STATEMENT OF

MICHELLE SNYDER
ACTING DEPUTY ADMINISTRATOR
AND THE DEPUTY CHIEF OPERATING OFFICER
CENTERS FOR MEDICARE & MEDICAID SERVICES

ON

GETTING TO BETTER GOVERNMENT: FOCUSING ON PERFORMANCE

BEFORE THE

U.S. SENATE COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS,
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, FEDERAL SERVICES
AND INTERNATIONAL SECURITY

SEPTEMBER 24, 2009



Testimony of Michelle Snyder

Acting Deputy Administrator and the Deputy Chief Operating Officer Centers for Medicare & Medicaid Services

Before the

U.S. Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security

On

"Getting to Better Government: Focusing on Performance"

September 24, 2009

Chairman Carper, Senator McCain, and distinguished Subcommittee members, thank you for inviting me here to discuss the Centers for Medicare & Medicaid Services' (CMS) initiatives to increase the use of performance information within the Agency.

CMS is responsible for administering several of the Nation's key health care programs, including Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). Medicare and Medicaid alone account for 35 cents of each health care dollar spent in the United States. In total, CMS expends over \$700 billion per year on health care expenditures, one of the largest categories of Federal government spending. This has led to CMS becoming the largest purchaser of health care in the country, serving over 98 million beneficiaries. We take this role very seriously as our oversight responsibility impacts millions of lives.²

¹ National Health Expenditures data 2009.

² Budget in Brief, Fiscal Year 2010, U.S. Department of Health & Human Services, page 53.

The Administration, the Congress, beneficiaries and taxpayers clearly expect CMS to be accountable for the efficient and effective administration and oversight of our programs.

Furthermore, the Government Performance and Results Act of 1993 (GPRA) requires Federal agencies, effective fiscal year (FY) 1999, to have strategic plans, set goals and objectives, measure performance, and report their accomplishments as part of movement toward a performance-based, results-oriented government. For FY 2010, CMS has 31 GPRA performance goals representing the purview of our programs, including, among other things, decreasing the prevalence of restraint and pressure ulcers in nursing homes and increasing the frequency of state surveys of nursing homes and home health agencies. The GPRA goals, combined with internal management tracking tools, have become an integral part of the management culture at CMS and have been effective in making our employees aware of the Agency's commitment to the use of performance information to manage our programs and resources.

The Administration's focus on performance and accountability provides an opportunity for CMS to expand our strategic management practices and improve how work is managed and reported throughout the Agency. For CMS to effectively manage our many mission-critical activities, quickly respond to new program priorities and requirements, address an ever-growing workload, and implement new statutory mandates, we must excel at strategic thinking and action. CMS must ensure that resources are directed towards priorities, operational risks are immediately identified, employees are held accountable for meeting the Agency's goals, and performance is easily measureable.

The Agency is pleased with the progress we have made to this point, as noted by GAO, and recognize that such progress requires an ongoing commitment. By utilizing performance metrics and data, we can continue to improve the programs under our oversight.

CMS' Use of Performance Information

As the largest purchaser of health care in the United States, CMS processes around 4.6 million claims per day.3 The challenge has been how to take this significant amount of data from claims processes and other data submission methods and apply proper analysis with program analysts, health care clinicians, contractors, and actuaries to turn it into valuable and useful information. These challenges continue to grow with new Congressional mandates.⁴

With the passage of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), CMS had the responsibility of implementing the most sweeping changes to the Medicare program since its inception in 1965, launching a prescription drug benefit. The use of performance information was key in developing, tracking, and reporting our progress towards implementing this new Medicare benefit. By performance information, I mean the data used by CMS to measure progress towards Department and Agency goals that lead to the improvement of programmatic oversight, better quality of care for our beneficiaries, and more effective management of staff and resources.

Within the last four years, Congress has passed the Deficit Reduction Act of 2005, the Tax Relief and Health Care Act of 2006, the Medicare, Medicaid, SCHIP Extension Act of 2007, the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), the Children's Health Insurance Program Reauthorization Act of 2009, and the American Recovery and Reinvestment

³ FY 2010 Congressional Justification, page 36. In FY 2010, CMS will process approximately 1.2 billion claims per year. Number cited assumes 260 working days in a year.

4 CMS FY 2010 Online Performance Appendix, page ii.

Act of 2009 (Recovery Act). Implementing each of these laws has also required the Agency to use performance information in order to stay focused on key targets and deadlines.⁵

Through these initiatives, the Agency has found that use of performance information is essential in fulfilling our mission. As cited in the Government Accountability Office's (GAO) 2008 testimony to this Subcommittee, we have improved in the use of performance information to accomplish strategic goals and objectives. Performance information has been and will continue to be helpful in three core areas of CMS' workload:

- 1. Improving the administration and implementation of CMS programs;
- Transforming the delivery and quality of the health care system for CMS beneficiaries; and
- 3. Improving the efficiency and management of CMS staff.

Improving the administration and implementation of CMS programs

Programmatic performance information is necessary for us to be not only a well-run Agency, but also one that positively affects the lives of our beneficiaries and is good value for all Americans. One-way in which we have institutionalized the use of performance information and accountability within the Agency is through the Strategic Planning and Management Council (SPMC) that meets monthly to assess potential risks to CMS programs and develop strategies to move CMS towards identified results. This senior team of executives promotes the effective and integrated implementation of the Agency's ongoing operations, allocation of resources and key strategic initiatives. The SPMC's efforts focus on the program areas that drive change and

⁵ FY 2010 CMS Justification of Estimates for Appropriations Committees, page 1.

⁶ Government Accountability Office, "Government Performance: Lessons Learned for the Next Administration on Using Performance Information to Improve Results," GAO-08-1026T.

improve the Agency's performance, including budget formulation and strategic investments, the Agency's operating plan, human resource management programs, the Agency's performance evaluations, and CMS and HHS priorities.

As an example of how the SPMC works collaboratively and strategically to improve Agency operations, the SPMC commissioned the Resource Analysis Project (RAP) during FY 2008 to link CMS' full-time equivalents (FTEs) to their primary functions and activities. The effort provided a great deal of insight into the Agency's resource distribution especially during a time of increasing workloads and decreasing FTE levels. The data were updated during August 2009 and we are in the process of analyzing the data trends to align this employee specific information with our priorities and our revised Strategic Action Plan. Using this information, CMS will be better able to function as one integrated organization with a focus on results, and to ensure that resources are directed toward the most critical activities.

The Chief Financial Officers (CFO) Act of 1990 instituted the requirement that all Federal agencies prepare financial statements and undergo an annual audit. In early CFO audits, CMS provided insufficient documentation to support the amounts reported in its financial statements. CMS made considerable progress in strengthening its financial internal controls and addressing material weaknesses identified by auditors, which resulted in CMS' first "clean," unqualified audit opinion in fiscal year (FY) 1999. Over the last ten consecutive fiscal years, the Agency has been able to maintain its "clean" opinion and reduce the number of material weaknesses. By continuously improving financial reporting processes, guidance, and oversight, CMS has ensured that our financial information is accurate, reliable and timely. CMS is aware of our fiduciary responsibilities and the need for the continuous monitoring and improvement of our programs. Therefore, we remain committed to strengthening our efforts to improve the financial

management of CMS' operations so that we can continue to maintain fiscal accountability and financial integrity in our programs.

One way CMS has accomplished this is through the development of the Risk Management and Financial Oversight Committee to institute a coordinated process and cross-functional team to monitor Agency activities such as the CFO audit and other internal controls. One of the Committee's main functions is to ensure that issues causing legal, operational, or financial risk affecting the integrity of our quarterly financial statements and the CFO audit are discussed with the executive team and resolved in a timely manner. In addition, the Committee ensures that detailed corrective action plans (CAPs) addressing all findings from CMS' annual financial statement audit are developed and timely implemented and it assists in the oversight responsibilities for 1) the integrity of the Agency's financial statements, 2) the Agency's compliance with legal and regulatory requirements and 3) the proper functioning of internal controls, including the Office of Management and Budget (OMB) Circular A-123 assessment and documentation. Since the Committee's formation, it has played a critical role in focusing senior leadership attention on those areas where our CFO auditors have identified weaknesses or vulnerabilities by ensuring that CAPs were developed and implemented to address the Agency's deficiencies in an effective manner.

Given the number of statutory changes of recent years, CMS has used performance information and management techniques to enable the Agency to meet key implementation milestones. For instance, the magnitude of the new prescription drug benefit in the MMA required CMS to take a strategic and systematic approach to managing the implementation and oversight of this program. To this end, CMS developed the Priority Project Tracker (PPT), an enterprise tool based on project management fundamentals that provides a method for CMS to identify and

capture the universe of priority projects within the Agency. PPT provides us with an enhanced capability to analyze the dependencies across our projects and components and serves as a decision-making tool for Senior Agency Leadership by providing an integrated view of the multiple programs for which we are accountable and executive level reports that provide updated information on the status of our priority projects. In turn, these reports are used to make informed, data-driven strategic planning decisions.

Transforming the delivery and quality of the health care system

Collecting, integrating, and utilizing health care data for performance improvement is integral to achieving the vision of "a transformed and modernized health care system" and instrumental in improving the quality of health care for the millions of Medicare, Medicaid, and CHIP beneficiaries who rely on CMS. Consistent with both past and FY 2010 GPRA goals, CMS recently launched a series of initiatives reliant on performance information, including the Quality Improvement Organizations (QIO) 9th Statement of Work (SOW), Nursing Home Quality Initiative, hospital quality reporting, and the Physician Quality Reporting Initiative (PQRI).

The QIO 9th SOW' framework is based on measurable, specific performance metrics designed to drive improvement and evaluate the value of the QIO interventions. Through the QIO program, CMS is measuring improvements in increasing vaccination rates, reducing healthcare-associated infections, reducing unnecessary re-hospitalizations, and other system-wide changes that increase the quality of care.

In November 2002, CMS began a Nursing Home Quality Initiative, which includes quality measures published on the *Nursing Home Compare* Web site (www.medicare.gov/nhcompare/). The Web site enables consumers, providers, States, and researchers to compare information on

nursing homes in a particular geographic area. Facilities are assigned star ratings from a low of "one star" to a high of "five stars" based on health inspection surveys, staffing information, and quality of care measures. Many nursing homes have already made significant improvements in the care being provided to residents because of *Nursing Home Compare* and the support of QIO staff. The Quality Initiative has recorded a decrease in the use of restraints and number of beneficiaries suffering pressure ulcers in nursing homes.

Congress has required CMS to implement a series of quality reporting initiatives for the hospital setting since 2003. The outgrowth of those statutory requirements is the Reporting Hospital Quality Data for Annual Payment Update (RHQDAPU) initiative, which requires hospitals to report quality data to CMS to receive a full payment update, and the *Hospital Compare* Web site (www.hospitalcompare.hhs.gov/), which allows the public to view quality comparisons between hospitals. Over this time, CMS has increased the number of measures for both programs (for instance RHQDAPU will have 43 measures in FY 2010, up from 10 measures in FY 2006). CMS has also seen improvement in the results of the hospitals, including a decrease in the percentage of surgical patients receiving incorrect surgical care antibiotics, which reduces mortality, morbidity, and re-hospitalization rates.

Physician quality reporting has undergone a similar expansion of statutory authorizations and processes. Under PQRI, eligible professionals may earn a bonus payment of 2.0 percent of total allowed charges for covered Medicare physician fee schedule services in 2009 if they satisfactorily report data. As required by MIPPA, CMS will also post the names of individual eligible professionals who satisfactorily report data on quality measures for the 2009 PQRI on the CMS Web site.

CMS plans to continue to build on these initiatives and use performance information to drive our decisions. Performance measurement is essential for health care providers to learn where they stand, and the public reporting of the data can be a powerful catalyst for improvement. CMS has already announced plans to include hospital readmission rates and Hospital Outpatient Department data on the *Hospital Compare* Web site in 2010.

Improving the efficiency and management of CMS staff

Since GAO's initial 2000 survey, CMS has developed a series of strategies to utilize performance information and improve the Agency's performance, especially in the efficiency and management of our staff. For 2006-2009, CMS developed a Strategic Action plan to serve as a blueprint showing how it will carry out its mission, focused on the following five elements:

1) Skilled, Committed, and Highly Motivated Workforce, 2) Accurate and Predictable Payments,
3) High-Value Health Care, 4) Confident, Informed Consumers, and 5) Collaborative

Partnerships. As part of this larger initiative, CMS made sure that the work of each employee would fit under at least one of these goals and provide for the "cascading" of Agency goals to the performance plan of each CMS employee. An updated Strategic Action Plan for 2010 to 2013 is being planned and will likely keep many of the same goals and objectives, while varying the implementing tactics to reflect lessons learned.

As part of our continuing efforts to improve management and performance, CMS visited several other Federal agencies to learn how they use performance data, transform it into performance information, and produce demonstrable results. These visits reaffirmed the importance of developing an approach to integrate project management, employee performance management, resource allocation, and risk management in the day to day business of the Agency.

This early work is already bearing fruit. Both GAO and the internal U.S. Department of Health and Human Services (HHS) process have recognized CMS' improvement in the key area of integrating performance measurement in our performance in FY 2008. In 2009, CMS plans to develop an Organizational Self-Assessment in order to gauge how the Agency performed against its goals and then incorporate those lessons learned into the 2010 performance assessment period. While the Agency has made great strides, we believe it is imperative to continue to work on performance management initiatives and to evaluate and monitor our progress.

We know the importance of ensuring that incentives are in alignment with the employees and the Agency's strategic goals and objectives. For example, during the CMS New Employee Orientation, we brief new employees on the CMS Strategic Action Plan, the CMS Mission, and the CMS Core Values. Our objective is to begin the process of connecting our employees to the larger goals of the Agency from day one and to ensure that employees see themselves as connected to the larger mission of serving the 98 million beneficiaries of our programs.

As a follow up to the initial training, first line managers meet with all new employee's within thirty days to discuss their individual performance expectations and the expected outcomes. This discussion once again demonstrates to new employees how their individual performance outcomes and results will contribute to HHS and CMS' strategic plans and goals. Training continues for all managers throughout the year. We provide Webinars on developing mid-year performance reviews and performance measures for employees. Additionally, CMS has just developed a workbook and will be conducting labs in the coming weeks to help first-line managers write "Exceptional" employee performance standards for next year's rating cycle so that employees will be clear on expectations in order to be rated "Exceptional." We also have on-going communication strategies to inform employees of the key Agency metrics and work

plans. In addition, we recently implemented the CMS Leadership Institute, which sponsors training for mid-level to senior executive service (SES) employees, as a means of improving leadership skills at all levels of CMS and improving the proficiency of CMS managers in the core competencies promulgated by HHS.

All new managers at CMS are required to complete our Leadership in Context training, which includes modules that address communications and managing employee performance, in addition to training on other management responsibilities. Manager training continues with periodic Webinars and presentations on developing performance measures, rating employee performance against results, addressing poor performance, and creating individual development plans. Finally, Leadership Open Door Forums are held via monthly calls between front line managers and senior management on key issues. This fosters an environment where all levels of management feel a commitment and connection to the work of the Agency.

To remain vigilant and foster continual improvement, staff need more than training and they must be held accountable for their actions and their decisions. Growing out of the 2006-2009 Strategic Action Plan, CMS requires all employees and managers to be reviewed annually on performance measures that fit under and link with the overall Agency and Department goals. This "cascading of goals" has allowed the Agency to align all employees' work with the overall objectives of our organization contained in the HHS Strategic Plan and the CMS Strategic Action Plan. Each year for SES employees, under the Performance Planning System, and for non-SES employees, under the Performance Management Appraisal Program (PMAPs), all employees have a performance plan developed that includes clear, measurable, and observable standards. Intentionally, strategic plan objectives are cascaded down through the Performance Planning System, and from there to non-SES employee's PMAPs.

Organizationally, CMS has also established an assessment process that focuses on resultsoriented measures; links organizational performance goals to individual performance metrics;
and uses performance data to develop and reward employee performance, or take corrective
action as appropriate. This system also provides multiple opportunities for discussion and
coaching between managers and employees about individual goals and progress toward those
goals through the collaborative writing of annual performance plans, mid-year progress reviews,
and end-of-year performance plan evaluations.

Senior level managers and front line managers have the responsibility to continue to reinforce this performance-based message. In preparation for the roll out of the 2006-2009 Strategic Action Plan, the Agency prepared managers for these conversations with a series of trainings and high-level summaries so that they would be comfortable speaking with employees regarding performance tracking accountability, the overall cascading Agency goals, and the PMAP process. This led to a successful rollout and understanding of all employees of the importance of this accountability and change. In some divisions within CMS, the Strategic Action Plan and component-specific program and operational performance goals are posted so employees remain mindful of the larger organizational goals on a daily basis.

Additional challenges

CMS is pleased with the progress we have made in our efforts to better utilize performance information in staff management, program management and implementation, and in improving the quality of care for millions of Americans. However, the journey in using performance information effectively has only begun.

The Recovery Act, enacted on February 17, 2009, requires CMS to support the adoption of health information technology by incentivizing the use of electronic health records by Medicare and Medicaid providers. With funding provided by the Recovery Act, CMS is also working to advance wellness and prevention by helping reduce the incidence of healthcare-associated infections.

Implementation of the Recovery Act at CMS is built on the Agency's project and performance management experience. CMS has designated a Project Management Office to manage and monitor the implementation of the Recovery Act and to ensure that the Department has timely information to work with us on the implementation of this key legislation. CMS is continually refining and enhancing our project and performance management methodologies to ensure transparent reporting to the White House, the Congress, and the public.

In moving towards an environment where quality and performance data drive decisions, we are also mindful of our important responsibility to protect beneficiaries against disclosure of sensitive health information. CMS is balancing the goal of promoting research-driven results and increased transparency with the commitment to do so within existing beneficiary privacy protections.

As with any large data set, CMS has the challenge of ensuring the quality of the data used to assess the performance of our partners and our staff. CMS is committed to working even closer with the States to take advantage of new technologies and industry standardization to improve the quality, detail and timeliness of data reported for Medicaid and CHIP.

Conclusion

CMS is strongly committed to improving the health care provided to beneficiaries of the Medicare, Medicaid, and CHIP programs and ensuring effective management of these programs. As evidenced by my testimony today, the Agency has taken significant action in recent years to increase our use of performance information. We are proud of the progress we have made. Yet, this is only the beginning of a long journey and we know we have more work to do. The Agency is committed to continual improvement and strives to ensure that we provide the highest quality of services to the over 98 million Americans who rely on our programs for their health care needs.

CMS faces the challenges of managing a myriad of mission-critical activities and competing priorities in a fast moving environment of change. Facing these new and changing statutory and regulatory mandates and operational directives means CMS must continue to work smart and excel at strategic thinking and action.

For our beneficiaries and their families, failure is simply not an option. Creating a strong strategic management framework around what we do will ensure our success and the accomplishment of our strategic goals. CMS will continue to work to ensure that limited resources are used wisely, operational risks are identified and mitigated, employees are held accountable for achieving results, and both program and employee performance is clearly measured.

I look forward to answering any questions you might have.