

United States Senate

WASHINGTON, DC 20510

June 17, 2015

VIA ELECTRONIC TRANSMISSION

The Honorable Andrew M. Slavitt
Acting Administrator
Centers for Medicare & Medicaid Services
200 Independence Ave, S.W.
Washington, D.C. 20201

Dear Mr. Slavitt,

As the current and former Chairmen of the United States Senate Committee on Finance, we were deeply troubled by the findings in the Department of Health and Human Services Office of Inspector General (OIG) report issued yesterday titled, "Centers for Medicare & Medicaid Services (CMS') Internal Controls Did Not Effectively Ensure the Accuracy of Aggregate Financial Assistance Payments Made to Qualified Health Plan Issuers Under the Affordable Care Act (ACA)." In the report, OIG notes that because CMS did not have systems in place to ensure that financial assistance payments were accurate, OIG could not verify that CMS correctly applied any of the nearly \$2.8 billion in financial assistance payments during just a four month period from January 1, 2014, to April 30, 2014. If these types of results continue it foreshadows a substantial programmatic vulnerability leading to untold billions in fraud, waste and abuse. We have been concerned about vulnerabilities related to internal controls at CMS due to the ACA – this is yet another in a long line of problems which have occurred since the ACA's initial implementation.

The ACA provides financial assistance payments to lower certain enrollees' insurance premiums, out-of-pocket insurance costs, and sometimes both. The Federal Government distributes financial assistance payments to qualified health plan (QHP) issuers on behalf of eligible enrollees. Advance Premium Tax Credits (APTC) are advance payments of premium tax credits and are used to assist certain low-income enrollees with the cost of their premiums. Advance Cost-Sharing Reductions (CSR) assist certain low-income enrollees with their out-of-pocket costs. The Federal Government makes an advance monthly CSR payment to QHP issuers to cover the issuers' estimated CSR costs.

CMS is responsible for reviewing, approving, and generating APTCs and CSRs for the Federal and State-based marketplaces. Before a QHP issuer receives such payments, CMS must certify those plans through CMS's vendor management process. During the period covered by

OIG's audit, CMS used an interim process, which required QHP issuers to submit attestation agreements stating that the submitted information was accurate and in compliance with Federal policies and regulations before CMS processed their payments.

As OIG notes, CMS's internal control deficiencies limited its ability to make accurate payments to QHP issuers, resulting in potentially \$2.8 billion in improper payments during a mere 4 month period. This is an unacceptable programmatic issue that if left unaddressed could potentially cause tens of billions of dollars in waste, fraud and abuse.

Accordingly, we request the following:

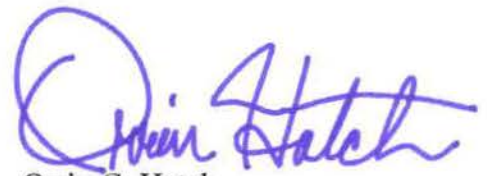
1. Has CMS implemented OIG's recommendations? If so, how? If not, why not?
2. Has CMS implemented a permanent process to authorize payments to issuers by automating enrollment and payment data on an enrollee-by-enrollee basis? If not, why not?
3. Has CMS implemented computerized systems to maintain confirmed enrollee and payment information so that CMS does not have to rely on QHP issuers' attestations in calculating payments? If so, how? If not, why not?
4. Has CMS implemented a computerized system so State marketplaces can submit enrollee eligibility data? If so, how? If not, why not?
5. Has CMS developed interim reconciliation procedures to address potentially inappropriate CSR payments? If so, how? If not, why not?
6. Please provide CMS's timeline to address each of the issues raised above.

Please number your responses according to their corresponding questions. Please respond no later than June 30, 2015. If you have any questions, please contact Kim Brandt of Chairman Hatch's Finance Committee staff at (202) 224-4515 and Josh Flynn-Brown of Chairman Grassley's Judiciary Committee staff at (202) 224-5225. Thank you for your cooperation in this important matter.

Sincerely,



Charles E. Grassley
Chairman
Committee on the Judiciary



Orrin G. Hatch
Chairman
Committee on Finance