



**DEPARTMENT
of HEALTH
& HUMAN
SERVICES**

**Fiscal Year
2012**

Office of Inspector General

*Justification of
Estimates for
Appropriations Committees*

Message From the Inspector General

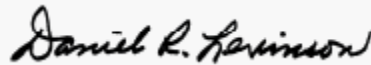
I am pleased to present the U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), Fiscal Year (FY) 2012 Performance Budget Submission. This submission is in accordance with the Inspector General Act, as amended (5 U.S.C. App. 3), and presents my office's aggregate budgetary requirements for meeting its responsibility to protect the integrity of HHS programs, as well as the health and welfare of the beneficiaries whom they serve.

This submission includes a program level of \$366 million in furtherance of OIG's mission in FY 2012, including:

- \$63 million, an increase of +\$13 million above the FY 2010 enacted for oversight of HHS's more than 300 non-Medicare/Medicaid programs, which account for approximately \$100 billion in spending and have grown significantly in size and scope during the last decade. These funds will enable OIG to maintain and expand existing HHS oversight efforts and to monitor the implementation of the Patient Protection and Affordable Care Act (ACA).
- \$303 million, an increase of +\$64 million above the FY 2010 enacted for oversight of the Medicare and Medicaid programs. This request will support the joint HHS and Department of Justice Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative and related program integrity efforts.

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

Since its establishment in 1976, this office has consistently achieved commendable results and positive returns on investment. I am confident that the funding requested will ensure similar future benefits for American taxpayers and their families.



Daniel R. Levinson
Inspector General

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FY 2012 Departmental Performance Budget Submission
U.S. Department of Health & Human Services
Office of Inspector General

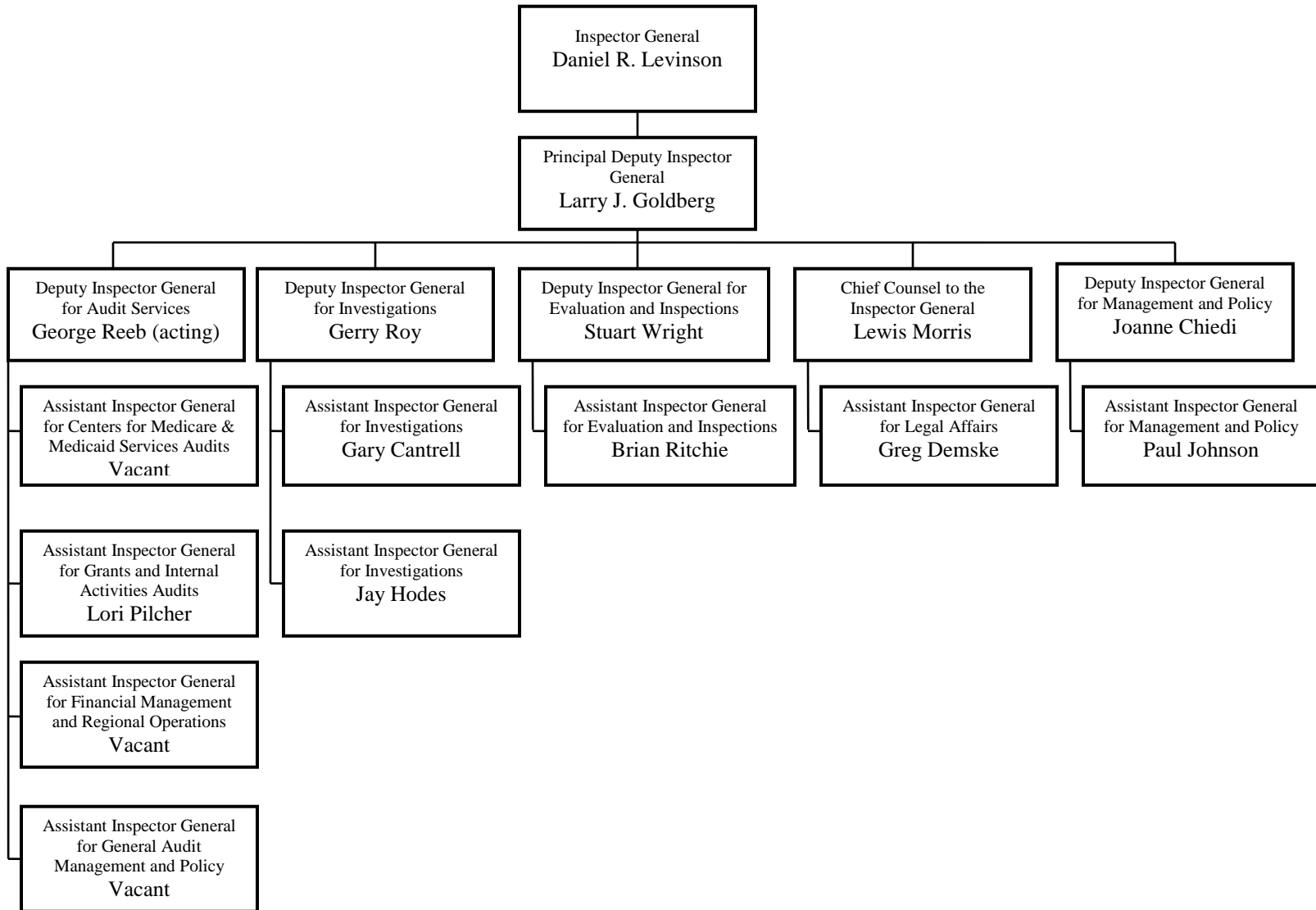
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**Department of Health & Human Services
Office of Inspector General**

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 & Human Services (HHS or the Department). HHS consists of 11 operating divisions and the Office of the Secretary and is 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 18 staff divisions dedicated to departmental management and coordination, such as the Assistant Secretary for Preparedness and Response and the National Coordinator for Health Information Technology.

OIG's program integrity and oversight activities are guided by its legislative and budgetary requirements and its compliance with professional standards established by the Government Accountability Office (GAO) and the Inspector General (IG) community. Since the creation of the Health Care Fraud and Abuse Control (HCFAC) Program in 1997, approximately 80 percent of OIG's annual funding and workload have been dedicated exclusively to oversight and enforcement activities with respect to health care fraud and abuse in the Medicare and Medicaid programs.

The fiscal year (FY) 2011 discretionary figures displayed throughout this document represent the annualized Continuing Resolution (CR) level. Allocation of funds to programs and activities represent policies in the enacted FY 2010 appropriations.

Mission

OIG's mission is to protect program integrity and the well-being of beneficiaries by detecting and preventing fraud, waste, 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.

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Overview of Budget Request

OIG's FY 2012 budget submission includes a program level of \$366,272,000 and 1,976 full-time equivalents (FTE), an increase of +\$76,642,000, and +394 FTE above FY 2010 appropriated level. Program increases include:

- Public Health, Human Services and Departmentwide Issues (PHHS) Oversight (+\$13,050,000): Ensuring oversight of the HHS activities authorized and funded by the Patient Protection and Affordable Care Act (ACA), as well as the integrity of more than 300 non-Medicare/Medicaid programs, which account for approximately \$100 billion in spending. The requested increase includes a proposal to support OIG's PHHS oversight activities with funds made available through the Public Health Service (PHS) Act Evaluation Set-Aside.
- CMS Oversight (+\$63,592,000): Continue oversight of Medicaid and Medicare program activities previously funded through mandatory appropriations and funding 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. Note that this request includes \$97,556,000 through the HCFAC discretionary allocation adjustment. While this funding is requested through the budget for CMS, information on OIG-specific activities can be found in this document.

OIG's specific focus of oversight activities in FY 2012 will be determined through the annual work-planning process and the assessment of the top management and performance challenges facing HHS in FY 2012. The top management challenges from the most recent year, including implementation of the ACA, will provide the foundation for OIG's identification and assessment of priorities in future years.

Key areas identified by OIG as the topmost areas of challenge to HHS with regard to its PHHS programs and operations include:

- Oversight of Food, Drug, and Medical Device Safety: 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. HHS's public health agencies, such as FDA, are significantly responsible for coordinating and ensuring food, drug, and medical device safety in our Nation. To ensure that these agencies perform effectively, they are required to have policies and programs that strengthen the integrity of medical research endeavors, protect human research subjects, and provide for preapproval and postapproval monitoring of regulated medical products.

- Emergency Preparedness and Response: Natural disasters, such as hurricanes, wildfires, floods, and the outbreak of the H1N1 virus, highlight the importance of a comprehensive national public health infrastructure that is prepared to respond rapidly and capably to emergencies. The ability to effectively prepare for and respond to a public health emergency requires planning, coordination, and communication across a range of entities, including Federal agencies; States, localities, and tribal organizations; the private sector; individuals and families; and international partners.
- Grant and Contract Oversight: HHS receives and distributes more grant money than all other Federal agencies combined. In FY 2010, HHS awarded approximately \$370 billion in grants. With the passage of the American Recovery and Reinvestment Act (Recovery Act) and the ACA, the Department's grant portfolio has changed in size, scope, and complexity. In addition to awarding grants, the Department awarded approximately \$19 billion in contracts in FY 2010. OIG assesses the mechanisms within HHS to ensure that proper procedures are used to award and fund grants, account for expenditures, and verify that grant dollars are used only for authorized purposes. Furthermore, the scope and size of HHS contracts are significant and pose a challenge to effective oversight.
- Recovery Act Accountability and Transparency: The Recovery Act provided more than \$138 billion to HHS to provide additional Federal assistance for health care, public health, and human services programs, as well as to invest in research and health information technology. The magnitude of expenditures and the potential impact of this funding on the economy, Federal and State budgets, program beneficiaries, and taxpayers make it critical that Recovery Act funds be used efficiently and effectively and be protected from fraud, waste, and abuse.

Similarly, OIG has identified the most significant areas of vulnerability in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). The following six principles of program integrity serve as a framework for designing and implementing CMS-specific program integrity efforts. These principles emphasize the importance of addressing:

- Enrollment: Scrutinize individuals and entities that seek to participate as providers and suppliers prior to their enrollment in health care programs.
- Payment: Establish payment methodologies that are reasonable and responsive to changes in the marketplace.
- Compliance: Assist health care providers and suppliers in adopting practices that promote compliance with program requirements, including quality and safety standards.
- Oversight: Vigilantly monitor programs for evidence of fraud, waste, and abuse.
- Response: Respond swiftly to detected fraud, impose appropriate punishment to deter others, and promptly remedy program vulnerabilities.

- Quality: Ensure that the beneficiaries of Federal health care programs receive quality health care. This challenge has many dimensions, including overseeing providers' compliance with quality-of-care standards, ensuring patient safety, and identifying opportunities for improvements in quality of care.

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Overview of Performance

Summary of Changes to the Performance Budget

OIG's FY 2012 budget submission includes several revisions to OIG's performance budgeting information. These revisions highlight budget and performance information by the two focus areas of OIG's program integrity and oversight activities: PHHS and CMS. This change more clearly represents the work within each focus area. This performance budget includes an additional output: the number of audits and evaluations started in a fiscal year. These measures are leading indicators of the key outputs and outcomes to be realized in future years and will help ensure that OIG's performance budget submissions demonstrate the impact of variations in OIG funding.

Significant Accomplishments

PHHS Oversight

In FY 2010 OIG identified significant weaknesses in FDA's inspections of food facilities. FDA inspects food facilities to ensure food safety and compliance with regulations. FDA should take regulatory action when an inspection identifies violations that are significant enough to warrant an "official action indicated" (OAI) classification. This regulatory action could include issuing a warning letter; holding a regulatory meeting; or initiating an enforcement action, such as a seizure or an injunction. OIG found that FDA inspects less than a quarter of food facilities each year. In addition, more than half of all food facilities have gone 5 or more years without an FDA inspection. Moreover, for 36 percent of the facilities that received OAI classifications, FDA took no additional steps to ensure that the violations were corrected.

CMS Oversight

On May 20, 2009, the Secretary of Health & Human Services and the Attorney General announced the creation of HEAT, focused specifically on combating Medicare fraud. HEAT includes senior officials from the Department of Justice (DOJ) and HHS and builds upon and strengthens existing programs to combat fraud while investing in new resources and technology to prevent and detect fraud, waste, and abuse. OIG is a key member of HEAT and contributes to the HEAT mission through fraud prevention, detection, and enforcement activities, including jointly leading the Medicare Fraud "Strike Forces."

Strike Forces, which are teams of dedicated Federal agents and prosecutors supported by a data analysis team, have proven successful at targeting viral fraud schemes in concentrated geographic locations. During FY 2010, Strike Force efforts resulted in 140 indictments involving charges filed against 284 defendants, who collectively billed Medicare more than \$590 million; 217 guilty pleas negotiated; 19 jury trials litigated; guilty verdicts against 23 defendants; and imprisonment for 146 defendants sentenced to an average of more than 40 months.

Summary of Performance Targets and Results ¹

| FY | Total Targets | Targets With Results Reported | Percentage of Targets With Results Reported | Total Targets Met | Percentage of Targets Met |
|-----------|----------------------|--------------------------------------|--|--------------------------|----------------------------------|
| 2007 | 3 | 3 | 100% | 3 | 100% |
| 2008 | 3 | 3 | 100% | 3 | 100% |
| 2009 | 3 | 3 | 100% | 3 | 100% |
| 2010 | 3 | 3 | 100% | 3 | 100% |
| 2011 | 3 | TBD | TBD | TBD | TBD |
| 2012 | 3 | TBD | TBD | TBD | TBD |

¹ This table provides an overview of all outcome targets established for each corresponding FY. For an explanation of OIG's outcome measures, refer to OIG's *FY 2012 Online Performance Appendix*, which can be found at <http://www.oig.hhs.gov/publications.asp>.

All-Purpose Table

(Dollars in Thousands)

| | FY 2010 Approp. | FY 2011 Continuing Resolution | FY 2012 Pres. Budget |
|---|--------------------|-------------------------------------|-------------------------|
| Public Health, Human Services, and Departmentwide | | | |
| Issues (PHHS) Oversight: | | | |
| Discretionary Budget Authority (BA)..... | \$50,279 | \$50,279 | \$53,329 |
| Subtotal, PHHS BA..... | 50,279 | 50,279 | 53,329 |
| Public Health Service Evaluation Set-Aside | -- | -- | 10,000 |
| Subtotal, PHHS Program Level (PL) | 50,279 | 50,279 | 63,329 |
| CMS Oversight¹ | | | |
| Health Care Fraud and Abuse Control Program | | | |
| (HCFAC) Mandatory BA ^{2, 3} | 178,705 | 197,998 | 193,387 |
| HCFAC Discretionary Allocation Adjustment BA ³ | 29,790 | 29,790 | 97,556 |
| Medicaid Oversight Supplemental Mandatory BA ⁴ | 25,000 | -- | -- |
| Subtotal, CMS Oversight BA | 233,495 | 227,788 | 290,943 |
| HCFAC Collections..... | ⁵ 5,856 | ⁵ 12,000 | ⁵ 12,000 |
| Subtotal, CMS Oversight PL..... | 239,351 | 239,788 | 302,943 |
| Total, BA..... | \$283,774 | \$278,067 | \$344,272 |
| Total, Program Level..... | \$289,630 | \$290,067 | \$366,272 |
| FTE ⁶ | 1,582 | 1,712 | 1,976 |

Note: Table excludes discretionary reimbursable funding. In FY 2010, OIG obligated \$17 million in reimbursable discretionary funding. The estimates for both FYs 2011 and 2012 are \$21 million.

¹ Section 6201 of the ACA appropriated up to \$3 million in FY 2010 for OIG to evaluate a nationwide program for national and state background checks on direct patient access employees of long-term-care facilities and providers. While OIG is planning its oversight efforts in this area, OIG has not completed its estimates for the cost.

² FY 2010 funding level includes \$1.5 million in HCFAC Mandatory funding that was allocated to OIG by HHS above OIG's directly appropriated amount of \$177 million. The FY 2012 Budget Appendix only displays the amount directly appropriated to OIG.

³ OIG's HCFAC BA is appropriated to the CMS HCFAC account.

⁴ The Deficit Reduction Act (DRA) of 2005 (P.L. 109-171), appropriated \$25 million in FY 2010 for Medicaid oversight efforts.

⁵ For FY 2010, \$10 million was estimated, and the FY 2012 Budget Appendix includes this estimate. For FYs 2011 and 2012, the funding level for HCFAC Collections is an estimate and the amount obligated will be dependent on the amount collected.

⁶ Totals include FTE supported by funding provided through the Recovery Act (P.L. 111-5). OIG was appropriated \$17 million for oversight of HHS Recovery Act activities and \$31 million to ensure proper expenditure of Medicaid funds.

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

(Dollars in Thousands)

| | Total Resources Available | FY 2009/ 2010 | FY 2011 Est. | FY 2012 Est. |
|--|----------------------------------|----------------------|---------------------|---------------------|
| Recovery Act Oversight (Discretionary) | \$17,000 | \$6,599 | \$4,892 | \$5,489 |
| Medicaid Oversight (Mandatory) | \$31,250 | \$10,374 | \$20,769 | -- |
| Total | \$48,250 | \$16,973 | \$25,661 | \$5,489 |

Program Description

The Recovery Act provided OIG with \$48,250,000 for oversight activities, including \$17,000,000 for oversight of HHS's Recovery Act activities and \$31,250,000 specifically to ensure the proper expenditure of Medicaid funding. Information regarding OIG's Medicaid oversight is discussed in the "CMS Oversight" subsection beginning on page 39.

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 and accurately and reported 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.

Accomplishments

In FY 2010, OIG obligated \$4.2 million in funding appropriated for Recovery Act oversight and initiated 131 audits, evaluations, and investigations. During the year, OIG published 95 audits and evaluations related to the Recovery Act, including:

- audits to assess the process, oversight, and effectiveness in performing data-quality reviews of information reported by recipients of Recovery Act funds;
- review of the staffing, training, and qualifications of HHS personnel responsible for overseeing Recovery Act funds;
- risk assessments of health information technology and non-Medicaid programs to determine which Recovery Act programs to review;
- reviews of grant applicants and new or existing grantees to determine whether the entities were financially viable and had financial management systems in place to adequately manage and account for the additional Recovery Act funding; and
- audits to determine whether HHS and CMS had correctly calculated the temporary increase in the Federal medical assistance percentages (FMAP) and audits of various States to determine compliance with the Medicaid funding requirements under section 5001 of the Recovery Act.

Additionally, since the passage of the Recovery Act, OIG has provided training and outreach to the agencies and recipients of HHS Recovery Act funds. In FY 2010, OIG provided 18 training sessions, trained 1,865 individuals, and conducted 20 outreach sessions to ensure the appropriate use of funds.

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

Ongoing and Planned Activities

OIG is committed to working with HHS management to minimize risk; assess controls to prevent fraud, waste, and abuse; and conduct audits and evaluations to ensure that program goals are achieved and Recovery Act funds are accurately tracked and reported. During FY 2010, OIG used a preventive approach that included the assessment of internal controls over grant award processes and the capability of grantees. For FYs 2011 and 2012, OIG plans to:

- determine whether Medicare incentive payments made to eligible health care professionals and hospitals for adopting electronic health records are accurate;
- assess safeguards to prevent erroneous incentive payments;
- determine whether Recovery Act costs claimed by grantees are allowable, allocable, and reasonable under the terms of the grant and applicable Federal regulations; and
- determine whether health information technology enhancements to CMS systems include standards adopted by HHS and that security controls are in place to protect sensitive electronic health records and personal information.

In addition, OIG's work is coordinated with GAO; the Recovery Accountability and Transparency Board; and other audit and law enforcement organizations at the Federal, State, and local levels.

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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, \$53,329,000: 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 in addition to amounts provided herein, \$10,000,000 shall be available from amounts available under section 241 of the PHS Act to, consistent with the independence afforded the Inspector General by the Inspector General Act of 1978 (5 U.S.C. App.), carry out responsibilities of the Inspector General to prevent and detect fraud and abuse and promote economy and efficiency in the Department of Health and Human Services programs and operations.

Language Analysis

| Language Provision | Explanation |
|--|--|
| <i>Provided further, That in addition to amounts provided herein, \$10,000,000 shall be available from amounts available under section 241 of the PHS Act to, consistent with the independence afforded the Inspector General by the Inspector General Act of 1978 (5 U.S.C. App.), carry out responsibilities of the Inspector General to prevent and detect fraud and abuse and promote economy and efficiency in the Department of Health and Human Services programs and operations.</i> | Provides OIG with funding for its oversight efforts through the PHS Evaluation Set-Aside. OIG will obligate this funding consistent with its annual direct appropriation to oversee HHS’s PHHS programs. |

Amounts Available for Obligation

(Dollars in Thousands)

| | FY 2010 Actual | FY 2011 Continuing Resolution | FY 2012 Pres. Budget |
|--|-------------------|-------------------------------------|----------------------------|
| Discretionary | | | |
| <u>General Fund Discretionary Appropriation:</u> | | | |
| Appropriation (L/HHS)..... | \$50,279 | \$50,279 | \$53,329 |
| Subtotal, Appropriation (L/HHS) | 50,279 | 50,279 | 53,329 |
| Total, Discretionary Appropriation | 50,279 | 50,279 | 53,329 |
| <u>Offsetting collections from:</u> | | | |
| 1. Trust fund HCFAC Discretionary Cap Adjustment | 18,428 | 29,790 | 97,556 |
| 2. Public Health Service Evaluation Set-Aside | -- | -- | 10,000 |
| Mandatory | | | |
| <u>General Fund Mandatory Appropriations:</u> | | | |
| Medicaid Integrity Program (MIP) P.L. 109-171 | 25,000 | -- | -- |
| Subtotal, Mandatory Appropriation | 25,000 | -- | -- |
| Total, Mandatory Appropriation | 25,000 | -- | -- |
| <u>Offsetting collections from:</u> | | | |
| Trust Fund HCFAC | 182,391 | 197,998 | 193,387 |
| HCFAC collections..... | 5,856 | 12,000 | 12,000 |
| Subtotal, HCFAC Mandatory | 187,247 | 209,998 | 205,387 |
| Total Discretionary and Mandatory | | | |
| Unobligated balance, lapsing | -509 | -- | -- |
| Unobligated balance, start of year | 36,710 | 46,613 | 48,455 |
| Unobligated balance, end of year..... | 37,613 | 36,093 | 32,212 |
| Unobligated balance, Recovery Act, start of year..... | 45,675 | 31,058 | 5,362 |
| Unobligated balance, Recovery Act, end of year..... | 31,058 | 5,362 | -- |
| Total Obligations | 295,159 | 323,840 | 382,515 |
| Obligations less Recovery Act..... | \$280,542 | \$298,144 | \$377,153 |

Note: Table excludes discretionary reimbursable funding. In FY 2010, OIG obligated \$17 million in reimbursable discretionary funding. The estimates for both FYs 2011 and 2012 are \$21 million.

Summary of Changes

(Dollars in Thousands)

| | | | | |
|--|------------|---------------|------------|-----------------|
| 2010 | | | | |
| Total, Estimated BA | | | | \$50,279 |
| Obligations..... | | | | 49,770 |
| 2012 | | | | |
| Total, Estimated BA | | | | 53,329 |
| Obligations..... | | | | 53,329 |
| Net Change | | | | +\$3,559 |
| | | | | |
| | | FY 2012 | | Change |
| | FY 2012 | Estimate | Change | From Base |
| | Estimate | Budget. | From Base | Budget. |
| | FTE | Authority | FTE | Authority |
| | | | | |
| Increases: | | | | |
| A. Built in: | | | | |
| 1. Provide for salary of increased number of FTE | 272 | \$35,016 | +24 | +\$3,090 |
| 2. Increased costs related to General Services | | | | |
| Administration (GSA) rent | -- | 3,106 | -- | +61 |
| Subtotal, Built-in Increases..... | 272 | 38,122 | +24 | +3,151 |
| | | | | |
| B. Program: | | | | |
| 1. Costs related to general operating expenses | -- | 15,207 | -- | +408 |
| Subtotal, Program Increases..... | -- | 15,207 | -- | +408 |
| | | | | |
| Total, Increases | -- | -- | -- | +\$3,559 |

Note: Table displays OIG's Direct Discretionary funding only. OIG's Discretionary Allocation Adjustment is appropriated to the CMS HCFAC account.

Budget Authority by Activity

(Dollars in Thousands)

| | FY 2010 Approp. | FY 2011 Continuing Resolution | FY 2012 Pres. Budget |
|---|-----------------------|-------------------------------------|----------------------------|
| Public Health, Human Services, and Departmentwide | | | |
| Issues (PHHS) Oversight: | | | |
| Discretionary BA | \$50,279 | \$50,279 | \$53,329 |
| Subtotal, PHHS Oversight BA..... | 50,279 | 50,279 | 53,329 |
| [Public Health Service Evaluation Set-Aside | -- | -- | [10,000] |
| [Subtotal, PHHS Oversight PL | [50,279] | [50,279] | [63,329] |
| CMS Oversight | | | |
| HCFAC Mandatory BA ¹ | 178,705 | 197,998 | 193,387 |
| HCFAC Discretionary Allocation Adjustment BA ¹ | 29,790 | 29,790 | 97,556 |
| Medicaid Oversight Supplemental Mandatory BA ² | 25,000 | -- | -- |
| Subtotal, CMS Oversight BA..... | 233,495 | 227,788 | 290,943 |
| [HCFAC Collections | [³ 5,856] | [³ 12,000] | [³ 12,000] |
| [Subtotal, CMS Oversight PL | [239,351] | [239,788] | [302,943] |
| Total, BA..... | \$283,774 | \$278,067 | \$344,272 |
| [Total PL..... | [\$289,630] | [\$290,067] | [\$366,272] |
| FTE ⁴ | 1,582 | 1,712 | 1,976 |

Note: Table excludes discretionary reimbursable funding. In FY 2010, OIG obligated \$17 million in reimbursable discretionary funding. The estimates for both FYs 2011 and 2012 are \$21 million.

Note: Bracketed information is not BA, but rather PL information. The PL information is included for the purposes of comparability.

¹ OIG's HCFAC BA is appropriated to the CMS HCFAC account. FY 2010 funding level includes \$1.5 million in HCFAC Mandatory funding that was allocated to OIG by HHS above OIG's directly appropriated amount of \$177 million. The FY 2012 Budget Appendix only displays the amount directly appropriated to OIG.

² The Deficit Reduction Act (DRA) of 2005 (P.L. 109-171); appropriated \$25 million in FY 2010 for Medicaid oversight efforts.

³ For FY 2010, \$10 million was estimated, and the FY 2012 Budget Appendix includes this estimate. For FYs 2011 and 2012, the funding level for HCFAC Collections is an estimate and the amount obligated will be dependent on the amount collected.

⁴ Totals include FTE supported by funding provided through the Recovery Act (P.L. 111-5). OIG was appropriated \$17 million for oversight of HHS Recovery Act-supported activities and \$31 million to ensure proper expenditure of Medicaid funds.

Authorizing Legislation

(Dollars in Thousands)

| | <u>FY 2011 Amount Authorized</u> | <u>FY 2011 Continuing Resolution</u> | <u>FY 2012 Amount Authorized</u> | <u>FY 2012 Pres. Budget</u> |
|---|--|--|--|---------------------------------|
| <u>Office of Inspector General:</u> | | | | |
| Inspector General Act of 1978 (P.L. 95-452, as amended) | Indefinite | \$50,279 | Indefinite | \$63,329 |
| Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, as amended), Mandatory | Indefinite | \$197,998 | Indefinite | \$193,387 |
| Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, as amended), Discretionary Allocation Adjustment | Indefinite | \$29,790 | Indefinite | \$97,556 |
| Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191, as amended), HCFAC Collections | Indefinite | ¹ \$12,000 | Indefinite | ¹ \$12,000 |

¹ The funding level for HCFAC Collections is an estimate. The amount obligated in FYs 2011 and 2012 will be dependent on the actual amount collected.

Appropriations History

| | Budget Estimate to Congress | House Allowance | Senate Allowance | Appropriation |
|--|-----------------------------------|--------------------|---------------------|---------------|
| <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 |
| Medicaid Oversight (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 |
| HCFAC Discretionary Allocation Adjustment | 11,336,000 | -- | -- | -- |
| HCFAC Mandatory | 160,000,000 | 160,000,000 | 160,000,000 | 165,920,000 |
| Medicaid Oversight (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 |
| HCFAC Discretionary Allocation Adjustment | 17,530,000 | 36,690,000 | 36,690,000 | -- |
| HCFAC Mandatory | 169,238,000 | -- | -- | 169,736,000 |
| Medicaid Oversight (MIP) | \$25,000,000 | -- | -- | \$25,000,000 |

¹ The Tax Relief and Health Care Act of 2006 (TRHCA), (P.L. 109-432) included \$3,000,000 for the OIG to study Medicare "never events." For the purposes of the Act, the term "never event" means "an event that is listed and endorsed as a serious reportable event by the National Quality Forum as of November 16, 2006." TRHCA, § 203(d).

Budget Exhibits

Department of Health & Human Services

Office of Inspector General

| | <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 |
| HCFAC Discretionary Allocation Adjustment | 18,967,000 | 18,967,000 | 18,967,000 | 18,967,000 |
| HCFAC Mandatory | 174,998,000 | -- | -- | 177,205,000 |
| Medicaid Oversight (MIP) | 25,000,000 | -- | -- | 25,000,000 |
| Medicaid Oversight (Supplemental) | -- | -- | -- | 25,000,000 |
| Recovery Act: Medicaid Oversight (Mandatory) | -- | -- | -- | 31,250,000 |
| Recovery Act Oversight (Discretionary) | -- | -- | -- | 17,000,000 |
| <u>FY 2010</u> | | | | |
| Discretionary Direct | 50,279,000 | 50,279,000 | 50,279,000 | 50,279,000 |
| HCFAC Discretionary Allocation Adjustment | 29,790,000 | 29,790,000 | 29,790,000 | 29,790,000 |
| HCFAC Mandatory ¹ | 177,205,000 | -- | -- | 177,205,000 |
| Medicaid Oversight (MIP) | 25,000,000 | -- | -- | 25,000,000 |
| <u>FY 2011²</u> | | | | |
| Discretionary Direct | 50,279,000 | -- | 54,754,000 | -- |
| HCFAC Discretionary Allocation Adjustment | 29,790,000 | -- | 94,830,000 | -- |
| HCFAC Mandatory | 197,998,000 | -- | -- | 197,998,000 |
| <u>FY 2012</u> | | | | |
| Discretionary Direct | 53,329,000 | -- | -- | -- |
| PHS Evaluation Set-Aside | 10,000,000 | -- | -- | -- |
| HCFAC Discretionary Allocation Adjustment | 97,556,000 | -- | -- | -- |
| HCFAC Mandatory | \$193,387,000 | -- | -- | -- |

¹ HCFAC Mandatory amount for FY 2012 does not include \$1.5 million in Mandatory HCFAC funding allocated to OIG by HHS.

² For FY 2011 the column entitled "Budget Estimate to Congress" reflects the FY 2011 full-year CR and not the FY 2011 President's Budget.

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OIG Summary of Request

(Dollars in Thousands)

| | FY 2010 Appropriated | FY 2011 CR | FY 2012 Pres. Bud. | FY 2012 +/- FY 2010 |
|---|---------------------------------|-------------------|-------------------------------|--------------------------------|
| PHHS Oversight | \$50,279 | \$50,279 | \$63,329 | +\$13,050 |
| <i>PHS Evaluation Set-Aside (non-add)</i> | -- | -- | \$10,000 | +\$10,000 |
| CMS Oversight ¹ | \$239,351 | \$239,788 | \$302,943 | +\$63,592 |
| Total Request | \$289,630 | \$290,067 | \$366,272 | +\$76,642 |
| FTE | 1,582 | 1,712 | 1,976 | +394 |

Program Description

For over 30 years, OIG has safeguarded HHS expenditures, program administration, and beneficiary well-being by promoting economy, efficiency, and effectiveness and combating fraud, waste, and abuse. OIG's activities are guided by legislative and budgetary requirements and comply with professional standards established by GAO and the IG community.

OIG's areas of oversight fall into two broad categories: (1) PHHS and (2) CMS. OIG accomplishes its mission through the complementary efforts of five components, which are:

- **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 responsibilities and are intended to provide independent assessments of HHS 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 (CMP) cases. In connection

¹ The request for CMS oversight includes HCFAC funding, which is drawn from the Medicare Hospital Insurance Trust Fund (sec. 1817(k)(3) of the Social Security Act) and is requested and provided through the CMS budget. Additionally, this total includes mandatory and reimbursable funding.

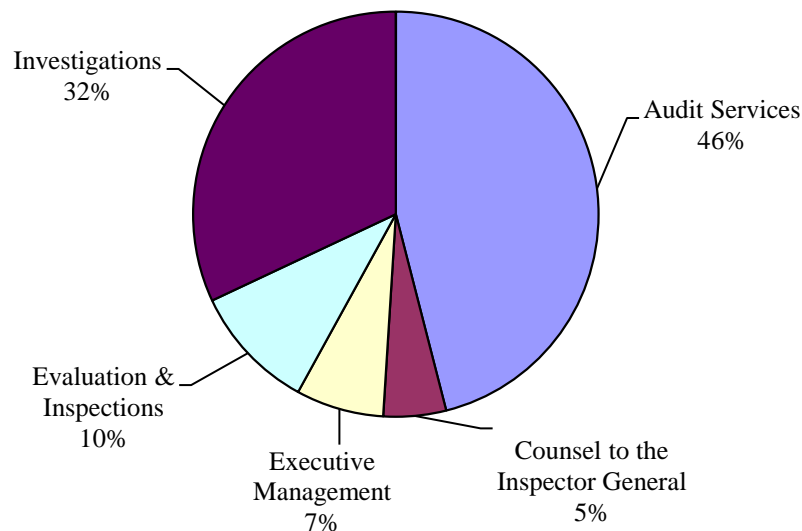
with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

- 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 DOJ and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, or CMPs.
- Executive Management (EM): EM is composed of the Immediate Office of the Inspector General and the Office of Management and Policy. EM is responsible for generally supervising and coordinating the activities of OIG's components; setting vision and direction, in collaboration with the components, for OIG's priorities and strategic planning; ensuring effective internal quality controls and management; and serving as a liaison with the Department, Congress, and other stakeholders. EM plans, conducts, and participates in a variety of cooperative projects within HHS and with other government agencies.

The specialties and technical skills within each of these components enable OIG to implement a multifaceted program integrity approach that simultaneously assesses broad trends in HHS public policy implementation while focusing significant effort on promoting economy, efficiency, and effectiveness and addressing instances of possible fraud, waste, and abuse. OIG maintains a Washington, DC, office and a nationwide network of regional and field offices; more than 80 percent of employees live and work 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.

In FY 2010, the OIG staff was composed of 1,582 FTE, who were distributed among the 5 components as follows:

OIG FTE by Component



Accomplishments

As reported in OIG's Fall 2010 *Semiannual Report to Congress*, OIG reported savings and expected recoveries of approximately \$25.9 billion for all of FY 2010. This includes \$21 billion from legislative and other cost-saving actions that were supported by recommendations in audits and evaluations, \$3.8 billion in investigative receivables, and \$1.1 billion in audit receivables.

Additionally, in FY 2010, OIG excluded 3,340 individuals and organizations from participation in Federal health care programs. OIG reported 647 criminal actions against individuals or organizations that engaged in crimes against HHS programs and 378 civil actions, including False Claims Act and unjust enrichment suits filed in Federal district court, CMP law settlements, and administrative recoveries related to provider self-disclosure matters. OIG work also prevents fraud and abuse through deterrence and by recommending actions to remedy program vulnerabilities.

For a more complete discussion of OIG's outcome and output measures and recent performance results, refer to OIG's *Online Performance Appendix*, which can be found at <http://oig.hhs.gov/publications.asp>.

Funding History

The table below reflects the history of OIG's appropriated funding for PHHS and CMS oversight. OIG receives funding through the annual discretionary appropriations process, as well as mandatory appropriations and reimbursable agreements.

| FY | PHHS Oversight | CMS Oversight |
|---------|----------------|---------------|
| 2007 | \$39,808,000 | \$203,923,000 |
| 2008 | 43,231,000 | 204,736,000 |
| 2009 | 45,279,000 | 287,422,000 |
| 2010 | 50,279,000 | 239,351,000 |
| 2011 CR | 50,279,000 | 239,788,000 |

Budget Request

The FY 2012 request for OIG includes a total estimate of \$366,272,000 and 1,976 FTE, an increase of +\$76,642,000 and +394 FTE above the FY 2010 appropriated level. At this level, OIG will maintain and expand its oversight of ACA-related activities and PHHS and Departmentwide issues and work to address the Administration's program integrity efforts. Specifically, this submission includes:

- PHHS Oversight:** The request includes an increase of +\$13,050,000 above the FY 2010 appropriated level. Funding is requested to ensure sufficient oversight of HHS's more than 300 non-CMS programs and enable OIG to oversee HHS activities authorized and funded by the ACA. Funding provided to OIG will build on activities begun in FYs 2010 and 2011 and continue to safeguard HHS programs against fraud, waste, and abuse. The requested increase is partially funded by a proposal to support OIG's PHHS oversight activities with funds made available through the PHS Act Evaluation Set-Aside. Additional information about OIG's efforts in this area and this request can be found in PHHS subsection beginning on page 33.
- CMS Oversight:** An increase of +\$63,592,000 is requested to continue oversight of Medicaid and Medicare activities previously funded through mandatory appropriations and ensure support for OIG's CMS-related program integrity efforts, including sustaining and expanding HEAT efforts, such as the Medicare Fraud Strike Forces. Note that this request includes \$97,556,000 through the HCFAC discretionary allocation adjustment. Additional information about OIG's efforts in this area and this request can be found in CMS subsection beginning on page 39.

Because of the nature of OIG's work and oversight efforts, which can sometimes span multiple years, it is anticipated that the requested increases in funding will lead to increases in OIG's outputs and outcomes in FY 2013 and beyond. As OIG is a staff-driven organization, the requested funding will support OIG auditors, investigators, evaluators, and attorneys in their efforts to combat fraud, waste, and abuse.

Work Planning and Allocating OIG Resources

OIG plans its work and allocates its resources based on a number of factors, including the purpose limitations in the agency's various funding sources, authorizing statutes and mandates, and annual assessments. For this reason, in FY 2012, OIG's resource allocation and annual *Work Plan* will reflect the responsibilities assigned by Congress via the Inspector General Act as amended; HIPAA; OIG's annual discretionary appropriation; and various other statutes that provide OIG with funding or mandate certain activities, as well as its annual assessments of top management and performance challenges facing HHS.

At the start of each FY, OIG issues a *Work Plan*, which describes the audits and evaluations that OIG plans to undertake during the coming year as part of its multidisciplinary oversight 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 respond to allegations and risks as they arise. Furthermore, as a result of emergencies and unforeseen events, the workload is often adjusted throughout the year to meet new priorities and respond to emerging issues.

In developing and evaluating specific *Work Plan* proposals for FY 2012, OIG will consider a number of factors, including the following:

- requirements in laws, regulations, or other directives;
- requests made or concerns raised by Congress and HHS management;
- significant management and performance challenges facing HHS, which OIG identifies as part of the HHS annual agency financial report;
- data analysis identifying aberrant trends and patterns that indicate possible fraud, waste, and abuse;
- work performed by other oversight agencies, such as GAO;
- management's actions to implement OIG recommendations from previous reviews;
- timing (e.g., a program may be reviewed because it is approaching reauthorization); and
- risk assessment metrics established by the GAO's *Government Auditing Standards* (Yellow Book).

Chief among the factors considered by OIG when implementing the annual *Work Plan* in FY 2012 will be the levels of vulnerability and risk to HHS programs and funds to fraud, waste, and abuse. Such determinations will be informed by assessments of the known or possible weaknesses in program and management controls and the estimated effect that such risks pose to HHS programs and beneficiaries. Two factors considered heavily when assessing risk are the likelihood of occurrence and reoccurrence and the magnitude of impact for a given vulnerability.

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 impact. Reviews will be prioritized for implementation when the consequence of mismanagement, noncompliance, or other deficiencies in a specific program area could:

- undermine the intent and effectiveness of HHS programs;
- compound known and inherent financial risks;
- endanger or create negative impacts on health care; and
- reduce productivity, economy, or efficiency of HHS operations or systems.

OIG-Wide Performance Tables

| Key Outcomes¹ | Most Recent Result (FY 2010) | FY 2011 Target | FY 2012 Target | FY 2012 +/- FY 2010 |
|--|-------------------------------------|-----------------------|-----------------------|----------------------------|
| Expected recoveries resulting from OIG involvement in health care fraud and abuse oversight activities (dollars in millions) | \$3,782 (Target exceeded) | \$3,300 | \$3,400 | -\$382 |
| ROI resulting from OIG involvement in health care fraud and abuse oversight activities | \$16.7 (Target exceeded) | \$13.0 | \$12.3 | -\$4.4 |
| Number of quality and management improvement recommendations accepted | 120 (Target exceeded) | 120 | 123 | +3 |
| Program-level funding (dollars in millions) | \$290 | \$290 | \$366 | +\$77 |

| Key Outputs | Most Recent Result (FY 2010) | FY 2011 Target | FY 2012 Target | FY 2012 +/- FY 2010 |
|---|--|-----------------------|-----------------------|----------------------------|
| Audits: | | | | |
| Audit reports started | 522 (Target exceeded) | 217 | 250 | -272 |
| Audit reports issued | 592 (Target exceeded) | 357 | 384 | -208 |
| Audit reports issued within 1 year of start (percentage) | 72% (Target exceeded) | 63% | 63% | -- |
| Evaluations: | | | | |
| Evaluation reports started | 63 (Target exceeded) | 57 | 60 | -3 |
| Evaluation reports issued | 51 (Target exceeded) | 52 | 53 | +2 |
| Evaluation reports issued within 1 year of start (percentage) | 58% (Target exceeded) | 55% | 55% | -- |
| Investigations: | | | | |
| Complaints received for investigation | 6,010 (Target exceeded) | 5,363 | 5,543 | -467 |
| Investigative cases started | 1,997 (Target met) | 2,070 | 2,054 | +57 |
| Investigative cases closed | 1,970 (Results within 1% of target) | 1,978 | 1,996 | +26 |
| PL funding (dollars in millions) | \$290 | \$290 | \$366 | +\$77 |

¹ The “expected recoveries” and “return on investment” performance measures are calculated using 3-year moving averages.

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**Subsection: Public Health, Human Services, and Departmentwide Issues
Oversight**

(Dollars in Thousands)

| | FY 2010 Appropriated | FY 2011 CR | FY 2012 Pres. Bud. | FY 2012 +/- FY 2010 |
|------------------------------|---------------------------------|-------------------|-------------------------------|--------------------------------|
| Direct BA | \$50,279 | \$50,279 | \$53,329 | +\$3,050 |
| PHS Act Evaluation Set-Aside | -- | -- | \$10,000 | +\$10,000 |
| Total PHHS Request | \$50,279 | \$50,279 | \$63,329 | +\$13,050 |
| FTE ¹ | 248 | 272 | 326 | +78 |

Authorizing Legislation: Inspector General Act of 1978, as amended

FY 2012 Authorization Indefinite

Allocation Method Direct Federal

Program Description

OIG’s direct annual discretionary appropriation is used for its oversight efforts related to the broad range of PHHS issues. In FY 2010, OIG’s expenditures for PHHS oversight were allocated across HHS operating and staff divisions as follows:

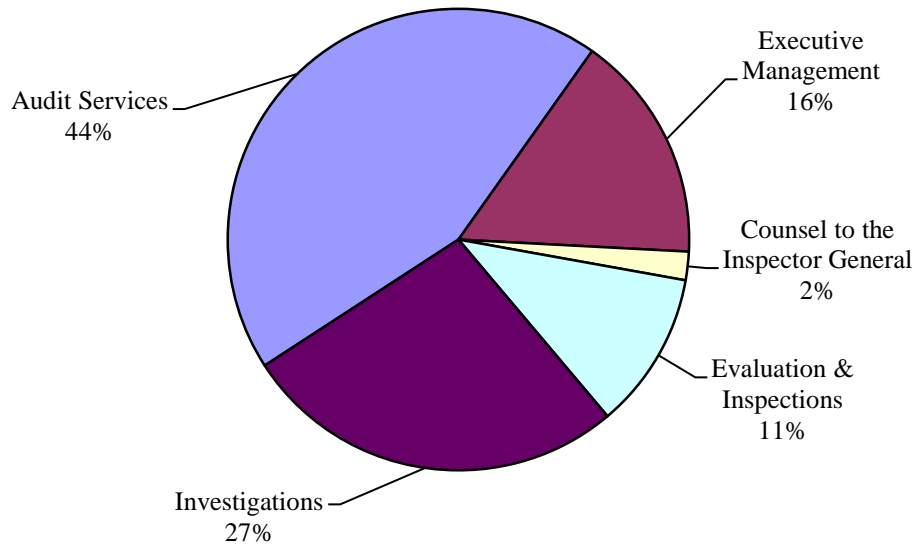
**FY 2010 Expenditure for OIG Discretionary Direct Appropriation
(Dollars in Millions)**

| HHS Operating and Staffing Divisions | Total |
|---|----------------|
| ACF..... | \$16.58 |
| AHRQ..... | 0.02 |
| AoA..... | 0.11 |
| CDC / ATSDR..... | 3.72 |
| FDA..... | 2.90 |
| HRSA..... | 5.00 |
| IHS..... | 2.20 |
| NIH..... | 4.23 |
| SAMHSA..... | 0.65 |
| OS..... | 14.87 |
| Total..... | \$50.28 |

¹ FTE reflect those targeted to PHHS oversight efforts and attributed to OIG’s direct discretionary BA. FTE supported with funds for Recovery Act oversight and with Discretionary Reimbursable are not included.

These resources were used for funding OIG's 5 components and approximately 248 FTE in FY 2010 as follows:

Allocation of OIG FTE by Component, PHHS Oversight



Accomplishments

In FY 2010, OIG issued 213 audits and 13 evaluations related to PHHS oversight. In addition, OIG continued to participate in the highly successful child support enforcement collaborative effort with the Office of Child Support Enforcement in ACF that contributed to 64 criminal actions or convictions and \$5.4 million in restitution, fines, penalties, settlements, and recoveries.

Specific accomplishments in FY 2010 include:

- Challenges to FDA's Ability To Monitor and Inspect Foreign Clinical Trials: In FY 2010, OIG released a report that found that in FY 2008, sponsors relied heavily on data from foreign clinical trials to support their marketing applications for drugs and biologics. The Food, Drug, and Cosmetic Act requires all new investigational drugs and biologics to undergo clinical trials on human subjects to demonstrate the safety and efficacy of these products prior to approval for sale in the United States. Sponsors may submit data from foreign and domestic clinical trials to support marketing applications. OIG found that 80 percent of approved marketing applications for drugs and biologics contained data from foreign clinical trials. Further, over half of clinical trial subjects and sites were located outside the United States. OIG found that FDA inspected less than 1 percent of foreign clinical trial sites. Challenges in conducting foreign inspections and data limitations inhibit FDA's ability to monitor foreign clinical trials.
- Compliance With Appropriations and Acquisition Requirements: OIG found that CDC did not comply with appropriations and acquisitions requirements when administering a

contract and task orders awarded to a small business. CDC violated acquisition regulations and circumvented civil service laws by using contractor personnel for personal services and violated the bona fide needs rule by expending annual appropriations outside their 1-year period of availability. OIG recommended that CDC correct the administration of contracts used for personal services, determine whether funds expended outside the period of availability violated the Anti-Deficiency Act and correct any such violations, and ensure compliance with requirements for the obligation and expenditure of funds.

- Addressing Conflicts of Interest: OIG found a number of vulnerabilities in NIH grantee institutions' identification, management, and oversight of financial conflicts of interest. For example, 90 percent of grantee institutions relied solely on the researchers' discretion to determine which of their financial interests were related to their research and were therefore required to be reported. Because nearly half of the grantee institutions did not require researchers to provide specific amounts of equity or compensation on their disclosure forms, specific financial interests of NIH-funded researchers were often unknown. In addition, grantee institutions did not routinely verify financial interest information submitted by researchers. OIG also found a systemic lack of oversight in CDC's ethics program for Special Government Employees who serve on Federal advisory committees as voting members.
- OIG's Enforcement Results for Failure To Pay Child Support in Maine: An individual was sentenced to 12 months and 1 day in prison and ordered to pay \$43,728 in restitution for failure to pay child support. Evidence presented at trial showed that prior to his divorce, the individual had withdrawn over \$120,000 from investment accounts, yet failed to make a single voluntary child support payment from the time he was ordered to pay in January 2004 until his arrest in September 2008. The Government was able to demonstrate that the individual, an industrial engineer, elected not to work rather than pay child support, claiming that physical ailments prevented him from obtaining employment. However, the individual found a job and was physically able to work after being ordered to obtain employment as part of his pretrial release.
- OIG's Enforcement Results for Failure To Pay Child Support in Tennessee: An individual was sentenced to 42 consecutive weekends in prison and ordered to pay \$128,854 in restitution for failure to pay child support. Investigators found that the individual, who was living and working in Tennessee, willfully failed to pay child support to his child's custodian, who was living in Indiana. As part of the sentencing, the individual was ordered to spend 100 hours of community service speaking about the importance of paying child support.

For a more complete discussion of OIG's outcome measures and recent performance results, refer to OIG's *Online Performance Appendix*, which can be found at <http://oig.hhs.gov/publications.asp>.

Funding History

The funding history in the table below includes the budget authority provided to OIG for program integrity activities with respect to PHHS oversight. The funds displayed are provided to OIG through an annual discretionary direct appropriation included within the Labor, HHS, Education and Related Agencies appropriations bill.

| FY | PHHS Oversight |
|-----------|-----------------------|
| 2007 | \$39,808,000 |
| 2008 | 43,231,000 |
| 2009 | 45,279,000 |
| 2010 | 50,279,000 |
| 2011 CR | 50,279,000 |

Budget Request

With funding from its annual discretionary direct appropriation, OIG conducts program integrity activities with regard to PHHS oversight. OIG prioritizes the allocation of these resources among its components (e.g., OAS, OEI, OI, OCIG, and EM) to comply with the requirements in appropriations language and other directives established in law. These include directives for OIG to conduct Federal Information Security Management Act (FISMA) (P.L. 107-347) audits, Single Audit Act (P.L. 98-502) oversight, information technology audits, and investigations of interstate nonpayment of child support obligations. In addition, OIG is authorized to use its discretionary appropriation to provide protective services for the HHS Secretary.

OIG's FY 2012 budget request for PHHS oversight is \$63,329,000, +\$13,050,000 above the FY 2010 appropriated level. The increased funding will support OIG efforts to oversee HHS's non-CMS activities, with increased emphasis on providing oversight of ACA implementation. Additionally, the requested increase is supported by a proposal to fund OIG's PHHS oversight activities through the PHS Act Evaluation Set-Aside. This proposal will require a change in OIG's appropriations language, which is explained on page 17.

Funding will be used to support 326 Federal FTE, +78 above the FY 2010 appropriated level, and related support costs. Given the timing of OIG's annual work-planning process, the recent passage of the ACA, and the need to participate in the annual budget process, OIG is continuing to identify appropriate areas of oversight.

Some specific tasks that may be undertaken by OIG are:

- Conduct audits, evaluations, and investigations related to the ACA.
- Coordinate OIG work planning and analysis for health care reform.
- Advise HHS agencies on program integrity issues related to implementing new ACA programs and requirements.

Additionally, a few possible areas of oversight that OIG has identified for expanding ACA-related PHHS oversight are as follows:

- Increasing Evaluative Capacity: OIG evaluations focus on preventing fraud, waste, and abuse and promoting efficiency and effectiveness in Departmental programs by presenting practical recommendations for improving program operations.
- Increasing Medical Record Review Capacity: Medical record reviews are often essential to evaluate quality of care and access to appropriate services, but require significant resource investments to conduct. Funding would support contracts with medical experts to review case information in order to evaluate quality of care provided to populations covered by existing PHHS agencies, as well as new ACA-mandated programs.
- Increasing Cybersecurity Capacity: New system development will bring new information security challenges as HHS addresses the privacy and security needs of HHS and its business partners, including those associated with the adoption of electronic health records. The fundamental challenge will be to ensure the confidentiality, availability, and integrity of these systems as new vulnerabilities are created and identified. The FY 2012 request will allow OIG to expand the scope of its existing work and help all of HHS safeguard its data and information systems, including the personally identifiable information of its program beneficiaries and deployment of electronic health records by eligible professionals.
- Increasing Oversight of HHS Grants and Contracts: HHS is the largest grant-awarding agency in the Federal Government. In FY 2010, the Department awarded approximately \$370 billion in grants, and the ACA has appropriated over \$127 billion from FY 2010 to FY 2019 in additional funding, some of it for grants. Management and oversight of these new and expanding grant programs is a top priority. This work will take on increasing importance and urgency as more ACA grant dollars are awarded. In addition, the Department, in FY 2010 alone, awarded approximately \$19 billion in contracts. The rapid growth of HHS grant expenditures and the scope and size of HHS contracts make the management of these funds a significant challenge for the Department.

The FY 2012 request will allow OIG to expand its audit and evaluation grant oversight work, while placing greater emphasis on grant and procurement fraud investigations. Such efforts could lead to further enforcement actions or suspensions and debarments of HHS grantees and contractors, which would have a sentinel effect of deterring future fraud.

The table on the following page provides an overview of FY 2010 performance results and FYs 2011 and 2012 performance targets for OIG's PHHS oversight efforts.

Performance Table for PHHS Oversight

| Key Outputs | Most Recent Result (FY 2010) | FY 2011 Est. Target | FY 2012 Target | FY 2012 +/- FY 2010 |
|--|------------------------------------|---------------------------|-------------------|------------------------|
| Audits: | | | | |
| Audit reports started | 186 | 45 | 48 | -138 |
| Audit reports issued | 213 | 140 | 138 | -75 |
| Evaluations: | | | | |
| Evaluation reports started | 15 | 12 | 14 | -1 |
| Evaluation reports issued | 13 | 10 | 11 | -2 |
| Investigations: | | | | |
| Complaints received for investigation | 738 | 762 | 767 | +29 |
| Investigative cases started | 287 | 338 | 328 | +41 |
| Investigative cases closed | 315 | 360 | 353 | +38 |
| PL funding (dollars in millions) | \$50 | \$50 | \$63 | +\$13 |

Subsection on Centers for Medicare & Medicaid Services Oversight

(Dollars in Thousands)

| | FY 2010 Appropriated | FY 2011 CR | FY 2012 Pres. Bud. | FY 2012 +/- FY 2010 |
|---|---------------------------------|-------------------|-------------------------------|--------------------------------|
| HCFAC Mandatory BA ¹ | \$178,705 | \$197,998 | \$193,387 | +\$14,682 |
| HCFAC Discretionary Allocation Adjustment BA ¹ | \$29,790 | \$29,790 | \$97,556 | +\$67,766 |
| Medicaid Supplemental Mandatory BA | \$25,000 | -- | -- | -\$25,000 |
| HCFAC Collections ² | 5,856 | 12,000 | 12,000 | +6,144 |
| Total PL | 239,351 | 239,788 | 302,943 | +63,592 |
| FTE | 1,298 | 1,391 | 1,599 | +301 |

Program Description

Approximately 80 percent of OIG's annual budget is devoted to CMS, which administers Medicare, Medicaid, and CHIP. The following laws provide the basis for these important OIG efforts:

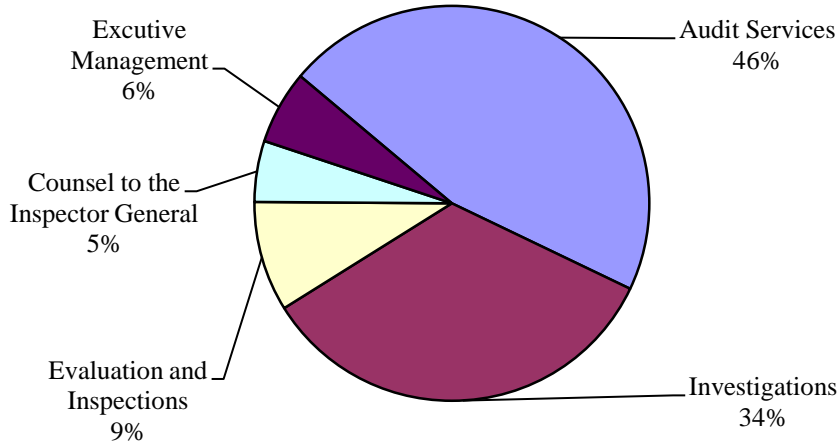
- HIPAA: Established HCFAC under the direction of the Attorney General and the Secretary of HHS, acting through the Inspector General, to combat fraud, waste, and abuse in Medicare and Medicaid. HCFAC funding constitutes a major portion of OIG's annual operating budget.
- The DRA: Provides OIG annual funding of \$25 million in FYs 2006–2010 to undertake fraud and abuse control activities related to Medicaid.
- The Recovery Act: Provides OIG \$31.25 million in FY 2009, to remain available through FY 2011, for activities that ensure the proper expenditure of Medicaid funds.

¹ HCFAC funding is drawn from the Medicare Hospital Insurance Trust Fund (sec. 1817(k)(3) of the Social Security Act) and is requested and provided through the CMS budget. Information in this section provides an overview of OIG's CMS oversight activities.

² For FY 2010, \$10 million was estimated, and the FY 2012 Budget Appendix includes the estimate. For FYs 2011 and 2012, the funding level for HCFAC Collections is an estimate and the amount obligated will be dependent on the amount collected.

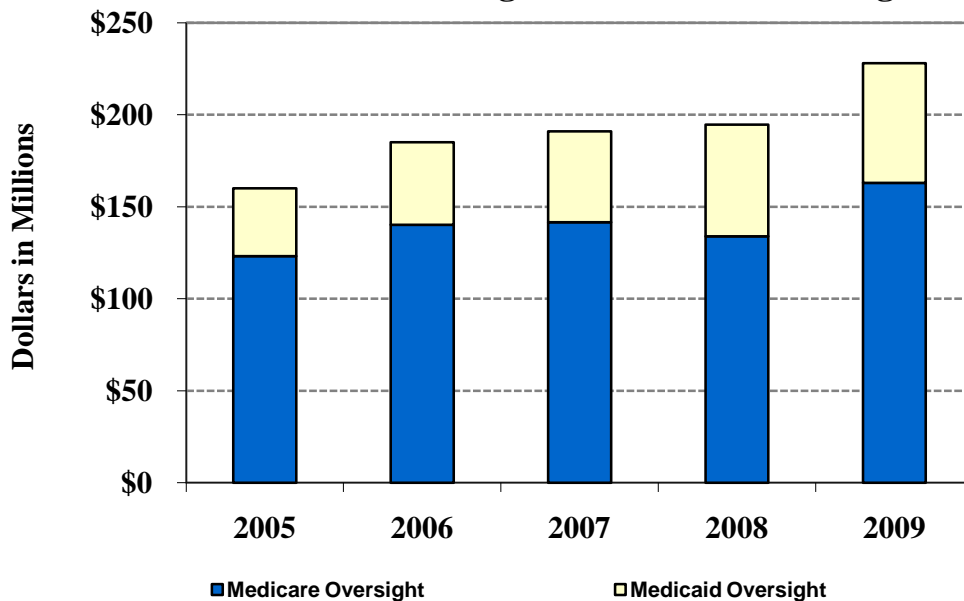
In FY 2010, funding for CMS oversight supported 1,298 FTE. These FTE were assigned to CMS oversight activities across OIG’s 5 components as follows:

Allocation of OIG FTE by Component, CMS Oversight



In FY 2009, approximately two-thirds of OIG’s appropriated resources for activities with respect to CMS were allocated to Medicare oversight. Since FY 2005, the total amount and proportion of OIG’s CMS-specific appropriations dedicated to Medicaid have increased steadily while the proportion of funding directed towards Medicare has remained relatively constant. Many OIG activities targeted to either Medicare or Medicaid often have effects on both programs.

OIG Obligations for CMS Oversight



Accomplishments

During FY 2010, the Government's enforcement efforts resulted in 552 criminal actions and 371 civil actions against individuals or entities that engaged in health-care-related offenses. Further, OIG's CMS Oversight efforts resulted in approximately \$4.9 billion in expected recoveries, including civil and administrative settlements or civil judgments related to Medicare; Medicaid; and other Federal, State, and private health care programs. Specific examples of OIG's CMS oversight work in FY 2010 include:

- CMS Contractors**: OIG determined that CMS independent medical reviews of a subsample of Medicare claims from the FY 2008 Comprehensive Error Rate Testing (CERT) program samples may not have provided assurance that the FY 2008 error rate was accurate. CMS's independent medical review found 116 erroneous claims that CMS's CERT contractor had not initially determined to be in error. Although OIG was unable to quantify the statistical effect of these results on the error rate, the results indicated the need for further CMS improvements in the Medicare error rate process. OIG recommended that CMS clarify documentation policies to reduce the number of differences in professional judgment, require the CERT contractor to obtain physician orders to support the medical necessity for diagnostic tests, and require the CERT contractor to develop a corrective action plan to reduce the number of incorrect determinations. CMS concurred with the recommendations.
- Medicare and Medicaid Prescription Drugs**: AstraZeneca, LP, and AstraZeneca Pharmaceuticals, LP (collectively, AstraZeneca), agreed to pay \$520 million plus interest and enter into a 5-year corporate integrity agreement to resolve their civil False Claims Act liability in connection with the promotion of the atypical antipsychotic drug Seroquel. AstraZeneca was alleged to have promoted Seroquel between January 2001 and December 2006 for uses that were not approved by the FDA as safe and effective. AstraZeneca also was alleged to have violated the Federal anti-kickback statute by offering and paying illegal remuneration to doctors in connection with services rendered by the doctors relating to the unapproved uses of Seroquel.

Funding History

The funding history in the table below includes the budget authority provided to OIG for program integrity activities with respect to CMS oversight. The funds displayed are provided to OIG through a number of sources, including HCFAC Mandatory; HCFAC Discretionary Allocation Adjustment; HCFAC Collections; and specifically for Medicaid oversight provided through the DRA, the Supplemental Appropriations Act of 2008, and the Recovery Act.

| FY | CMS Oversight |
|---------|---------------|
| 2007 | 203,923,000 |
| 2008 | 204,736,000 |
| 2009 | 287,422,000 |
| 2010 | 239,351,000 |
| 2011 CR | 239,788,000 |

Budget Request¹

The FY 2012 estimate for CMS Oversight is \$302,943,000, which is an increase of +\$63,592,000 above the FY 2010 appropriated level. The OIG estimate includes HCFAC mandatory funding of \$193,387,000, an increase of +\$14,682,000 above FY 2010, but -\$4,611,000 below the FY 2011 level; a request for a discretionary allocation adjustment of \$97,556,000, an increase of +\$67,766,000 above the FY 2010 appropriated level; a decrease of -\$25,000,000 in mandatory funding for Medicaid oversight which expired at the end of FY 2010; and an estimate of \$12,000,000 in HCFAC collections, which is mandatory but the actual amount available will depend on the amount collected.

The funding requested through the discretionary allocation adjustment includes, (1) +\$25,000,000 to continue oversight of Medicaid and Medicare activities previously funded through mandatory appropriations and (2) +\$42,766,000 in support of the Administration's program integrity efforts, such as HEAT, including Medicare Fraud Strike Forces, and other program integrity efforts, such as addressing improper payments and focusing investigation efforts on civil fraud, such as off-label marketing and pharmaceutical fraud.

Strike Force efforts have proven to be a highly effective means of identifying and fraud and enforcing current anti-fraud laws around the country. For example, in FY 2010, Strike Force efforts in seven cities resulted in:

- 140 indictments involving charges filed against 284 defendants, who collectively had billed the Medicare program more than \$590 million;
- 217 guilty pleas negotiated, 19 jury trials litigated, and guilty verdicts against 23 defendants; and
- imprisonment for 146 defendants sentenced to an average of more than 40 months.

This significant success is due to the data-driven nature of HEAT investigations, which target individuals and groups actively involved in ongoing Medicare fraud schemes. Analysis teams use near-time data to examine Medicare claims for fraud patterns. The analysis process includes studies of providers, suspected fraud trends, beneficiaries, ratios of allowed services as compared with national averages, as well as other assessments. From this process, OIG, DOJ, and CMS collaboratively provide recommendations for Strike Force teams in emerging high risk areas around the country.

A full request of HHS and DOJ HCFAC funding is available in CMS's FY 2012 Congressional Justification.

¹ The "Budget Request" section includes funding estimates for all OIG CMS oversight activities. All of OIG's CMS oversight funding is mandatory, except for the HCFAC Discretionary Allocation Adjustment.

Performance Table for CMS Oversight

| Key Outputs | Most Recent Result (FY 2010) | FY 2011 Target | FY 2012 Target | FY 2012 +/- FY 2010 |
|--|-------------------------------------|-----------------------|-----------------------|----------------------------|
| Audits: | | | | |
| Audit reports started | 336 | 172 | 202 | -134 |
| Audit reports issued | 379 | 217 | 246 | -133 |
| Evaluations: | | | | |
| Evaluation reports started | 48 | 45 | 46 | -2 |
| Evaluation reports issued | 38 | 42 | 42 | +4 |
| Investigations: | | | | |
| Complaints received for investigation | 5,272 | 4,601 | 4,776 | -496 |
| Investigative cases started | 1,710 | 1,732 | 1,726 | +16 |
| Investigative cases closed | 1,655 | 1,618 | 1,643 | -12 |
| PL funding (dollars in millions) | \$239 | \$240 | \$303 | +\$64 |

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Total Object Class

(Dollars in Thousands)

| | FY 2010 Actual | FY 2012 Estimate | Increase or Decrease |
|---|-------------------|---------------------|-------------------------|
| Obligations | | | |
| Personnel compensation: | | | |
| Full-time permanent (11.1) | \$148,648 | \$191,213 | +\$42,565 |
| Other than full-time permanent (11.3) | 4,422 | 5,628 | +1,206 |
| Other personnel compensation (11.5) | 3,593 | 4,825 | +1,232 |
| Military personnel (11.7) | 94 | 155 | +61 |
| Special personnel services payments (11.8) | 58 | 60 | +2 |
| Subtotal, Personnel | 156,815 | 201,881 | +45,066 |
| Civilian benefits (12.1) | 49,415 | 63,722 | +14,307 |
| Military benefits (12.2) | 35 | 54 | +19 |
| Benefits to former personnel (13.0) | -- | -- | -- |
| Subtotal, Pay Costs | 206,265 | 265,657 | +59,392 |
| Travel and transportation of persons (21.0) | 9,535 | 11,918 | +2,383 |
| Transportation of things (22.0) | 2,345 | 3,150 | +805 |
| Rental payments to GSA (23.1) | 17,837 | 22,156 | +4,319 |
| Rental payments to others (23.2) | 69 | 84 | +15 |
| Communication, utilities, and misc. charges (23.3) | 4,205 | 5,815 | +1,610 |
| Printing and reproduction (24.0) | 106 | 166 | +60 |
| Other Contractual Services: | | | |
| Advisory and assistance services (25.1) | 2 | 2 | -- |
| Other services (25.2) | 7,114 | 9,478 | +2,364 |
| Purchase of goods and services from Government accounts (25.3) | 36,560 | 48,370 | +11,810 |
| Operation and maintenance of facilities (25.4) | 2,945 | 7,152 | +4,207 |
| Research and development contracts (25.5) | -- | -- | -- |
| Medical care (25.6) | 2 | 2 | -- |
| Operation and maintenance of equipment (25.7) | 2,580 | 3,945 | +1,365 |
| Subsistence and support of persons (25.8) | -- | -- | -- |
| Subtotal, Other Contractual Services | 49,203 | 68,949 | +19,746 |
| Supplies and materials (26.0) | 3,251 | 3,961 | +710 |
| Equipment (31.0) | 19,128 | 23,379 | +4,251 |
| Land and structures (32.0) | -- | -- | -- |
| Investments and loans (33.0) | -- | -- | -- |
| Grants, subsidies, and contributions (41.0) | -- | -- | -- |
| Insurance claims and indemnities (42.0) | 201 | 236 | +35 |
| Receipts (61.0) | -- | -- | -- |
| Subtotal, Nonpay Costs | 105,880 | 139,814 | +33,934 |
| Total, Obligations by Object Class | \$312,145 | \$405,471 | +\$93,326 |

PHHS Oversight Object Class

(Dollars in Thousands)

| | FY 2010 Actual | FY 2012 Estimate | Increase or Decrease |
|---|-------------------|---------------------|-------------------------|
| Obligations | | | |
| Personnel compensation: | | | |
| Full-time permanent (11.1) | \$22,545 | \$24,727 | +\$2,182 |
| Other than full-time permanent (11.3) | 872 | 956 | +84 |
| Other personnel compensation (11.5) | 678 | 743 | +65 |
| Military personnel (11.7) | 80 | 89 | +9 |
| Special personnel services payments (11.8) | 12 | 13 | +1 |
| Subtotal, Personnel | 24,186 | 26,528 | +2,341 |
| Civilian benefits (12.1) | 7,711 | 8,457 | +746 |
| Military benefits (12.2) | 28 | 31 | +3 |
| Benefits to former personnel (13.0) | -- | -- | -- |
| Subtotal, Pay Costs | 31,925 | 35,016 | +3,090 |
| Travel and transportation of persons (21.0) | 1,441 | 1,469 | +28 |
| Transportation of things (22.0) | 397 | 399 | +2 |
| Rental payments to GSA (23.1) | 3,045 | 3,106 | +61 |
| Rental payments to others (23.2) | 11 | 10 | -1 |
| Communication, utilities, and misc. charges (23.3) | 1,327 | 1,342 | +15 |
| Printing and reproduction (24.0) | 17 | 14 | -3 |
| Other contractual services: | -- | -- | -- |
| Advisory and assistance services (25.1) | 1,614 | 1,646 | +32 |
| Other services (25.2) | -- | -- | -- |
| Purchase of goods and services from Government accounts (25.3) | 4,936 | 5,147 | +211 |
| Operation and maintenance of facilities (25.4) | 501 | 517 | +16 |
| Research and development contracts (25.5) | -- | -- | -- |
| Medical care (25.6) | -- | -- | -- |
| Operation and maintenance of equipment (25.7) | 455 | 477 | +22 |
| Subsistence and support of persons (25.8) | -- | -- | -- |
| Subtotal, Other Contractual Services | 7,507 | 7,787 | +281 |
| Supplies and materials (26.0) | 550 | 559 | +9 |
| Equipment (31.0) | 3,510 | 3,591 | +81 |
| Land and structures (32.0) | -- | -- | -- |
| Investments and loans (33.0) | -- | -- | -- |
| Grants, subsidies, and contributions (41.0) | -- | -- | -- |
| Insurance claims and indemnities (42.0) | 40 | 36 | -5 |
| Receipts (61.0) | -- | -- | -- |
| Subtotal, Nonpay Costs | 17,844 | 18,313 | +468 |
| Total, Obligations by Object Class | \$49,770 | \$53,329 | +\$3,559 |

Note: The amounts in this table include only direct discretionary appropriations to OIG for PHHS oversight through the annual appropriations process.

CMS Oversight Object Class

(Dollars in Thousands)

| | FY 2010 Actual | FY 2012 Estimate | Increase or Decrease |
|---|-------------------|---------------------|-------------------------|
| <u>Obligations</u> | | | |
| Personnel compensation: | | | |
| Full-time permanent (11.1) | \$122,492 | \$156,035 | +\$33,543 |
| Other than full-time permanent (11.3) | 3,487 | 4,592 | +1,105 |
| Other personnel compensation (11.5) | 2,816 | 3,770 | +954 |
| Military personnel (11.7) | 14 | 66 | +52 |
| Special personnel services payments (11.8) | 46 | 46 | -- |
| Subtotal, Personnel | 128,855 | 164,509 | +35,654 |
| Civilian benefits (12.1) | 40,715 | 52,228 | +11,513 |
| Military benefits (12.2) | 7 | 23 | +16 |
| Benefits to former personnel (13.0) | -- | -- | -- |
| Subtotal, Pay Costs | 169,577 | 216,760 | +47,183 |
| Travel and transportation of persons (21.0) | 7,429 | 9,356 | +1,926 |
| Transportation of things (22.0) | 1,934 | 2,344 | +411 |
| Rental payments to GSA (23.1) | 14,793 | 19,051 | +4,258 |
| Rental payments to others (23.2) | 57 | 74 | +17 |
| Communication, utilities, and misc. charges (23.3) | 2,878 | 4,473 | +1,595 |
| Printing and reproduction (24.0) | 76 | 125 | +49 |
| Other Contractual Services: | | | |
| Advisory and assistance services (25.1) | 1 | -- | -- |
| Other services (25.2) | 5,298 | 7,211 | +1,913 |
| Purchase of goods and services from Government accounts (25.3) | 15,831 | 24,570 | +8,739 |
| Operation and maintenance of facilities (25.4) | 2,443 | 6,636 | +4,193 |
| Research and development contracts (25.5) | -- | -- | -- |
| Medical care (25.6) | 2 | 2 | -- |
| Operation and maintenance of equipment (25.7) | 2,125 | 3,468 | +1,343 |
| Subsistence and support of persons (25.8) | -- | -- | -- |
| Subtotal, Other Contractual Services | 25,700 | 41,888 | +16,187 |
| Supplies and materials (26.0) | 2,701 | 3,180 | +479 |
| Equipment (31.0) | 15,618 | 18,940 | +3,321 |
| Land and structures (32.0) | -- | -- | -- |
| Investments and loans (33.0) | -- | -- | -- |
| Grants, subsidies, and contributions (41.0) | -- | -- | -- |
| Insurance claims and indemnities (42.0) | 161 | 202 | +41 |
| Receipts (61.0) | -- | -- | -- |
| Subtotal, Nonpay Costs | 71,347 | 99,732 | --+28,385 |
| Total, Obligations by Object Class | \$240,924 | \$316,492 | +\$75,468 |

Note: The amounts in this table include the funding available to OIG for CMS oversight activities.

Total Salary and Expenses
(Dollars in Thousands)

| | FY 2010 Actual | FY 2012 Estimate | Increase or Decrease |
|--|-------------------|---------------------|-------------------------|
| <u>Personnel compensation:</u> | | | |
| Full-time permanent (11.1)..... | \$148,648 | \$191,213 | +\$42,565 |
| Other than full-time permanent (11.3)..... | 4,422 | 5,628 | +1,206 |
| Other personnel compensation (11.5)..... | 3,593 | 4,825 | +1,232 |
| Military personnel (11.7)..... | 94 | 155 | +61 |
| Special personnel services payments (11.8)..... | <u>58</u> | <u>60</u> | <u>+2</u> |
| Subtotal, Personnel Compensation..... | 156,815 | 201,881 | +45,066 |
| Civilian benefits (12.1)..... | 49,415 | 63,722 | +14,307 |
| Military benefits (12.2)..... | 35 | 54 | +19 |
| Benefits to former personnel (13.0)..... | <u>--</u> | <u>--</u> | <u>--</u> |
| Total, Pay Costs..... | 206,265 | 265,657 | +59,392 |
| Travel and transportation of persons (21.0)..... | 9,535 | 11,918 | +2,383 |
| Transportation of things (22.0)..... | 2,345 | 3,150 | +805 |
| Rental payments to Others (23.2)..... | 69 | 84 | +15 |
| Communication, utilities, and misc. charges (23.3)..... | 4,205 | 5,815 | +1,610 |
| Printing and reproduction (24.0)..... | 106 | 166 | +60 |
| <u>Other contractual services:</u> | | | |
| Advisory and assistance services (25.1)..... | 2 | 2 | -- |
| Other services (25.2)..... | 7,114 | 9,478 | +2,364 |
| Purchase of goods and services from Government accounts (25.3)..... | 36,560 | 48,370 | +11,810 |
| Operation and maintenance of facilities (25.4)..... | 2,945 | 7,152 | +4,207 |
| Research and development contracts (25.5)..... | -- | -- | -- |
| Medical care (25.6)..... | 2 | 2 | -- |
| Operation and maintenance of equipment (25.7)..... | 2,580 | 3,945 | +1,365 |
| Subsistence and support of persons (25.8)..... | <u>--</u> | <u>--</u> | <u>--</u> |
| Subtotal, Other Contractual Services..... | 49,203 | 68,949 | +19,746 |
| Supplies and materials (26.0)..... | <u>3,251</u> | <u>3,961</u> | <u>+710</u> |
| Total, Nonpay Costs..... | 68,714 | 94,043 | +25,329 |
| Total, Salary and Expenses..... | \$274,979 | \$359,700 | +\$84,721 |
| Direct FTE..... | 1,582 | 1,976 | +394 |

PHHS Oversight Salary and Expenses
(Dollars in Thousands)

| | FY 2010 Actual | FY 2012 Estimate | Increase or Decrease |
|--|-------------------|---------------------|-------------------------|
| <u>Personnel compensation:</u> | | | |
| Full-time permanent (11.1)..... | \$22,545 | \$24,727 | +\$2,182 |
| Other than full-time permanent (11.3)..... | 872 | 956 | +84 |
| Other personnel compensation (11.5)..... | 678 | 743 | +65 |
| Military personnel (11.7)..... | 80 | 89 | +9 |
| Special personnel services payments (11.8)..... | <u>12</u> | <u>13</u> | <u>+1</u> |
| Subtotal, Personnel Compensation..... | 24,187 | 26,528 | +2,341 |
| Civilian benefits (12.1)..... | 7,711 | 8,457 | +746 |
| Military benefits (12.2)..... | 28 | 31 | +3 |
| Benefits to former personnel (13.0)..... | <u>--</u> | <u>--</u> | <u>--</u> |
| Total, Pay Costs | 31,926 | 35,016 | +3,091 |
| | | | |
| Travel and transportation of persons (21.0)..... | 1,441 | 1,469 | +28 |
| Transportation of things (22.0)..... | 397 | 399 | +2 |
| Rental payments to Others (23.2)..... | 11 | 10 | -1 |
| Communication, utilities, and misc. charges (23.3)..... | 1,327 | 1,342 | +15 |
| Printing and reproduction (24.0)..... | 17 | 14 | -3 |
| | | | |
| <u>Other contractual services:</u> | | | |
| Advisory and assistance services (25.1)..... | -- | -- | -- |
| Other services (25.2)..... | 1,614 | 1,646 | +32 |
| Purchase of goods and services from Government accounts (25.3)..... | 4,936 | 5,147 | +211 |
| Operation and maintenance of facilities (25.4)..... | 501 | 517 | +16 |
| Research and development contracts (25.5)..... | -- | -- | -- |
| Medical care (25.6)..... | -- | -- | -- |
| Operation and maintenance of equipment (25.7)..... | 456 | 477 | +22 |
| Subsistence and support of persons (25.8)..... | <u>--</u> | <u>--</u> | <u>--</u> |
| Subtotal, Other Contractual Services | 7,506 | 7,787 | +281 |
| | | | |
| Supplies and materials (26.0)..... | <u>550</u> | <u>559</u> | <u>+9</u> |
| Total, Nonpay Costs..... | 11,250 | 11,580 | +331 |
| | | | |
| Total, Salary and Expenses | \$43,175 | \$46,596 | +\$3,421 |
| Direct FTE..... | 248 | 272 | +24 |

Note: The amounts in this table include only direct discretionary appropriations to OIG for PHHS oversight through the annual appropriations process.

CMS Oversight Salary and Expenses

(Dollars in Thousands)

| | FY 2010 Actual | FY 2012 Estimate | Increase or Decrease |
|--|-------------------|---------------------|-------------------------|
| <u>Personnel compensation:</u> | | | |
| Full-time permanent (11.1)..... | \$122,492 | \$156,035 | +33,543 |
| Other than full-time permanent (11.3)..... | 3,487 | 4,592 | +1,105 |
| Other personnel compensation (11.5)..... | 2,816 | 3,770 | +954 |
| Military personnel (11.7)..... | 14 | 66 | +52 |
| Special personnel services payments (11.8)..... | 46 | 46 | -- |
| Subtotal, Personnel Compensation..... | 128,855 | 164,509 | +35,654 |
| Civilian benefits (12.1)..... | 40,715 | 52,228 | +11,513 |
| Military benefits (12.2)..... | 7 | 23 | +16 |
| Benefits to former personnel (13.0)..... | -- | -- | -- |
| Total, Pay Costs | 169,577 | 216,760 | +47,183 |
| Travel and transportation of persons (21.0)..... | 7,429 | 9,356 | +1,927 |
| Transportation of things (22.0)..... | 1,934 | 2,344 | +410 |
| Rental payments to Others (23.2)..... | 57 | 74 | +17 |
| Communication, utilities, and misc. charges (23.3)..... | 2,878 | 4,473 | +1,595 |
| Printing and reproduction (24.0)..... | 76 | 125 | +49 |
| <u>Other contractual services:</u> | | | |
| Advisory and assistance services (25.1)..... | 1 | 1 | -- |
| Other services (25.2)..... | 5,298 | 7,211 | +1,913 |
| Purchase of goods and services from Government accounts (25.3)..... | 15,831 | 24,570 | +8,739 |
| Operation and maintenance of facilities (25.4)..... | 2,443 | 6,636 | +4,193 |
| Research and development contracts (25.5)..... | -- | -- | -- |
| Medical care (25.6)..... | 2 | 2 | -- |
| Operation and maintenance of equipment (25.7)..... | 2,125 | 3,468 | +1,343 |
| Subsistence and support of persons (25.8)..... | -- | -- | -- |
| Subtotal, Other Contractual Services | 25,700 | 41,887 | +16,188 |
| Supplies and materials (26.0)..... | 2,701 | 3,180 | +479 |
| Total, Nonpay Costs..... | 40,775 | 61,440 | +20,665 |
| Total, Salary and Expenses | \$210,352 | \$278,200 | +\$67,848 |
| Direct FTE..... | 1,298 | 1,599 | +301 |

Detail of Full-Time Equivalents

| | 2010 Actual <u>Civilian</u> | 2010 Actual <u>Military</u> | 2010 Actual <u>Total</u> | 2011 Est. <u>Civilian</u> | 2011 Est. <u>Military</u> | 2011 Est. <u>Total</u> | 2012 Est. <u>Civilian</u> | 2012 Est. <u>Military</u> | 2012 Est. <u>Total</u> |
|---|-----------------------------------|-----------------------------------|--------------------------------|---------------------------------|---------------------------------|------------------------------|---------------------------------|---------------------------------|------------------------------|
| <u>PHHS Oversight FTE:</u> | | | | | | | | | |
| Discretionary: | | | | | | | | | |
| Direct | 247 | 1 | 248 | 271 | 1 | 272 | 271 | 1 | 272 |
| Reimbursable | 10 | -- | 10 | 18 | -- | 18 | 72 | -- | 72 |
| Recovery Act oversight: | | | | | | | | | |
| Direct | 26 | -- | 26 | 31 | -- | 31 | 33 | -- | 33 |
| <u>CMS Oversight FTE:</u> | | | | | | | | | |
| Discretionary Allocation Adjustment: | | | | | | | | | |
| Reimbursable | -- | -- | -- | 66 | -- | 66 | 419 | -- | 419 |
| HCFAC Mandatory / Collections: | | | | | | | | | |
| Reimbursable | 1,056 | -- | 1,056 | 1149 | 1 | 1150 | 1,149 | 1 | 1,150 |
| Medicaid Oversight Supplementals / Never Event: | | | | | | | | | |
| Direct | 122 | -- | 122 | 30 | -- | 30 | 30 | -- | 30 |
| Medicaid Oversight Funded by Recovery Act: | | | | | | | | | |
| Direct | 120 | -- | 120 | 145 | -- | 145 | -- | -- | -- |
| Total, OIG FTE..... | 1,581 | 1 | 1,582 | 1,710 | 2 | 1,712 | 1,974 | 2 | 1,976 |

Detail of Positions

| | 2010 Actual | 2011 Continuing Resolution | 2012 Pres. Bud. |
|-------------------------------------|----------------|-------------------------------|-----------------|
| Executive Schedule (ES) Positions: | | | |
| Executive level X..... | 1 | 1 | 1 |
| ES-10 | 13 | 14 | 16 |
| Subtotal, ES Positions..... | 14 | 15 | 17 |
| General Schedule (GS) Positions: | | | |
| GS-15 | 98 | 106 | 122 |
| GS-14 | 212 | 228 | 264 |
| GS-13 | 571 | 618 | 713 |
| GS-12 | 402 | 435 | 502 |
| GS-11 | 121 | 130 | 150 |
| GS-10 | 1 | 1 | 1 |
| GS-9 | 112 | 121 | 140 |
| GS-8 | 7 | 8 | 9 |
| GS-7 | 82 | 89 | 102 |
| GS-6 | 3 | 3 | 4 |
| GS-5 | 14 | 15 | 17 |
| GS-4 | 6 | 6 | 7 |
| Subtotal, GS Positions | 1,642 | 1,776 | 2,050 |
| Commissioned Corps | 1 | 2 | 2 |
| Total, OIG Positions..... | 1,643 | 1,778 | 2,052 |
| Average GS Grade ¹ | 12.1 | 12.1 | 12.1 |
| Average GS Salary | \$91,032 | \$93,204 | \$93,175 |

Average GS Grade ¹

| | |
|------------|------|
| 2006 | 12.0 |
| 2007 | 12.0 |
| 2008 | 12.2 |
| 2009 | 12.1 |
| 2010 | 12.1 |
| 2011 | 12.1 |

¹ The average GS grade reflects a mathematical average of the number of positions at each grade level with the Agency.

Requirements of the Inspector General Act

Section 6 of the Inspector General Act was amended in 2008 by the Inspector General Reform Act (P.L. 110-409). Revised section 6 now reads:

“(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 the Inspectors General for Integrity and Efficiency. Resources necessary to support the Council of the 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 the 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 the 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 above requirement by providing the following information:

- OIG's aggregate budget estimate and request to HHS at the beginning of the FY 2012 process was \$385 million.
- OIG's aggregate budget request to Congress for FY 2012 is \$366 million.
- Funding requested for training is \$9 million.
- \$455,000 will be necessary to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE).
- The IG comments on this budget request are on page 1 of this submission in the section entitled "Message From the Inspector General."

HHS OIG Training Requirements

In accordance with section 6(f)(3)(C) of the IG Act, this budget requests \$9 million in FY 2012 for training expenses, of which a portion will be funded from the discretionary budget. This amount is composed of OIG's baseline training budget for its entire staff, which with the FY 2012 request includes more than 2,000 criminal investigators, auditors, program evaluators, attorneys, and administrative and management staff.

HHS OIG Financial Support for CIGIE

In support of the Governmentwide IG community, OIG contributes funds 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 of section 6(f)(3)(D) of the IG Act, this budget requests \$455,000 in necessary expenses for OIG's support of CIGIE, of which a portion will be funded from the discretionary budget.

FY 2012 HHS Enterprise Information Technology and Governmentwide E-Gov Initiatives

OIG will use \$19,084 of its FY 2012 budget to support Departmentwide enterprise information technology and Governmentwide E-Government initiatives. Staff divisions help 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 IT Investment Review Board based on funding availability and business case benefits. Development is collaborative and achieves HHS enterprisewide goals that produce common technology, promote common standards, and enable data and system interoperability.

Of the amount specified above, \$3,007 is allocated to developmental Governmentwide E-Government initiatives for FY 2012. This amount supports the following:

| FY 2012 Developmental E-Gov Initiatives¹ | \$ |
|--|----------------|
| Line of Business - Human Resources | \$3,007 |
| Line of Business - Grants Management | -- |
| Line of Business - Financial | |
| Line of Business - Budget Formulation and Execution | |
| Disaster Assistance Improvement Plan | |
| Federal Health Architecture | |
| Line of Business - Geospatial | |
| FY 2012 Developmental E-Gov Initiatives Total | \$3,007 |

Lines of Business-Human Resources Management: Provides standardized and interoperable HR solutions using common core functionality to support the strategic management of human capital.

In addition, \$12,681 is allocated to ongoing Governmentwide E-Government initiatives for FY 2012. This amount supports these Governmentwide E-Government initiatives as follows:

| FY 2012 Ongoing E-Gov Initiatives¹ | \$ |
|--|-----------------|
| E-Rule Making | \$12,681 |
| Integrated Acquisition Environment | -- |
| GovBenefits | -- |
| Grants.Gov | -- |
| FY 2012 Ongoing E-Gov Initiatives Total | \$12,681 |

¹ Specific levels presented here are subject to change as redistributions to meet changes in resource demands are assessed.

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