



Highlights of [GAO-10-481T](#), a testimony before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Homeland Security and Governmental Affairs Committee, U.S. Senate

Why GAO Did This Study

Medicare Part D, the voluntary, outpatient prescription drug benefit for eligible individuals 65 years and older and certain individuals with disabilities, is at risk for fraud, waste, and abuse. Part D is administered by the Centers for Medicare & Medicaid Services (CMS). All Part D sponsors—private companies that operate Part D benefit plans—are required to have programs to safeguard the Part D program from fraud, waste, and abuse. GAO refers to these programs as fraud and abuse programs.

This statement discusses CMS's oversight of Part D sponsors' fraud and abuse programs, including its past efforts and planned oversight activities. It is primarily based on the GAO report, *Medicare Part D: Some Plan Sponsors Have Not Completely Implemented Fraud and Abuse Programs, and CMS Oversight Has Been Limited* ([GAO-08-760](#)). The five Part D sponsors GAO reviewed for that report had not completely implemented all of CMS's elements for Part D fraud and abuse programs at that time. CMS agreed with GAO's recommendation in the report that it conduct timely audits of Part D sponsors' fraud and abuse programs.

For the 2008 report, GAO reviewed laws, regulation, and CMS documents, including fraud and abuse program guidance. GAO also interviewed CMS officials. For this statement, GAO updated selected information on CMS's oversight by interviewing CMS officials and reviewing agency documents.

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MEDICARE PART D

CMS Oversight of Part D Sponsors' Fraud and Abuse Programs Has Been Limited, but CMS Plans Oversight Expansion

What GAO Found

In July 2008, GAO reported that CMS's review of fraud and abuse program plans was limited to the review and approval of Part D sponsors' fraud and abuse program plans submitted as part of the initial contract-application process. For example, CMS indicated that the agency did not require Part D sponsors to submit new or updated fraud and abuse program plans during the contract renewal process for program years 2007 or 2008. Further, in the July 2008 report, GAO noted that CMS had not conducted audits as it had detailed in its 2005 Part D Oversight Strategy to ensure that sponsors had implemented fraud and abuse program plans. In February 2010, CMS officials told GAO the agency had completed desk audits (reviews of requested documents) in 2008 and 2009 and was beginning to implement an expanded oversight strategy. CMS officials reported that between October 2008 and April 2009 the agency's contractors had completed 16 desk audits of selected Part D sponsors' fraud and abuse programs. These officials reported that the agency has revised its audit protocol and piloted on-site audits (which include interviews and other face-to-face evaluations) to assess the effectiveness of these programs more thoroughly. In addition, CMS issued a proposed rule in 2009 to increase its oversight efforts and ensure that sponsors have effective compliance programs in place. CMS noted in issuing the proposed rule that GAO requested that CMS take actions to evaluate and oversee fraud and abuse programs. CMS expects the rule to be finalized in March 2010.