DEPARTMENT of HEALTH and HUMAN SERVICES

Fiscal Year

2011

Office of Inspector General

Online Performance Appendix

The Fiscal Year 2011 Online Performance Appendix is one of several documents that fulfill the Department of Health and Human Services' (HHS) performance planning and reporting requirements. HHS achieves full compliance with the Government Performance and Results Act of 1993 and Office of Management and Budget Circulars A-11 and A-136 through the HHS agencies' FY 2011 Congressional Justifications and Online Performance Appendixes, the Agency Financial Report, and the HHS Summary of Performance and Financial Information Report. These documents are available at http://www.hhs.gov/budget.

The FY 2011 Congressional Justification and accompanying Online Performance Appendixes contain the updated FY 2009 Annual Performance Report and FY 2011 Annual Performance Plan. The Agency Financial Report provides fiscal and high-level performance results. The HHS Summary of Performance and Financial Information Report summarizes key past and planned performance and financial information.

Message from the Inspector General

Dear Reader:

I am pleased to present the Fiscal Year (FY) 2011 Online Performance Appendix to accompany the U.S. Department of Health and Human Services' (HHS) Office of Inspector General (OIG) President's budget request to Congress. Since its establishment in 1976, this office has consistently achieved commendable results in fulfilling its mission to protect the integrity of HHS programs and the health and welfare of the American public.

HHS OIG's staff of more than 1,500 professionals carries out this mission through a nationwide network of audits, evaluations, investigations, and enforcement and compliance activities focused on HHS programs and participants. Our mission encompasses the more than 300 programs administered by HHS, at agencies such as the Centers for Medicare & Medicaid Services, National Institutes of Health, Food and Drug Administration, Centers for Disease Control and Prevention, and Administration for Children and Families. As required by statutes, the majority of this office's resources are directed toward safeguarding the integrity of the Medicare and Medicaid programs and the health and welfare of their beneficiaries. Consistent with our responsibility to oversee all departmental programs, we also focus considerable effort on HHS's other programs and management processes, including key issues, such as child support enforcement, food and drug safety, conflict-of-interest and financial disclosure policies governing HHS staff, and the integrity of departmental contracts and grants management processes and transactions.

As HHS programs and operations continue to grow in size, scope, and complexity, it is essential that they be simultaneously protected against threats of fraud, waste, and abuse. In FY 2009, OIG's contributions to safeguarding HHS programs from threats of fraud, waste, and abuse and to promoting economy, efficiency, and effectiveness in HHS programs included:

- $2.96 billion in expected HHS receivables that were court ordered or agreed to be paid through civil settlements that resulted from cases developed by OIG investigators;
- $463 million in audit recoveries that were agreed to be pursued by HHS program managers as a result of OIG audit disallowance recommendations;
- a ratio of $17.5 to $1 return on investment measuring the efficiency of OIG's health care oversight efforts, continuing its trend of increasing expected recoveries in the reporting period ending in FY 2009; and
- 112 of OIG's quality and management improvement recommendations that HHS program managers accepted and agreed to implement.

This report describes OIG's accomplishments in several key aspects. At the time of this writing, there were no known weaknesses in the completeness or reliability of the information in this report.

Daniel R. Levinson
Inspector General

FY 2011 Online Performance Appendix

U.S. Department of Health and Human Services
Office of Inspector General

Section **Page**

Summary of Targets and Results

Fiscal Year	Total Targets	Targets with Results Reported	Percent of Targets with Results Reported	Total Targets Met	Percent of Targets Met
2006	3	3	100%	3	100%
2007	3	3	100%	3	100%
2008	3	3	100%	3	100%
2009	3	3	100%	3	100%
2010	3	0	NA	NA	NA
2011	3	0	NA	NA	NA

Performance Detail

The Department of Health and Human Services (HHS) Office of Inspector General (OIG) Fiscal Year (FY) 2011 Online Performance Appendix uses three key measures to express progress in accomplishing OIG's mission of combating fraud, waste, and abuse and promoting economy, efficiency, and effectiveness in HHS programs and operations. These performance measures are the:

- 3-year moving average of expected recoveries from OIG's health care oversight activities that resulted in investigative receivables and audit disallowances,
- 3-year moving average of the expected return on investment from OIG's health care oversight activities that resulted in investigative receivables and audit disallowances, and
- number of accepted quality and management improvement recommendations.

These measures reflect the culmination of investigation, audit, and evaluation efforts initiated in prior years. Moreover, these measures are expressions of HHS OIG's joint success and interdependence with a network of program integrity partners at all levels of government. For example, HHS OIG investigators and attorneys work closely with the Department of Justice, State Medicaid Fraud Control Units, and local law enforcement organizations to develop cases and pursue appropriate enforcement actions, which often include criminal or administrative sanctions and restitution to the Federal and State Governments and other affected parties. Similarly, OIG audits and evaluations generate findings and recommendations intended to achieve cost savings or program improvements. OIG does not have the authority to implement these corrective actions; instead, OIG recommendations inform Congress and the HHS program officials of potential cost disallowances and corrective actions that may be taken to address the vulnerabilities OIG identified.

Summaries of OIG's implemented and unimplemented program and management improvement recommendations are reported in the *Semiannual Report to Congress* and the *Compendium of Unimplemented OIG Recommendations*, which are available in the "Publications" section of the OIG Web site.

Performance Measure Summary and Reporting for "Expected Recoveries" and "Return on Investment"

"Expected recoveries" resulting from OIG's health care oversight quantify the expected financial benefit to the Government that results directly from OIG's work. Expected recoveries are composed of financial receivables to the Federal Government from:

- expected funds received as a result of successful prosecutions, court-ordered restitution, and out-of-court settlements;
- audit disallowances that HHS program management has agreed to recoup; and
- administrative enforcement actions during a given reporting period.

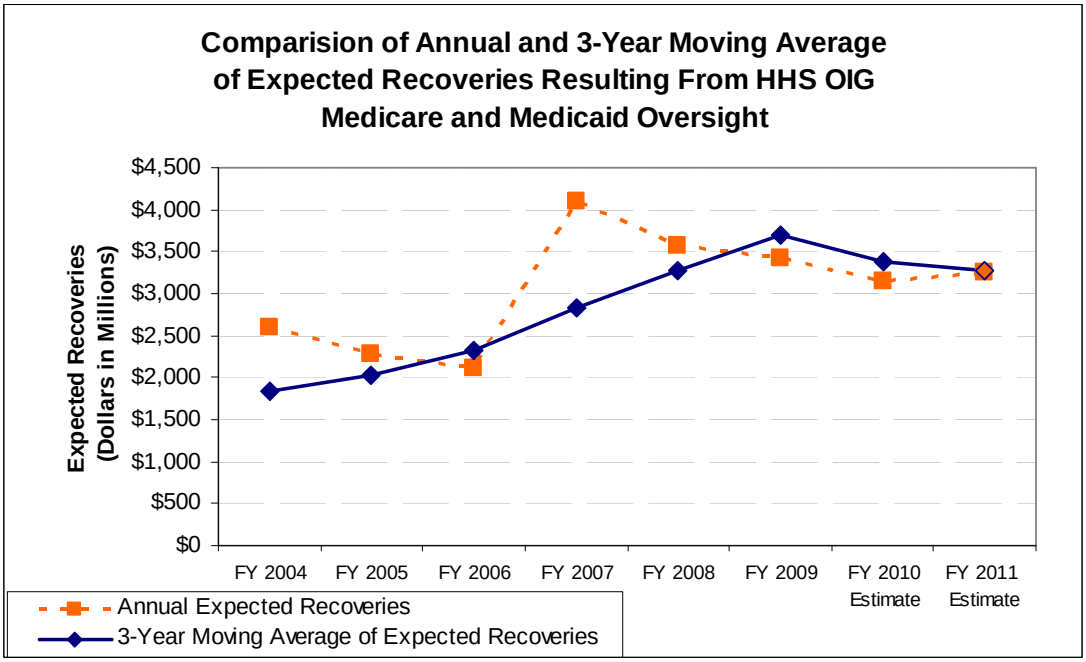
Once OIG determines expected recoveries for a reporting period, a return-on-investment estimate is calculated. Return on investment is the ratio of expected recoveries to OIG's annual operating budget; the result is an expression of the expected financial benefit to the Federal Government for funding OIG oversight activities. For example, a return on investment of $10:$1 would indicate that for every $1 spent by OIG, the Federal Government expects to receive $10 in financial recoveries.

For both performance measures, expected recoveries and return on investment, performance is reported using a 3-year moving average. This methodology recognizes the inherent unpredictability in audit and investigative outcomes. It also takes into account the time necessary to complete complex audits and investigations and to recover misspent funds identified during those inquiries. Thus, the 3-year moving average accounts for year-to-year variability and provides a more accurate depiction of results over time.

Measure	FY	Target	Result
1.1.1: Three-year moving average of expected recoveries resulting from OIG's health care oversight (Dollars in millions) *(Outcome)*	2011	$3,300	TBD, October 2012
	2010	$3,400	TBD, October 2011
	2009	$3,470	$3,701 (Target Exceeded)
	2008	$2,623	$3,268 (Target Exceeded)
	2007	$2,460	$2,835 (Target Exceeded)
	2006	$2,580	$2,678 (Target Exceeded)

Measure	FY	Target	Result
1.1.2: Three-year moving average of the return on investment resulting from OIG's health care oversight *(Outcome)*	2011	$13.0	TBD, October 2012
	2010	$15.0	TBD, October 2011
	2009	$16.8	$17.5 (Target Exceeded)
	2008	$13.5	$16.8 (Target Exceeded)
	2007	$11.4	$16.4 (Target Exceeded)
	2006	$11.9	$14.6 (Target Exceeded)

The expected recoveries resulting from OIG investigative and audit oversight of the Medicare and Medicaid programs averaged $3.7 billion per year for the 3-year period from FY 2007 through FY 2009 and exceeded expected recoveries from all previous reporting periods. These results include an average of more than $2.5 billion in investigative receivables and $1.2 billion in audit disallowances per year. The corresponding return on investment for OIG oversight of the Medicare and Medicaid programs for the same 3-year reporting period was $17.5:$1. The line graph below shows the relationship between the annual and 3-year moving averages of OIG expected recoveries from health care activities from FY 2003 through FY 2009 and estimates for FY 2010 and FY 2011. For 5 of the 7 years between FY 2003 and FY 2009, the 3-year moving average was a reliable approximation of the actual expected recoveries that occurred.



The methodology for establishing expected recoveries and return-on-investment targets is based on a combination of actual prior year data and estimated future year data using 3-year moving averages and consultation with OIG subject matter experts about the composition of the workload during a given period. As mentioned above, the moving average methodology for target setting is intended, in part, to lessen any potentially large variations in expected recoveries resulting from OIG enforcement actions from year to year. Even so, the variations are taken into account in the target-setting process. As an example, in FY 2007, $4.1 billion in expected recoveries resulted from Medicare and Medicaid oversight, which was the highest in OIG's history and the result of several large settlements or judgments involving pharmaceutical companies and hospital chains. (Summaries of these can be found in the OIG's previous semiannual reports to Congress on the OIG Web site.) The FY 2010 and FY 2011 targets established in this performance budget are below the actual performance in FY 2009 because several large settlements that were reported in FY 2007 are no longer included in the 3-year moving average of expected recoveries beginning in FY 2010. Moreover, estimated increases in OIG's budget obligations in FY 2011 related to the Medicare and Medicaid programs are included in the denominator of the return-on-investment calculation even though any possible expected recoveries that would result from that investment would most likely be reported in FY 2012 or FY 2013.

Samples of the outcome-oriented descriptions of HHS OIG efforts that reached resolution in FY 2009 and are reported in the OIG semiannual reports to Congress include:

- Pfizer, Inc., Enters Into Settlement for Marketing and Promotion Practices. Pfizer, Inc., entered into a $1 billion civil False Claims Act settlement with the United States in connection with allegations relating to marketing and promotion practices associated with the anti-inflammatory drug Bextra and several other drugs. The settlement agreement is part of a global criminal, civil, and administrative settlement with Pfizer and its

subsidiary, Pharmacia and Upjohn Company, Inc., which also includes a comprehensive 5-year corporate integrity agreement between Pfizer and OIG.

- Medicare Fraud Strike Force Operations Lead to Sentencing of Seven Miami-Area Residents in Medicare Infusion Fraud Scheme. Seven employees of a Miami, Florida, infusion clinic were ordered to pay $19.8 million in restitution and sentenced to prison terms ranging from 37 to 97 months. In their guilty pleas, the individuals admitted to activities including manipulating patients' blood samples to generate false medical records, ordering and administering medications to treat conditions that were falsely documented with fraudulent test results, and billing Medicare for services that were medically unnecessary or were never provided.

- Medicaid Personal Care Claims Made by Providers in New York City. In an audit of New York State Medicaid claims, OIG estimated that New York State improperly claimed $275.3 million in Federal Medicaid reimbursement for some personal care claims submitted by providers in New York City during calendar years 2004 through 2006. The improper claims occurred because the State did not adequately monitor New York City's personal care services program for compliance with Federal and State requirements. OIG recommended that the State refund $275.3 million, work with CMS to resolve two Consumer Directed Personal Assistance Program (CDPAP) claims, improve its monitoring of New York City's personal care services program, and promulgate specific regulations related to CDPAP claims.

Performance Measure Summary and Reporting for "Number of Accepted Quality and Management Improvement Recommendations"

OIG also reports the "number of quality and management improvement recommendations" generated by OIG audits and evaluations during a reporting period. This performance measure captures an important aspect of OIG's efforts to identify and recommend corrections to systemic weaknesses in HHS program administration and policy implementation. The measure also reflects a significant aspect of OIG's contribution to improving the efficiency and effectiveness of HHS programs and operations.

When OIG completes an inquiry, such as an audit or evaluation, that leads to a report that includes recommendations for program managers to disallow costs or pursue administrative or policy improvements, HHS program managers have a fixed period of time to concur or nonconcur with each recommendation. The implementation of OIG recommendations may be affected by the availability of resources for implementation and other factors. As a result, some OIG recommendations are accepted by program managers but not immediately implemented.

During FY 2009, HHS operating and staff divisions accepted 112 of OIG's quality and management improvement recommendations. This result exceeded the annual target of 85. OIG's FY 2010 and FY 2011 workload is likely to result in a similar number of recommendations, so the performance targets for accepted recommendations has been increased to reflect this expectation.

Measure	FY	Target	Result
1.1.3: Number of accepted quality and management improvement recommendations *(Outcome)*	2011	120	TBD, October 2012
	2010	110	TBD, October 2011
	2009	73	112 (Target Exceeded)
	2008	75	85 (Target Exceeded)
	2007	75	88 (Target Exceeded)
	2006	70	116 (Target Exceeded)

Summaries of the audits and evaluations that reached resolution during FY 2009 and contributed to this performance measure are included in the OIG semiannual reports to Congress, which are located in the "Publications" section of the OIG Web site.

Samples of the outcome-oriented descriptions of HHS OIG efforts that reached resolution in FY 2009 include:

- Reviews of State and Local Pandemic Influenza Preparedness. In two reports related to States' and localities' pandemic influenza preparedness, OIG made recommendations to improve the capacity of the Nation's State and local public health infrastructure to prepare for and respond to pandemic influenza.

  In one study, OIG found that although the majority of reviewed localities had begun planning to distribute and dispense vaccines and antiviral drugs, the preparedness plans reviewed did not address most of the vaccine and antiviral drug distribution and dispensing preparedness items identified in HHS guidance. Further, although all of the selected localities conducted exercises related to vaccine and antiviral drug distribution and dispensing, most did not create after-action reports and improvement plans for these exercises.

  In another study, OIG found that although the reviewed States and localities are making progress in preparing for a medical surge, fewer than half of the selected localities had started to recruit the medical volunteers required to respond to a medical surge and that none of the States reviewed had implemented electronic systems to manage volunteers. Moreover, although all of the reviewed localities had acquired limited medical equipment for a pandemic, only three of the five States reviewed had electronic systems to track beds and equipment. This study also highlighted the fact that most of the reviewed localities had not identified guidelines for altering triage, admission, and patient care during a pandemic. As a result of these studies, the Centers for Disease Control and Prevention referenced OIG findings and recommendations in its March 2008 H1N1 Vaccination Campaign Planning Checklist.

- Barriers to the Food and Drug Administration's Response to Food Emergencies. In two reviews, OIG addressed Food and Drug Administration's (FDA) responsibility for

overseeing the safety of human and pet food supplies. These reviews described FDA's difficulties in identifying and removing contaminated products from store shelves. Both reviews found that additional statutory authority and guidance to the industry would strengthen FDA's effectiveness and its ability to respond to a contamination of human and pet food.

One review found that in the event of a food emergency, FDA would likely have difficulty in tracing food products through the food supply chain. Only 5 of the 40 products OIG reviewed were traceable through each stage of the food supply chain. For four products, the facilities that handled the products could not be identified. Furthermore, 59 percent of the facilities reviewed did not meet FDA's requirements to maintain records about their sources, recipients, and transporters, and 25 percent were not aware of these requirements. The recommendations resulting from this review suggested that FDA consider seeking additional statutory authority to strengthen its lot-specific information requirements and to request facilities' records at any time; that FDA work with the industry to develop needed guidance; and that FDA address issues related to mixing raw food products from a large number of farms. FDA agreed to consider these recommendations.

In the second review, which was conducted in response to a request from the Senate Committee on Agriculture, Nutrition, and Forestry, OIG found that FDA did not have statutory authority to require pet food manufacturers or importers to initiate recalls of contaminated food or to assess penalties for recall violations. Furthermore, FDA's existing regulations were issued as nonbinding recall guidance for firms. OIG found that FDA's lack of authority, coupled with its sometimes lax adherence to its recall guidance and internal procedures, limited FDA's ability to ensure that contaminated pet food was promptly removed from retailers' shelves. OIG's report contained detailed recommendations for strengthening FDA's recall authority and improving its monitoring of recalls. FDA agreed or agreed in principle with all of our recommendations.

Data Source and Validation

Unique Identifier	Data Source	Data Validation
1.1.1	OIG data systems that track audit disallowances, judicial and administrative adjudications, and out-of-court settlements.	Estimates of expected recoveries are recorded in OIG data systems when (1) program managers agree to disallow and pursue recovery of questioned costs, (2) judicial and administrative adjudications are established, or (3) out-of-court settlements are agreed upon.
1.1.2	OIG data systems that track audit disallowances, judicial and administrative adjudications, and out-of-court settlements, and the OIG operating budget in a given year.	See "Data Validation" for measure 1.1.1.
1.1.3	OIG data systems that track reports and recommendations.	OIG follows an established process for identifying and validating OIG-wide tracking and reporting of accepted recommendations.

Agency Support for HHS Strategic Plan

OIG contributes to the HHS Strategic Plan directly through enforcement and compliance activities and indirectly through its reviews and recommendations for making program improvements that align with specific HHS strategic goals. The following table identifies the HHS Strategic Goals with which OIG's program integrity activities correspond most directly by marking an "X" in the cells that where there is overlap.

HHS Strategic Goals and Objectives	**OIG Goal:** Make a positive impact on HHS programs
1 Health Care Improve the safety, quality, affordability and accessibility of health care, including behavioral health care and long-term care.	
1.1 Broaden health insurance and long-term care coverage.	
1.2 Increase health care service availability and accessibility.	
1.3 Improve health care quality, safety and cost/value.	**X**
1.4 Recruit, develop, and retain a competent health care workforce.	
2 Public Health Promotion and Protection, Disease Prevention, and Emergency Preparedness Prevent and control disease, injury, illness and disability across the lifespan, and protect the public from infectious, occupational, environmental and terrorist threats.	
2.1 Prevent the spread of infectious diseases.	
2.2 Protect the public against injuries and environmental threats.	
2.3 Promote and encourage preventive health care, including mental health, lifelong healthy behaviors and recovery.	**X**
2.4 Prepare for and respond to natural and man-made disasters.	**X**
3 Human Services Promote the economic and social well-being of individuals, families, and communities.	
3.1 Promote the economic independence and social well-being of individuals and families across the lifespan.	**X**
3.2 Protect the safety and foster the well-being of children and youth.	
3.3 Encourage the development of strong, healthy, and supportive communities.	
3.4 Address the needs, strengths and abilities of vulnerable populations.	
4 Scientific Research and Development Advance scientific and biomedical research and development related to health and human services.	
4.1 Strengthen the pool of qualified health and behavioral science researchers.	
4.2 Increase basic scientific knowledge to improve human health and human development.	
4.3 Conduct and oversee applied research to improve health and well-being.	**X**
4.4 Communicate and transfer research results into clinical, public health and human service practice.	

Full Cost Table for OIG [1]

(Dollars in Millions)

HHS Strategic Goals and Objectives	FY 2009	FY 2010	FY 2011
1 Health Care Improve the safety, quality, affordability and accessibility of health care, including behavioral health care and long-term care.	**$246.172**	**$231.995**	**$272.035**
1.1 Broaden health insurance and long-term care coverage.			
1.2 Increase health care service availability and accessibility.			
1.3 Improve health care quality, safety and cost/value.	$246.172	$231.995	$272.035
1.4 Recruit, develop, and retain a competent health care workforce.			
2 Public Health Promotion and Protection, Disease Prevention, and Emergency Preparedness Prevent and control disease, injury, illness and disability across the lifespan, and protect the public from infectious, occupational, environmental and terrorist threats.	**$17.105**	**$20.112**	**$20.702**
2.1 Prevent the spread of infectious diseases.			
2.2 Protect the public against injuries and environmental threats.			
2.3 Promote and encourage preventive health care, including mental health, lifelong healthy behaviors and recovery.	$6.037	$7.039	$7.245
2.4 Prepare for and respond to natural and man-made disasters.	$11.068	$13.073	$13.457
3 Human Services Promote the economic and social well-being of individuals, families, and communities.	**$19.118**	**$19.106**	**$19.667**
3.1 Promote the economic independence and social well-being of individuals and families across the lifespan.	$19.118	$19.106	$19.667
3.2 Protect the safety and foster the well-being of children and youth.			
3.3 Encourage the development of strong, healthy, and supportive communities.			
3.4 Address the needs, strengths and abilities of vulnerable populations.			
4 Scientific Research and Development Advance scientific and biomedical research and development related to health and human services.	**$9.056**	**$11.061**	**$11.385**
4.1 Strengthen the pool of qualified health and behavioral science researchers.			
4.2 Increase basic scientific knowledge to improve human health and human development.			
4.3 Conduct and oversee applied research to improve health and well-being.	$9.056	$11.061	$11.385
4.4 Communicate and transfer research results into clinical, public health and human service practice.			
Total, OIG Budget Authority	**$291.451**	**$282.274**	**$323.789**

1 Amounts in this table reflect budget authority and do not include carry-over funds. For additional information about OIG's planned oversight efforts, see the *FY 2010 Work Plan*. For information about OIG's accomplished oversight efforts, see the FY 2009 semiannual reports to Congress. Both publications are located on the OIG Web site at: http://oig.hhs.gov/publications.asp. The FY 2009 budget does not include amounts made available through the American Recovery and Reinvestment Act.

OIG's Underlying Contributions to the HHS Strategic Plan, FY 2007 through FY 2012

The HHS Strategic Plan outlines how the Department will advance its mission of enhancing the health and well-being of Americans. The plan contains two sections that describe (1) the Strategic Goals and Objectives deemed essential for achieving the HHS mission and (2) a set of value-based commitments intended to ensure that the Department responsibly pursues the accomplishment of its goals. The Strategic Goals and Objectives in the HHS Strategic Plan are programmatically focused and correspond to specific HHS operating divisions and the programs and initiatives operated by them. The value-based commitments, included in Chapter 6 of the Plan, outline the Department's dedication to "responsible stewardship and effective management" of HHS resources by committing to "effective resource management" and "effective planning, oversight, and strategic communications."

OIG's range of program integrity activities support the Department's responsible stewardship of taxpayer money, which includes combating fraud, waste, and abuse in all HHS programs. In particular, OIG is directed, by law, to conduct independent and objective audits, evaluations, analyses, and investigations to assess the effectiveness and efficiency of policy and program implementation and to identify wrongdoers. These independent fact-finding inquiries and associated recommendations strengthen the integrity of the Department's programs. Although OIG's targeted oversight work may not directly address each HHS Strategic Goal and Objective, OIG's work conducted contributes indirectly to the accomplishment of all HHS Strategic Goals and Objectives, which is consistent with OIG's mission and the specific principles expressed in Chapter 6 of the HHS Strategic Plan.

Segregating HHS's costs by HHS strategic objective is an important way to convey the Department's commitment to its goals; however, not all HHS costs directly support a specific Strategic Goal or Objective. In OIG oversight and compliance work, the results of discreet oversight activities often encompass more than any single HHS strategic objective by addressing underlying threats to the financial integrity of programs and the well-being of program beneficiaries. In these instances, full cost figures provided in the table on page 10 are estimates.

Where possible, OIG costs are segregated based on HHS strategic objectives. In the instances where it was not possible, costs are proportionately distributed across the HHS Strategic Objectives for which OIG was able to report a contribution. The following list contains examples of the functions that OIG performs that do not correspond directly to a specific HHS Strategic Goal or Objective:

- conduct annual financial statement audits,
- conduct Federal Information Security Management Act audits,
- review single audits conducted on behalf of HHS, and
- provide the security detail for the Secretary's protection.

The FY 2010 and FY 2011 estimates provided in the "Full Cost Table for OIG" table are determined based on a combination of prior year staffing and OIG's planned work for FY 2010. Because OIG will not release the *FY 2011 Work Plan* until September 2010, estimates of the OIG's discretionary resources across HHS strategic goals for FY 2011 are approximate. Furthermore, these estimates are likely to change in response to specific requests for targeted

program oversight made by the Administration or Congress or as the result of unforeseen events that highlight the need to prioritize certain studies.

Summary of Findings and Recommendations From Completed Program Evaluations

There were no program evaluations of OIG during FY 2009.

Slight Deviations Between Targets and Actual Results

The FY 2009 performance targets for the following measures were set at an approximate level, and the deviation from that level was slight. There was no effect on overall program or activity performance.

Measure Unique Identifier
1.1 Three-year moving average of expected recoveries resulting from health care oversight and enforcement
1.2 Three-year moving average of OIG health care return on investment
1.3 Number of accepted quality and management improvement recommendations

Discontinued Performance Measures

OIG does not have any discontinued performance measures to report.

Disclosure of Assistance by Non-Federal Parties

OIG did not receive any material assistance from non-Federal parties in the preparation of the FY 2011 Online Performance Appendix.