promoting economy, efficiency, and effectiveness in fighting fraud, waste, and abuse.

OIG's program integrity and oversight activities are guided by OIG's legislative and budgetary requirements, and it complies with professional standards established by the Inspector General community. Since the creation of HCFAC in 1996, approximately 80 percent of OIG's annual funding and workload has been dedicated exclusively to oversight and enforcement activities with respect to health care fraud and abuse in Medicare and Medicaid. The remaining OIG oversight efforts are funded through discretionary appropriations that are available for oversight of the more than 300 non-Medicare/Medicaid programs administered and funded by HHS.

OIG accomplishes its mission through the complementary efforts of six component offices, which are:

- Immediate Office of the Inspector General (IO): IO is responsible for ensuring that OIG fulfills its mission by supervising and coordinating the activities of OIG's component offices; setting direction for OIG's priorities and strategic planning; ensuring effective internal quality controls and management; and serving as a liaison with HHS, Congress, and other stakeholders. IO includes the Office of External Affairs, which consists of the divisions of Public Affairs, Legislative and Regulatory Affairs, Freedom of Information Act/Privacy Act, and the Executive Secretariat.
- Office of Audit Services (OAS): OAS provides auditing services for HHS, either by conducting audits with OIG's own internal audit resources or by overseeing audit work done by others. OIG audits examine the performance of HHS programs and/or its

grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS's programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

- Office of Counsel to the Inspector General (OCIG): OCIG provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.
- Office of Evaluation and Inspections (OEI): OEI conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in HHS programs. OEI reports also present practical recommendations for improving program operations.
- Office of Investigations (OI): OI conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in almost every State and the District of Columbia, OI actively coordinates with the Department of Justice (DOJ) and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, or civil monetary penalties.
- Office of Management and Policy (OMP): OMP provides mission and administrative support services to OIG. OMP includes several centralized administrative and operations functions for OIG, including: administrative operations, budget, human capital, publications, and information technology.

OIG maintains a Washington, DC, office and a nationwide network of regional and field offices staffed by auditors, investigators, and program evaluators, with more than 80 percent of employees living and working outside the Washington, DC, metropolitan area. At all levels, OIG staff work closely with HHS and its operating and staff divisions, DOJ and other agencies in the Executive Branch, Congress, and States to bring about systemic changes, successful prosecutions, negotiated settlements, and recovery of funds to protect the integrity of HHS programs and expenditures and the well-being of beneficiaries.

Accomplishments

OIG uses three key measures to report progress in accomplishing its mission of combating fraud, waste, and abuse and promoting economy, efficiency, and effectiveness in HHS programs and operations. These measures are the:

- 3-year moving average of expected recoveries from OIG’s health care oversight activities that resulted in investigative receivables and audit disallowances;
- 3-year moving average of the expected return on investment from OIG’s health care oversight activities that resulted in investigative receivables and audit disallowances; and
- number of accepted quality and management improvement recommendations.

These measures reflect the culmination of investigation, audit, evaluation and inspection efforts initiated in prior years. These measures demonstrate OIG’s successful collaborations with a network of program integrity partners at all levels of government. For example, OIG’s investigators and attorneys work closely with DOJ, State Medicaid Fraud Control Units, and local law enforcement organizations to develop cases and pursue appropriate enforcement actions, which often include criminal or administrative sanctions and restitution to the Federal and State Governments and other affected parties. Similarly, OIG audits and evaluations generate findings and recommendations intended to achieve cost savings or program improvements. OIG does not have the authority to implement these corrective actions; instead, OIG recommendations inform Congress and the HHS program officials of the potential cost disallowances and corrective actions that may be taken to address the vulnerabilities OIG identified.

Performance Measures Summaries and Reporting for “Expected Recoveries” and “Return on Investment”

Expected recoveries resulting from OIG’s health care oversight quantify the expected financial benefit to the Government that directly results from OIG’s work. Expected recoveries are composed of financial receivables to the Federal Government from:

- expected returns as a result of successful prosecutions, court-ordered restitution, and out-of-court settlements;
- audit disallowances that HHS program management has agreed to recoup; and
- administrative enforcement actions during a given reporting period.

Once OIG determines expected recoveries for a reporting period, a return-on-investment estimate is calculated. Return on investment is the ratio of expected recoveries to OIG’s annual operating budget, with the result being an expression of the expected financial benefit to the Federal government for funding OIG oversight activities. For example, a return on investment of \$10:\$1 would indicate that for every \$1 spent by the OIG, the Federal Government expects to receive \$10 in financial recoveries.

For both performance measures, expected recoveries and return on investment, performance is reported using a 3-year moving average. This methodology recognizes the inherent unpredictability in audit and investigative outcomes. It also takes into account the time necessary to complete complex audits and investigations and to recover funds, in order to take appropriate enforcement actions. The 3-year moving average accounts for year-to-year variability and provides a more accurate depiction of results over time.

For the 3-year period from FY 2007 through FY 2009, expected recoveries from OIG's Medicare and Medicaid oversight averaged \$3.7 billion per year, including \$2.5 billion in expected investigative recoveries and \$1.2 billion of audit disallowances per year. The result is an expected return on investment of OIG's health care oversight of \$17.5:\$1, which exceeded the estimated target of \$16.8:\$1.

Summaries of the audits and investigations that reached resolution during FY 2009 and contributed to these performance measures are included in the OIG semiannual reports to Congress, which are stored for public access in the publications section of the OIG Web site

Samples of the outcome-oriented descriptions contained in the semiannual reports to Congress follow.

- Pfizer, Inc., Enters Into Settlement for Marketing and Promotion Practices. Pfizer, Inc., entered into a \$1 billion civil False Claims Act settlement with the United States in connection with marketing and promotion practices associated with the anti-inflammatory drug Bextra and several other drugs. The settlement agreement is part of a global criminal, civil, and administrative settlement with Pfizer and its subsidiary, Pharmacia and Upjohn Company, Inc., which also includes a comprehensive 5-year corporate integrity agreement between Pfizer and OIG.
- Medicare Fraud Strike Force Operations Lead to Sentencing of Seven Miami-Area Residents in Medicare Infusion Fraud Scheme. Seven employees of a Miami, Florida, infusion clinic were ordered to pay \$19.8 million in restitution and sentenced to prison terms ranging from 37 to 97 months. In their guilty pleas, the individuals admitted to activities including manipulating patients' blood samples to generate false medical records, ordering and administering medications to treat conditions that were falsely documented with fraudulent test results, and billing Medicare for services that were medically unnecessary or were never provided.
- Medicaid Personal Care Claims Made by Providers in New York City. In an audit of New York State Medicaid claims, OIG estimated that New York State improperly claimed \$275.3 million in Federal Medicaid reimbursement for some personal care claims submitted by providers in New York City during calendar years 2004 through 2006. The improper claims occurred because the State did not adequately monitor New York City's personal care services program for compliance with Federal and State requirements. We recommended that the State refund \$275.3 million, work with CMS to resolve two Consumer Directed Personal Assistance Program (CDPAP) claims, improve

its monitoring of New York City's personal care services program, and promulgate specific regulations related to CDPAP claims.

Performance Measure Summary and Reporting for “Number of Accepted Quality and Management Improvement Recommendations”

OIG also reports the number of quality and management improvement recommendations generated by OIG audits and evaluations during a reporting period. This performance measure captures an important aspect of OIG's efforts to identify and recommend corrections to systemic weaknesses in HHS program administration and policy implementation. The measure also reflects a significant aspect of OIG's contribution to improving the efficiency and effectiveness of HHS programs and operations.

When OIG completes a report that includes recommendations for program managers to disallow costs or pursue administrative or policy improvements, HHS program managers have a fixed period of time to concur or non-concur with each recommendation. The implementation of those recommendations may be affected by the availability of resources for implementation and other factors. As a result, some OIG recommendations are accepted by program managers but not immediately implemented.

During FY 2009, HHS Operating and Staff Divisions accepted 112 of OIG's quality and management improvement recommendations. This result exceeded the annual target of 85.

Summaries of the audits and evaluations during FY 2009 that contributed to this performance measure are included in the OIG semiannual reports to Congress, which are located at <http://www.oig.hhs.gov/publications.asp>.

Samples of the outcome-oriented descriptions contained in the semiannual reports to Congress follow.

- Reviews of State and Local Pandemic Influenza Preparedness. In two reports related to States' and localities' pandemic influenza preparedness, OIG made recommendations to improve the capacity of the Nation's State and local public health infrastructure to prepare for and respond to pandemic influenza.

In one study, OIG found that although the majority of reviewed localities had begun planning to distribute and dispense vaccines and antiviral drugs, the preparedness plans reviewed did not address most of the vaccine and antiviral drug distribution and dispensing preparedness items identified in HHS guidance. Further, although all of the selected localities conducted exercises related to vaccine and antiviral drug distribution and dispensing, most did not create after-action reports and improvement plans for these exercises.

In another study, OIG found that although the reviewed States and localities are making progress in preparing for a medical surge, fewer than half of the selected localities had

started to recruit the medical volunteers required to respond to a medical surge and that none of the States reviewed had implemented electronic systems to manage volunteers. Moreover, although all of the reviewed localities had acquired limited medical equipment for a pandemic, only three of the five States reviewed had electronic systems to track beds and equipment. This study also highlighted the fact that most of the reviewed localities had not identified guidelines for altering triage, admission, and patient care during a pandemic. As a result of these studies, CDC referenced OIG findings and recommendations in its March 2008 H1N1 Vaccination Campaign Planning Checklist.

- Barriers to the Food and Drug Administration's Response to Food Emergencies. In two reviews, OIG addressed FDA's responsibility for overseeing the safety of human and pet food supplies. These reviews described FDA's difficulties in identifying and removing contaminated products from store shelves. Both reviews found that additional statutory authority and guidance to the industry would strengthen FDA's effectiveness and its ability to respond to a contamination of human and pet food.

One review found that in the event of a food emergency, FDA would likely have difficulty in tracing food products through the food supply chain. Only 5 of the 40 products OIG reviewed were traceable through each stage of the food supply chain. For four products, the facilities that handled the products could not be identified. Furthermore, 59 percent of the facilities reviewed did not meet FDA's requirements to maintain records about their sources, recipients, and transporters, and 25 percent were not aware of these requirements. The recommendations resulting from this review suggested that FDA consider seeking additional statutory authority to strengthen its lot-specific information requirements and to request facilities' records at any time; that FDA work with the industry to develop needed guidance; and that FDA address issues related to mixing raw food products from a large number of farms. FDA agreed to consider these recommendations.

In the second review, which was conducted in response to a request from the Senate Committee on Agriculture, Nutrition, and Forestry, OIG found that FDA did not have statutory authority to require pet food manufacturers or importers to initiate recalls of contaminated food or to assess penalties for recall violations. Furthermore, FDA's existing regulations were issued as nonbinding recall guidance for firms. OIG found that FDA's lack of authority, coupled with its sometimes lax adherence to its recall guidance and internal procedures, limited FDA's ability to ensure that contaminated pet food was promptly removed from retailers' shelves. Our report contained detailed recommendations for strengthening FDA's recall authority and improving its monitoring of recalls. FDA agreed or agreed in principle with all of our recommendations.

OIG Funding History

FY 2005	\$39,930,000
FY 2006	\$39,813,000
FY 2007	\$39,808,000
FY 2008	\$43,231,000
FY 2009	\$45,279,000
FY 2010	\$50,279,000

Budget Request

The FY 2011 Request for direct discretionary funding is \$51,754,000, which is an increase of +\$1,475,000 above the FY 2010 Enacted level, and will maintain an FTE utilization rate of 266, the same as the FY 2010 Enacted level. The request provides additional funding to address rising inflationary costs such as pay. These additional resources are essential to maintaining staffing levels and support costs necessary to provide oversight of HHS's more than 300 non-Medicare/Medicaid programs through investigations, audits, evaluations, and inspections. The request includes +\$468,000 for pay increases, and +\$1,007,000 for other program costs such as inflationary adjustments.

Each fiscal year OIG publishes an Annual Work Plan to describe the program integrity activities that are underway or planned for the fiscal year ahead. The activities described in the Work Plan represent a significant portion of the multi-disciplinary audit, evaluation, and compliance approach taken by OIG to improve HHS programs and operations. In addition, OIG has law enforcement and compliance monitoring responsibilities that cannot be prescribed in advance in a work plan, but must respond to allegations and risks as they arise. Further, as a result of emergencies and unforeseen events, the OIG program integrity workload is often adjusted throughout the year to meet such new priorities and emerging issues. Work conducted in FY 2011 will be guided by OIG's mission and statutory obligations and its annual assessments of the top management and performance challenges facing HHS. Work planning is an ongoing and dynamic process, and adjustments are made throughout the year to meet priorities and to anticipate and respond to emerging issues with the resources available.

In evaluating specific work plan proposals for FY 2011, OIG will consider a number of factors, including the following:

- requirements set forth in laws, regulations, or other directives;
- requests made or concerns raised by Congress and HHS's management;
- significant management and performance challenges facing HHS, which OIG identifies as part of HHS's annual agency financial report;
- work performed by partner organizations;
- management's actions to implement OIG recommendations from previous reviews;
- timeliness (e.g., a program is approaching reauthorization); and
- risk assessment metrics established by the Government Accountability Office, Government Auditing Standards (Yellow Book).

Assessments of Relative Federal Risks

Chief among risk factors examined by OIG in the execution of the work plan are the levels of vulnerability of program funds to fraud, waste, and abuse based on known or possible weaknesses in program and management controls and the effect of HHS program policies and operations on beneficiaries, providers, and others. Accordingly, in assessing risks, OIG evaluates the likelihood of occurrence and the magnitude of impact. For example, weak internal controls, or significant growth in program authority or spending may signal a greater likelihood of fraud, waste, or abuse and the number of beneficiaries served by a program may be an indicator of consequential impact.

In FY 2011, OIG will explore the potential impact of vulnerabilities in new areas (or areas that have not been reviewed in recent years) by examining the extent to which the consequence of mismanagement, noncompliance, or other deficiencies in a specific program area could:

- compound known and inherent financial risks;
- endanger or have negative impacts on public health or quality of care;
- undermine the intent and effectiveness of human service programs; or
- reduce productivity, economy, or efficiency of operations or systems (e.g., contractor selection and performance, information security, and critical infrastructure protection).

Outputs and Outcomes

The FY 2011 total OIG program level budget request will enable OIG to expand its workload related to health care oversight. OIG estimates FY 2011 output targets of 2,265 investigative cases opened, 375 audit reports issued and 52 evaluation reports issued. While some of the outputs in this budget request, such as investigative cases opened, are expected to be impacted by increased funding in FY 2011, some measures, such as investigations cases closed, estimated expected recoveries, and return on investment, may not have increased targets until after FY 2011. For example, the FY 2011 investment in OIG will allow additional investigations and reviews, but final settlement, court action, or other action to recover funds may not occur for a year or more after the initiation of a study, report, or investigation.

Even though the moving average moderates year to year variations to simplify estimating targets for future years, significantly high or low expected recoveries in any part of a 3-year moving average period can weigh heavily on the targets established for future years. For example, because several large civil settlements and criminal fines from FY 2007 and FY 2008 have been removed from the 3-year moving average for establishing FY 2010 and FY 2011 targets respectively, the targets established for those years are lower than the prior years' actuals. Such estimated reductions to targets can give the impression that diminishing returns for investments in OIG are expected, when in fact, it is a reflection of inherent variability in OIG outcomes, multiple years duration necessary for completing oversight activities, and the limitations in the target setting methodology. Even so, estimated recoveries in FY 2011 are \$3.3 billion, which is a return on investment of \$13 dollars for every \$1 spent.

Key Outcomes Table

Measure	Most Recent Result (FY 2009)	FY 2010 Target	FY 2011 Est. Target	FY 2011 +/- FY 2010
1.1.1: Three-year moving average of expected recoveries resulting from OIG's health care oversight. (Dollars in millions)	\$3,701 (Target Exceeded)	\$3,400	\$3,300	-\$100
1.1.2: Three-year moving average of the return on investment resulting from OIG's health care oversight	\$17.5 (Target Exceeded)	\$15.0	\$13.0	-\$2.0
1.1.3: Number of quality and management improvement recommendations accepted	112 (Target Exceeded)	110	120	+10
Total Budget Authority (Dollars in millions)	\$291	\$282	\$324	+\$42

Key Outputs Table

Measure	Most Recent Result (FY 2009)	FY 2010 Target	FY 2011 Est. Target	FY 2011 +/- FY 2010
Number of final evaluation reports issued	59 (Target Exceeded)	50	52	+2
Timeliness – Percentage of draft evaluation reports issued within 1 year of start	52% (Target Exceeded)	55%	55%	0%
Number of final audit reports issued	477 (Target Exceeded)	355	375	+20
Timeliness – Percentage of audit reports issued within 1 year of start	69% (Target Exceeded)	60%	63%	+3%
Number of complaints received for investigation	5,255 (Target Exceeded)	5,000	5,000	0
Number investigative cases opened	2,093 (Target Exceeded)	2,065	2,265	+200
Number investigative cases closed	2,040 (Target Exceeded)	2,050	2,050	0
Total Budget Authority (Dollars in millions)	\$291	\$282	\$324	+\$42

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Budget Authority by Object Class

(Dollars in thousands)

	FY 2010 Estimate	FY 2011 Estimate	Increase or Decrease
<u>Direct Obligations</u>			
Personnel compensation:			
Full-time permanent (11.1)	\$21,961	\$22,301	+\$340
Other than full-time permanent (11.3)	538	546	+8
Other personnel compensation (11.5)	468	475	+7
Military personnel (11.7)	69	70	+1
Special personnel services payments (11.8)	9	9	--
Subtotal, Personnel	23,045	23,401	+356
Civilian benefits (12.1)	7,258	7,370	+112
Military benefits (12.2)	24	24	--
Benefits to former personnel (13.0)	--	--	--
Subtotal, Pay Costs	30,327	30,795	+468
Travel and transportation of persons (21.0)	1,733	1,879	+146
Transportation of things (22.0)	439	445	+6
Rental payments to GSA (23.1)	7,241	7,407	+166
Rental payments to others (23.2)	13	13	--
Communication, utilities, and misc. charges (23.3)	949	962	+13
Printing and reproduction (24.0)	28	28	--
Other Contractual Services:			
Advisory and assistance services (25.1)	1	1	--
Other services (25.2)	904	917	+13
Purchase of goods and services from government accounts (25.3)	2,696	2,914	+218
Operation and maintenance of facilities (25.4)	998	1,012	+14
Research and Development Contracts (25.5)	--	--	--
Medical care (25.6)	--	--	--
Operation and maintenance of equipment (25.7)	328	433	+105
Subsistence and support of persons (25.8)	--	--	--
Subtotal, Other Contractual Services	4,927	5,277	+350
Supplies and materials (26.0)	360	466	+106
Equipment (31.0)	4,252	4,472	+220
Land and Structures (32.0)	--	--	--
Investments and Loans (33.0)	--	--	--
Grants, subsidies, and contributions (41.0)	--	--	--
Insurance claims and indemnities (42.0)	7	7	--
Receipts (61.0)	3	3	--
Subtotal, Non-Pay Costs	\$19,952	\$20,959	+\$1,007
Total, Budget Authority by Object Class	\$50,279	\$51,754	+\$1,475

Note: Amounts differ from the FY 2011 President's Budget Appendix because this table only includes discretionary appropriations to the OIG through the annual appropriations process. It does not include funding from: the Medicaid Integrity Program (Deficit Reduction Act of 2005, P.L. 109-171), Medicaid Fraud and Abuse Supplemental (Supplemental Appropriations Act of 2008, P.L. 110-252), Medicare never events (Tax Relief and Health Care Act of 2006, P.L. 109-432), or the Recovery Act, P.L. 111-5.

Salary and Expenses

(Dollars in thousands)

	2010 Estimate	2011 Estimate	Increase or Decrease
<u>Personnel compensation:</u>			
Full-time permanent (11.1).....	\$21,961	\$22,301	+\$340
Other than full-time permanent (11.3).....	538	546	+8
Other personnel compensation (11.5).....	468	475	+7
Military personnel (11.7).....	69	70	+1
Special personnel services payments (11.8).....	<u>9</u>	<u>9</u>	<u>--</u>
Subtotal, Personnel Compensation.....	23,045	23,401	+356
Civilian benefits (12.1).....	7,258	7,370	+112
Military benefits (12.2).....	24	24	--
Benefits to former personnel (13.0).....	<u>--</u>	<u>--</u>	<u>--</u>
Total, Pay Costs	30,327	30,795	+468
Travel and transportation of persons (21.0).....	1,733	1,879	+146
Transportation of things (22.0).....	439	445	+6
Rental payments to Others GSA (23.2).....	13	13	--
Communication, utilities, and misc. charges (23.3).....	949	962	+13
Printing and reproduction (24.0).....	28	28	--
<u>Other Contractual Services:</u>			
Advisory and assistance services (25.1).....	1	1	--
Other services (25.2).....	904	917	+13
Purchase of goods and services from government accounts (25.3).....	2,696	2,914	+218
Operation and maintenance of facilities (25.4).....	998	1,012	+14
Research and Development Contracts (25.5).....	--	--	--
Medical care (25.6).....	--	--	--
Operation and maintenance of equipment (25.7).....	328	433	+105
Subsistence and support of persons (25.8).....	<u>--</u>	<u>--</u>	<u>--</u>
Subtotal, Other Contractual Services	4,927	5,277	+350
Supplies and materials (26.0).....	<u>360</u>	<u>466</u>	<u>+106</u>
Total, Non-Pay Costs	8,449	9,070	+621
Total, Salary and Expense	\$38,776	\$39,865	+\$1,089
Direct FTE.....	266	266	--

Note: Amounts differ from the FY 2011 President's Budget Appendix because this table only includes discretionary appropriations to the OIG through the annual appropriations process. It does not include funding from: the Medicaid Integrity Program (Deficit Reduction Act of 2005, P.L. 109-171), Medicaid Fraud and Abuse Supplemental (Supplemental Appropriations Act of 2008, P.L. 110-252), Medicare never events (Tax Relief and Health Care Act of 2006, P.L. 109-432), or the Recovery Act, P.L. 111-5.

Detail of Full-Time Equivalents (FTE)

	2009 Actual Civilian	2009 Actual Military	2009 Actual Total	2010 Est. Civilian	2010 Est. Military	2010 Est. Total	2011 Est. Civilian	2011 Est. Military	2011 Est. Total
Discretionary:									
Direct	265	1	266	265	1	266	265	1	266
Reimbursable	<u>8</u>	<u>--</u>	<u>8</u>	<u>8</u>	<u>--</u>	<u>8</u>	<u>8</u>	<u>--</u>	<u>8</u>
Subtotal.....	273	1	274	273	1	274	273	1	274
Discretionary Allocation Adjustment:									
Reimbursable	<u>142</u>	<u>--</u>	<u>142</u>	<u>187</u>	<u>--</u>	<u>187</u>	<u>443</u>	<u>--</u>	<u>443</u>
Subtotal.....	142	--	142	187	--	187	443	--	443
HCFAC Mandatory / Collection:									
Direct	--	--	--	--	--	--	--	--	--
Reimbursable	<u>937</u>	<u>--</u>	<u>937</u>	<u>936</u>	<u>1</u>	<u>937</u>	<u>936</u>	<u>1</u>	<u>937</u>
Subtotal.....	937	--	937	936	1	937	936	1	937
MFA/Never Event/MIP:									
Direct	<u>148</u>	<u>--</u>	<u>148</u>	<u>46</u>	<u>--</u>	<u>46</u>	<u>--</u>	<u>--</u>	<u>--</u>
Subtotal.....	148	--	148	46	--	46	--	--	--
Subtotal, OIG FTE	1,500	1	1,501	1,442	2	1,444	1,652	2	1,654
Recovery Act FTE:									
ARRA	11	--	11	31	--	31	31	--	31
ARRA Medicaid	<u>--</u>	<u>--</u>	<u>--</u>	<u>91</u>	<u>--</u>	<u>91</u>	<u>91</u>	<u>--</u>	<u>91</u>
Subtotal, Recovery Act.	11	--	11	122	--	122	122	--	122
Total, OIG FTE.....	1,511	1	1,512	1,564	2	1,566	1,774	2	1,776

Detail of Positions

	2009 Actual	2010 Estimate	2011 Estimate
Executive level X.....	1	1	1
ES-10	16	16	16
GS-15.....	87	88	100
GS-14.....	199	200	229
GS-13.....	566	568	647
GS-12.....	376	378	433
GS-11.....	111	112	128
GS-10.....	1	1	1
GS-9.....	108	109	124
GS-8.....	10	10	12
GS-7.....	69	69	79
GS-6.....	5	5	6
GS-5.....	27	27	31
GS-4.....	3	3	3
Subtotal.....	1562	1572	1798
Commission Corps.....	1	2	2
Total, Positions	1563	1574	1800
Average GS Grade	12.1	12.1	12.1
Average GS Salary.....	\$92,552	\$98,371	\$101,952

Average GS Grade

2006.....	12.0
2007.....	12.0
2008.....	12.2
2009.....	12.1
2010.....	12.1

**Health Care Fraud and Abuse Control Program
OIG-Supported Activities**

	FY 2009 Enacted	FY 2010 Enacted	FY 2011 President's Budget Request	FY 2011 +/- FY 2010
Discretionary Allocation Adjustment	\$18,967,000	\$29,790,000	\$94,830,000	+\$65,040,000
<i>HEAT (non-add)</i>	--	--	+40,040,000	+40,040,000
Mandatory HCFAC	177,205,000	177,205,000	177,205,000	--
Total Funding	\$196,172,000	\$206,995,000	\$272,035,000	+\$65,040,000
FTE	1,079	1,124	1,380	+256

Note: HCFAC funding is requested and provided through the CMS budget.

Program Description

The Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, "HIPAA") created the Health Care Fraud and Abuse Control Program (HCFAC) to coordinate government efforts to detect, prevent, and combat health care fraud and abuse. Under the joint direction of the Attorney General and the Secretary of the Department of Health and Human Services, acting through the Inspector General, HCFAC is designed to coordinate Federal, state and local law enforcement activities with respect to health care fraud and abuse. Now in its fourteenth year of operation, the Program's continued success confirms the soundness of a collaborative approach to identify and prosecute the most egregious instances of health care fraud, to prevent future fraud and abuse, and to protect program beneficiaries.

Accomplishments

In FY 2009 OIG participated in investigations or other inquiries that resulted in 515 criminal actions, 387 civil actions, and more than 2,556 program exclusions against individuals or entities that engaged in health-care-related offenses. These efforts resulted in \$3 billion in HHS and \$986 million in non-HHS expected investigative receivables, including civil and administrative settlements or civil judgments related to Medicare; Medicaid; and other Federal, State, and private health care programs. In addition, CMS program managers agreed to disallow approximately \$463 million in improperly paid health care funds, based on OIG recommendations.

Additionally, OIG plays a primary role in the joint DOJ-HHS HEAT task force. As part of this initiative, OIG participates in Medicare Fraud Strike Force teams consisting of law enforcement officers from OIG, DOJ and other Federal, State and local agencies. The Strike Force teams are designed to combat Medicare fraud through the use of Medicare data analysis techniques and an increased focus on community policing. Strike Force teams are operating in seven cities in the United States: Miami, Los Angeles, Detroit, Houston, Brooklyn, Tampa, and Baton Rouge. As of the end of 2009, Strike force activities had resulted in more than 200 convictions, almost 500 indictments, and an estimated \$235 million in expected recoveries. The HEAT initiative

also focuses on health care fraud prevention. Through its audits, evaluations, and inspections, OIG detects and exposes Medicare program vulnerabilities along with fraud prevention opportunities.

Frequently, these investigations, audits and evaluations reveal vulnerabilities or incentives for questionable or fraudulent financial practices in agency programs or administrative processes. OIG makes recommendations to agency managers to address these vulnerabilities, as required by the Inspector General Act. In turn, agency managers recommend legislative proposals or other corrective actions that, when enacted or implemented, close loopholes and reduce improper payments or conduct.

FY 2011 Budget Justification

The FY 2011 estimate for OIG HCFAC activities is \$272,035,000, an increase of +\$65,040,000 above the FY 2010 funding level. The OIG estimate includes mandatory funding of \$177,205,000, the same as FY 2010, and a request for a discretionary allocation adjustment of \$94,830,000, an increase of +\$65,040,000 above the FY 2010 enacted level. This request includes (1) +\$25,000,000 to continue oversight of Medicaid and Medicare program activities previously funded through mandatory appropriations and (2) +\$40,040,000 in support of the Administration's HEAT initiative to prevent and prosecute health care fraud. This increase will support HEAT activities in 13 additional cities.

A full request of HHS and DOJ HCFAC funding is available in CMS's FY 2011 Congressional Justification.

House, Senate, and Conference Appropriations Committee Reports

The following section represents FY 2010 Congressional requirements for reports and significant items derived from House Report 111-220, Senate Report 111-66 and House Report 111-366.

Item:

The FY 2010 House Appropriations Committee continues bill language requiring that at least 40 percent of the funding provided in this Act for the OIG be used for investigations, audits, evaluations and inspections of discretionary programs funded in this Act. The Committee continues to be dissatisfied by the relative lack of attention in the OIG to discretionary programs funded in this bill, which provides the OIG’s discretionary operating funding. The Committee also encourages the OIG to strengthen its program evaluation activities as opposed to the relatively narrow financial audit findings which seem to constitute the bulk of the reports transmitted to the Committee (House Report 111-220, page 192).

Action Taken:

OIG strives to ensure that it has a comprehensive body of discretionary work that consists of high-priority issues. In response to the report language that OIG conduct more evaluations related to the programs under the Committee’s jurisdiction, OIG has increased its number of discretionary evaluations. For example, while OIG issued only 6 discretionary evaluations in FY 2007, in FY 2009 21 discretionary evaluations were underway, of which 13 (approximately 62 percent) related to programs under the Committee’s jurisdiction.

Additionally, OIG continues to meet the 40 percent requirement specified in the bill language above. Consistent with the following table, in FY 2009, OIG committed approximately 62 percent of its discretionary resources to conducting the types of work mandated by this requirement.

HHS OIG FY 2009 Expenditure of Discretionary Direct Appropriation
(Dollars in millions)

HHS Operating Divisions	Labor/HHS Disc.	Other Disc.	Mandatory	Total
Administration for Children and Families	\$6.33	--	\$10.64	\$16.97
Agency for Healthcare Research and Quality	0.02	--	--	0.02
Administration on Aging	0.18	--	--	0.18
Centers for Disease Control and Prevention/ ATSDR.....	5.95	--	--	5.95
Food and Drug Administration*	--	3.25	--	3.25
Health Resources and Services Administration.....	3.56	--	--	3.56
Indian Health Service*	--	3.12	--	3.12
National Institutes of Health.....	3.57	--	--	3.57
Substance Abuse and Mental Health Services Administration	0.68	--	--	0.68
Office of the Secretary of HHS	<u>7.97</u>	<u>--</u>	<u>--</u>	<u>7.97</u>
Total.....	\$28.27	\$6.37	\$10.64	\$45.28

*Note: Funding for FDA is appropriated through the Agriculture bill and funding for IHS is appropriated through the Interior and Environment bill.

OIG remains willing to undertake work that is of interest to the Committee consistent with the mission and expertise of OIG staff. OIG looks forward to a continuing dialogue with members of the Committee and their staffs on future audits, evaluations, and investigations related to the programs funded under this appropriation.

Requirements of the Inspector General Act

Pursuant to the Inspector General Reform Act of 2008, section 6 of the Inspector General Act of 1978 (5 U.S.C. App.) was amended by adding:

“(f)(1) For each fiscal year, an Inspector General shall transmit a budget estimate and request to the head of the establishment or designated Federal entity to which the Inspector General reports. The budget request shall specify the aggregate amount of funds requested for such fiscal year for the operations of that Inspector General and shall specify the amount requested for all training needs, including a certification from the Inspector General that the amount requested satisfies all training requirements for the Inspector General’s office for that fiscal year, and any resources necessary to support the Council of Inspectors General for Integrity and Efficiency. Resources necessary to support the Council of Inspectors General on Integrity and Efficiency shall be specifically identified and justified in the budget request.

(2) In transmitting a proposed budget to the President for approval, the head of each establishment or designated Federal entity shall include –

- (A) an aggregate request for the Inspector General;
- (B) amounts for Inspector General training;
- (C) amounts for support of the Council of Inspectors General on Integrity and Efficiency; and
- (D) any comments of the affected Inspector General with respect to the proposal.

(3) The President shall include in each budget of the United States Government submitted to Congress –

- (A) a separate budget statement of the budget estimate prepared in accordance with paragraph (1);
- (B) the amount requested by the President for each Inspector General;
- (C) the amount requested by the President for training of Inspectors General;
- (D) the amount requested by the President in support for the Council of Inspectors General on Integrity and Efficiency; and
- (E) any comments of the affected Inspector General with respect to the proposal if the Inspector General concludes that the budget submitted by the President would substantially inhibit the Inspector General from performing the duties of the office.”

HHS OIG meets the aforementioned reporting requirements established through the IG Reform Act by providing the following information:

- OIG's aggregate budget estimate and request to HHS at the beginning of the FY 2011 budget process was \$323 million.
- OIG's aggregate funding request to Congress for FY 2011 is \$324 million.
- OIG's funding requested for all training needs is \$8.3 million.
- \$394,000 will be necessary to support the Council of Inspectors General on Integrity and Efficiency (CIGIE).
- The Inspector General comments on this budget request are on the first page of this submission in the Message from the Inspector General section.

HHS OIG Training Requirements

In accordance with requirements established in section 6(f)(3)(C) of the IG Act, this budget requests \$8.3 million in FY 2011 for training expenses, of which a portion of this amount will be funded from the discretionary budget. This amount is comprised of OIG's baseline training budget for its entire staff, which includes more than 1,500 criminal investigators, auditors, program evaluators, attorneys, and administrative and management staff.

HHS OIG Financial Support for the Council of Inspectors General on Integrity and Efficiency

In support of the Governmentwide Inspector General community, HHS OIG contributes funds to the Council of Inspectors General on Integrity and Efficiency (CIGIE) for such expenses as maintaining www.IGNet.gov, maintaining the awards nomination database, providing legal assistance, and hosting the annual awards ceremony. In accordance with the reporting requirements established by section 6(f)(3)(D) of the IG Act, this budget requests \$394,000 in necessary expenses for the HHS OIG's support of CIGIE, of which a portion of this amount will be funded from the discretionary budget.

**FY 2011 HHS Enterprise Information Technology
and Governmentwide E-Gov Initiatives****Allocation Statement**

The HHS OIG will use **\$118,783** of its **FY 2011** budget to support Departmentwide enterprise information technology and governmentwide E-Government initiatives. The OIG helps to finance specific HHS enterprise information technology programs and initiatives, identified through the HHS Information Technology Capital Planning and Investment Control process, and the governmentwide E-Government initiatives. The HHS enterprise initiatives meet cross-functional criteria and are approved by the HHS Information Technology Investment Review Board based on funding availability and business case benefits. Development is collaborative in nature and achieves HHS enterprise-wide goals that produce common technology, promote common standards, and enable data and system interoperability.

Of the amount specified above, **\$3,076** is allocated to a developmental governmentwide E-Government initiative for **FY 2011**. This amount supports the governmentwide E-Government initiatives as follows:

FY 2011 Developmental E-Gov Initiatives*	
Line of Business - Human Resources	\$3,076
FY 2011 Developmental E-Gov Initiatives Total	\$3,076

* Specific levels presented here are subject to change, as redistributions to meet changes in resource demands are assessed.

Prospective benefits from this initiative are:

Lines of Business-Human Resources Management provides standardized and interoperable human resources solutions utilizing common core functionality to support the strategic management of Human Capital. HHS has been selected as a Center of Excellence and will be leveraging its human resources investments to provide services to other Federal agencies.

In addition, **\$34,413** is allocated to an ongoing governmentwide E-Government initiative for **FY 2011**. This amount supports the governmentwide E-Government initiative as follows:

FY 2011 Ongoing E-Gov Initiatives*	
E-Rule Making	\$34,413
FY 2011 Ongoing E-Gov Initiatives Total	\$34,413

* Specific levels presented here are subject to change, as redistributions to meet changes in resource

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