



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
**OFFICE OF INSPECTOR GENERAL**

WASHINGTON, DC 20201



January 24, 2022

**TO:** Megan Worstell  
Director, Office of Financial Management and Chief Financial Officer  
Centers for Medicare and Medicaid Services

**FROM:** /Amy J. Frontz/  
Deputy Inspector General for Audit Services

**SUBJECT:** Independent Attestation Review: *Centers for Medicare & Medicaid Services Fiscal Year 2021 Detailed Accounting Submission and Budget Formulation Compliance Report for National Drug Control Activities, and Accompanying Required Assertions, A-03-22-00351*

This report provides the results of our review of the attached Centers for Medicare & Medicaid Services (CMS) Office of National Drug Control Policy (ONDCP) Detailed Accounting Report, which includes the table of Drug Control Obligations, related disclosures, and management's assertions for the fiscal year ended September 30, 2021. We also reviewed the Budget Formulation Compliance Report, which includes budget formulation information for the fiscal year ending September 30, 2023,<sup>1</sup> and the Chief Financial Officer's or accountable senior executive's assertions relating to the budget formulation information. CMS management is responsible for, and submitted, the Detailed Accounting Report and Budget Formulation Compliance Report, which were prepared in accordance with the ONDCP Circular *National Drug Control Program Agency Compliance Reviews*, dated September 9, 2021 (ONDCP Compliance Reviews Circular). It is our responsibility to express a conclusion about the reliability of management's assertions based on our review.

We performed this review as required by 21 U.S.C. § 1704(d)(1) and as authorized by 21 U.S.C. § 1703(d)(7) and in compliance with the ONDCP Compliance Reviews Circular.

We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements, as described in the U.S. Government Accountability Office (GAO) publication, *Government Auditing Standards* (April 2021). Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to

---

<sup>1</sup> Although CMS's Budget Formulation Compliance Report was provided to ONDCP as of fiscal year 2021, the budget figures reflect the fiscal year 2023 funding request.

management's assertions to be in accordance with the criteria. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance and express an opinion about whether management's assertions are in accordance with the criteria in all material respects. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

Based on our review, we are not aware of any material modifications that should be made to CMS's Detailed Accounting Report for fiscal year 2021 and CMS's Budget Formulation Compliance Report for fiscal year 2023 for them to be in accordance with the ONDCP Compliance Reviews Circular.

CMS's Detailed Accounting Report and Budget Formulation Compliance Report assertions<sup>2</sup> are included as Attachment A.

\*\*\*\*\*

Although this report is an unrestricted public document, the information it contains is intended solely for the information and use of Congress, ONDCP, and CMS. It is not intended to be, and should not be, used by anyone other than those specified parties. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Carla J. Lewis, Assistant Inspector General for Audit Services, at (202) 205-9125 or at [Carla.Lewis@oig.hhs.gov](mailto:Carla.Lewis@oig.hhs.gov). Please refer to report number A-03-22-00351 in all correspondence.

Attachment

---

<sup>2</sup> Only the Budget Formulation report assertions are included in Attachment A since the report contains prospective information.



DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mailstop C3-01-24  
Baltimore, Maryland 21244-1850

## Office of Financial Management

### MEMORANDUM

**DATE:** December 7, 2021

**TO:** **Director**  
Office of National Drug Control Policy (ONDCP)

**FROM:** **Megan Worstell**  
Director, Office of Financial Management and Chief Financial Officer  
Centers for Medicare & Medicaid Services

**SUBJECT:** **ONDCP Circular: National Drug Control Program Agency Compliance Reviews (Dated September 9, 2021, Sections 6-7)**

In accordance with the requirements of the ONDCP Circular: National Drug Control Program Agency Compliance Reviews, dated September 9, 2021, CMS is submitting our Compliance Report to ONDCP. We are including the Budget Formulation Compliance Report (Section 6) and providing section numbers in the assertions for the Detailed Accounting Report (Section 7).

#### **Section 6 – Budget Formulation Compliance Report**

In accordance with the requirements of the ONDCP Circular: National Drug Control Program Agency Compliance Reviews, dated September 9, 2021, CMS submitted the FY 2023 Summer Budget to Department of Health and Human Services (HHS) and ONDCP on Monday, June 21, 2021. CMS is also making the following assertions regarding the attached under Section 6 of the Budget Formulation Compliance Report:

##### **Timeliness of Summer Budget Submission**

CMS asserts, in accordance with Section 6.a. (1), that the FY 2023 summer drug budget submitted to ONDCP under the cover letter provided to ONDCP on Monday, June 21, 2021 at the same time as the budget request was submitted to HHS in accordance with 21 U.S.C. § 1703 (c)(1)(A) without alteration or adjustment.

**Funding Levels Represent Actuarial Estimates of Project Spending Based on Current Law**

CMS asserts, in accordance with Section 6.a. (2), that we do not receive specific ONDCP appropriation funding for drug control activities. Therefore, the amounts provided are based on estimates of the projected costs associated with substance abuse treatment paid for by Medicare and Medicaid current law benefit costs, which are conducted by the CMS Office of the Actuary (OACT). Our submission represents the budget estimates made by CMS to the Department without alteration or adjustment by any official at the Department (see Attachment A).

**Section 7 – Detailed Accounting Report**

In accordance with the requirements of the ONDCP Circular: National Drug Control Program Agency Compliance Reviews dated September 9, 2021; CMS is making the following assertions under Section 7, Detailed Accounting Report requirements of attached annual accounting of drug control funds:

**Obligations by Budget Decision Unit**

CMS asserts, in accordance of with Section 7.b. (1), that we do not receive specific ONDCP appropriation funding for drug control activities. The amounts provided are based on estimates of the projected costs associated with substance abuse treatment paid for by Medicare and Medicaid, and are prepared by the CMS OACT. (See Attachment B)

**Drug Methodology**

CMS asserts, in accordance with Section 7.b. (2), that the methodology used to determine these estimates is based on an analysis of historical claims experience and is reasonable and accurate. In accordance with these criteria, CMS has documented/identified data that support the drug methodology, explained and documented other estimation methods (the assumptions for which are subjected to periodic review) and determined that the methodology, yield data that present fairly, in all material aspects, estimates based on current law from which the drug estimates are derived. (See Attachment C).

**Application of Drug Methodology**

CMS asserts, in accordance with Section 7.b. (3), that the drug methodology disclosed in Attachment B was the actual methodology used to generate the tables and narratives as required.

**Material Weaknesses or Other Findings**

CMS asserts, in accordance of Section 7.b. (4), there have been no material weaknesses or other findings by independent sources or other known weaknesses, including those identified in the Agency's Annual Statement of Assurance, which may affect the presentation of prior year drug-related obligations as required have been disclosed.

**Methodology Modifications**

CMS asserts, in accordance with Section 7.b. (5), there are no modifications for reporting drug control resources from the previous year's reporting.

**Reprogrammings or Transfers**

CMS asserts, in accordance with Section 7.b. (6), that there have been no reprogramming or transfers, since we do not receive specific ONDCP appropriation funding for drug control activities.

**Fund Control Notices**

CMS asserts, in accordance with Section 7.b. (7), that we do not receive specific ONDCP appropriation funding for drug control activities. Therefore, the amounts provided are based on obligations, but are based on estimates of the projected costs associated with substance abuse treatment paid for by ,and which are prepared by the CMS OACT.

Sign and Date:

**Megan Worstell** -S Digitally signed by Megan  
Worstell -S  
Date: 2021.12.07 11:11:05 -05'00'

---

**Megan Worstell**

Director, Office of Financial Management and Chief Financial Officer  
Centers for Medicare & Medicaid Services

**Attachments**

- Attachment A - FY 2023 Summer Drug Budget Resource Summary Table
- Attachment B - FY 2021 Drug Control Resource Table
- Attachment C - FY 2021 Drug Control Methodology

**Attachment B**

**FY 2021 Drug Control Summary Resource Table**

**CENTERS FOR MEDICARE AND MEDICAID SERVICES  
FY 2021 Drug Control Enacted Outlays**

*(Dollars in millions except where indicated otherwise)*

**Drug Resources by Decision Unit and Function**<sup>3</sup>

<b>Medicaid</b>	
Treatment.....	\$6,870.0
<b>Total Medicaid.....</b>	<b>\$6,870.0</b>
<b>Medicare</b>	
Treatment.....	\$2,920.0
<b>Total Medicare.....</b>	<b>\$2,920.0</b>
<b>Total Funding.....</b>	<b>\$9,790.0</b>
<b>Drug Resources Personnel Summary</b>	
<i>Total Full Time Equivalentents (FTEs).....</i>	<i>0</i>
<b>Drug Resources as a Percent of Budget</b>	
Total Agency Budget (in billions <sup>4</sup> ).....	\$1,407.1
Drug Resources Percentage.....	0.7%

<sup>3</sup> Drug Resources by Decision Unit and Function table comes from the [FY 2022 CMS Congressional Justification](#).

<sup>4</sup> The total agency budget reflects only Medicare and Medicaid current law benefit costs as estimated by the CMS Office of the Actuary. The Medicaid total reflects the net outlays of Medical Assistance Payments benefit grants and the Vaccines for Children Program, administered by the Centers for Disease Control and Prevention. The Medicare total reflects gross benefit outlays.

## Attachment C

### FY 2021 Drug Control Methodology

- 1) **Drug Methodology** – The Fiscal Year (FY) 2021 Drug Control budgetary resources are provided are based on estimates of the projected costs associated with substance abuse treatment paid for by Medicare and Medicaid and are prepared by the CMS Office of the Actuary. See detail below how Medicaid and Medicare methodology is determined.
  - a. **FY 2021 Outlays/Enacted by Budget Decision Unit** – CMS distributes drug control treatment into two functions:
    - Medicaid – Treatment
    - Medicare – Treatment

#### **Medicaid Treatment:**

Included in this Drug Control Accounting report for FY 2021 are estimated Medicaid outlays, rather than obligations, since CMS receives no direct funding from ONDCP. Based on the Medicaid Methodology stated below, OACT projected \$6,870.0 million in estimated outlays in Medicaid treatment costs based on the methodology below.

#### **Medicaid Methodology**

The projections provided in the above table were based on data from the Medicaid Analytic eXtract (MAX) for Fiscal Year (FY) 2007 through 2012, based on expenditures for claims with Substance Use Disorders (SUD) as a primary diagnosis. Managed care expenditures were estimated based on the ratio of SUD expenditures to all expenditures for fee-for-service by eligibility group. The estimates were trended forward to FY 2019 using the growth rate of expenditures by state and eligibility category from the form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program, MAX data, and estimates included in the FY 2022 President's Budget. The annual growth rates were adjusted by comparing the rate of SUD expenditure growth from FY 2007 through 2012 to all service expenditure growth and adjusting the growth rate proportionately.

#### **Medicare Treatment:**

Included in this Drug Control Accounting report for FY 2021 are estimated Medicare outlays, rather than obligations, since CMS receives no direct funding from ONDCP. Based on the Medicare Methodology stated below, OACT projected \$2,920.0 million in estimated outlays in Medicare treatment costs based on the methodology below.

#### **Medicare Methodology**

The projections of Medicare spending for the treatment of substance abuse are based on the FY 2022 President's Budget baseline. These projections reflect estimated Part A and Part B spending in FY 2021 and are based on an analysis of historical fee for service claims through

2019, using the primary diagnosis code<sup>5</sup> included on the claims. The historical trend is then used to make projections into FY 2021. These projections are very similar to those for the FY 2021 President's Budget and vary only due to changes in the baseline.

Within this methodology, an adjustment was made to reflect spending for beneficiaries who are enrolled in Medicare Advantage (MA) plans, since their actual claims are not available. It was assumed that the proportion of costs related to substance abuse treatment was similar for beneficiaries enrolled in MA plans as for those enrolled in fee-for-service Medicare.

These estimates do not include spending under Medicare Part D because there is not a straightforward way to get this information. There is no diagnosis code associated with prescription drug claims, and drugs used to treat SUD are often also used to treat other conditions.

- 2) Methodology Modifications – None**
- 3) Material Weakness or Other Findings - None**
- 4) Reprogramming or Transfers – None**
- 5) Other Disclosures – None**

---

<sup>5</sup> Based on the International Classification of Diseases (ICD) coding system. The applicable ICD-9 codes for substance abuse include a subset of the 291, 292, 303, 304, and 305 category of codes; ICD-9 codes 7903, E9352, and E9401; and *Other Chronic and Potentially Disabling Conditions for Alcohol and Drug Use Disorders*, excluding V65.42 and V79.1. The applicable ICD-10 codes for substance abuse include a subset of the F10, F11, F12, F13, F14, F15, F16, F17, F18, and F19, G62, I42, K29, K70, O35, O99, P04, P96, Q86, R78, T40, T50, and T51 ICD-10 category of codes.