

Apr 23 2012

Hatch on GAO Medicare Advantage Demonstration Program Report

Utah Senator Says Obama Administration Appears to be Side-Stepping Congress, Lacks Legal Authority to Spend Unprecedented Money on Demonstration Program for Political Ends

U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today said a new Government Accountability Office (GAO) report confirms that the design of the \$8.3 billion Medicare Advantage quality bonus demonstration program (MA QBP) raises questions about whether the Department of Health and Human Services (HHS) had the authority to launch this program, the largest ever undertaken by HHS, and whether it was constructed for political purposes. Hatch, who has [expressed concern](#) over the structure of the program, requested this report last year.

“The Obama Administration launched this demonstration program to divert attention away from cuts to the popular Medicare Advantage program. The problem is, as GAO makes clear, that HHS appears to have abused its authority by creating what isn’t really a demonstration program at all. Furthermore, it’s unclear whether the Obama Administration even had the legal authority to undertake it in the first place. The Obama Administration seems to be using a technicality to side step Congress and write itself a blank check to spend more money for political purposes leading into this year’s elections. This is simply unacceptable.” said Hatch. “The White House does not have the authority to green light spending on whatever program it wants. This report is just the beginning – I will be demanding answers from HHS that American taxpayers deserve.”

Demonstration programs typically do not cost any additional money and are intended to test new ways health care providers are paid under the Medicare program. The GAO report found that the MA QBP is the most costly demonstration programs, involving \$8.3 billion for insurance companies, ever undertaken by HHS. Furthermore, it will fail to produce any meaningful data for the Center for Medicare and Medicaid Services (CMS) to evaluate, which is central to the goal of any demonstration program.

Key findings from the GAO Report follow and a full copy of the report can be found [HERE](#):

- **The size and scope of this demonstration program are unparalleled.** According to the GAO report, “The MA Quality Bonus Payment Demonstration dwarfs all other Medicare demonstrations—both mandatory and discretionary—

conducted since 1995 in its estimated budgetary impact and is larger in size and scope than many of them.”

- **The timing of this demonstration program raises serious questions about the Obama Administration’s use of taxpayer dollars for political purposes.** According to the GAO report, “The largest annual offset will occur in 2012—71 percent—followed by 32 percent in 2013 and 16 percent in 2014.” Given that Medicare’s open enrollment season begins in October, this report raises serious questions about whether the purpose of this demonstration was to mask the health spending law’s cuts to seniors’ Medicare benefits for political purposes.
- **There are significant questions about the legality of the Obama Administration’s use of tax dollars for this demonstration program.** HHS has the authority to test new approaches to paying Medicare providers under limited demonstration programs, but according to the GAO report, “The design of the demonstration precludes a credible evaluation of its effectiveness in achieving CMS’s stated research goal—to test whether a scaled bonus structure leads to larger and faster annual quality improvement compared with what would have occurred under PPACA.”

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