

# *United States Senate Committee on Finance*

For Immediate Release

Friday, May 12, 2006

## Grassley, Baucus say it's premature to increase role of contractors for Medicare quality

WASHINGTON — Sens. Chuck Grassley and Max Baucus today said that concerns about effectiveness and expenditures should be put to rest before the federal government gives more money and extended contracts to the organizations hired to monitor the quality of health care received by Medicare beneficiaries.

In a letter to the Medicare administrator, the senators said that new recommendations from the professional association representing these contractors for these changes were “premature.” The performance and activities of Quality Improvement Organizations, or QIOs, are under review by the Inspector General for the U.S. Department of Health and Human Services, the Government Accountability Office, and the U.S. Senate Committee on Finance.

“We don’t have information about how effective QIOs really are when it comes to looking out for the quality of care provided to Medicare beneficiaries,” Grassley said. “And, allegations have been made about improper use of federal tax dollars by QIOs, involving travel and meeting expenses, rental property, and loans approved for subsidiaries of some QIOs. So it would be very irresponsible for Medicare officials to make any additional commitments to QIOs until questions are answered and QIOs are held accountable for their work and activities to date. Doing so would put the cart before the horse.”

“Medicare shouldn’t promise to pay more for a pig in a poke. The facts are still being gathered about the performance, cost-effectiveness, and even the integrity of some QIOs. If these organizations are spending inappropriately, or failing to actually ensure quality in the Medicare system, those shortcomings have to be figured into any contract and payment agreements. There are too many unknowns right now to make QIO commitments further into the future,” Baucus said.

Grassley is Chairman and Baucus is Ranking Member on the Senate Committee on Finance, which is responsible for Medicare and Medicaid legislation and oversight. The text of the letter they sent today follows here.

May 12, 2006

The Honorable Mark McClellan, M.D., Ph.D.  
Administrator  
Centers for Medicare and Medicaid Services

Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

Dear Administrator McClellan:

As Chairman and Ranking Member of the United States Committee on Finance (Committee), which has jurisdiction over, among other things, the Medicare and Medicaid programs, we have a responsibility to protect these programs, their funding, and the more than 80 million beneficiaries who receive healthcare through them. In carrying out our responsibility, we have engaged your office and other stakeholders over the past several months regarding the Quality Improvement Organizations (QIO).

In correspondence dated April 27, 2006, the American Health Quality Association (AHQA), which represents the interests of most QIOs, submitted recommendations to your office designed to “ensure accountability of the QIO program.” AHQA’s proposal included an increase in funding and a lengthening of the QIO contract cycle. We support increased accountability; however, our Committee’s inquiry thus far indicates that the QIO program may require greater reform.

We believe it is premature to provide the QIOs with additional funds and lengthened contract cycles until the numerous ongoing inquiries into the QIOs’ operations are complete. Our Committee continues its inquiry into allegations of, among other things, financial improprieties by the QIOs, including but not limited to, questionable travel and conference expenses, possible misuse of rental property, and loans executed to subsidiaries. The Government Accountability Office and the Office of Inspector General for the Department of Health and Human Services are also conducting reviews of the QIOs.

Furthermore, if the problems were confined to financial improprieties and conflicts of interest, increased oversight would suffice. However, in addition to these potentially serious problems, there is still a need for more thorough evaluation of the QIOs’ effectiveness in improving the quality of healthcare, as confirmed by the recent Institute of Medicine report.

We would like our staffs to discuss legislative and administrative changes necessary to ensure that QIOs improve the quality of healthcare for Medicare beneficiaries, use resources judiciously, and adhere to ethical business practices. We look forward to hearing from you and working together on this issue.

Sincerely,

Charles E. Grassley  
Chairman

Max Baucus  
Ranking Member