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UNITED STATES  
HOUSE OF REPRESENTATIVES

ROSA L. DELAURO

3RD DISTRICT, CONNECTICUT

February 19, 2019

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COMMITTEE ON THE BUDGET

The Honorable Alex M. Azar  
Secretary  
U.S. Department of Health and Human Services  
200 Independence Avenue SW  
Washington, DC 20201

The Honorable Seema Verma  
Administrator  
Centers for Medicare and Medicaid Services  
7500 Security Boulevard  
Baltimore, MD 21244

Dear Secretary Azar and Administrator Verma:

I write to request information pertaining to the Department of Health and Human Services (HHS) and the Centers for Medicare and Medicaid Services (CMS) Contact Center Operations (CCO). The CCO is vital to CMS's operations and serves as a primary point of contact for Medicare beneficiaries and Federal Marketplace customers. Roughly 10,000 CCO agents at 11 call centers handle approximately 25 million Medicare inquiries and 30 million ACA Federal Marketplace inquiries annually. The work of these agents is essential to ensuring access to health coverage for millions of Americans. Yet recent reports raise troubling question about the new contractor that has assumed control over these important functions, Maximus Inc.<sup>1</sup>

I write with several points of concern. First, the CCO contract award was for almost ten years.<sup>2</sup> Procurement best practices dictate that shorter contract awards with competitive rebidding are generally prudent because competition on contract rebids can serve as a cost control measure. This is particularly true for cost-plus contracts such as the CCO contract, where contractors may have little disincentive to limit costs. Second, I understand that the projected total cost of the CCO contract has more than doubled since its initial award. Wages and Service Contract Act (SCA) classifications for the CCO's front-line call centers professionals remain anchored at the lowest federal grade levels and it is clear that labor costs do not account for the massive increase in projected contract costs.

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<sup>1</sup> Tracie McMillan, "How One Company Is Making Millions Off Trump's War on the Poor," *Mother Jones* (Jan./Feb. 2019), <https://www.motherjones.com/politics/2018/12/how-one-company-is-making-millions-off-trumps-war-on-the-poor/>; Jonathan Shorman, "Kansas not only keeping troubled KanCare contractor but will pay it more," *Wichita Eagle* (Aug. 21, 2018), <https://www.kansas.com/news/politics-government/article217077635.html>

<sup>2</sup> Danielle Paquette, "Huge Federal Contractor 'Failed' to Pay Workers \$100 Million in Wages, Union Says," *Washington Post* (Apr. 23, 2018), <https://www.washingtonpost.com/news/wonk/wp/2018/04/23/huge-federal-contractor-failed-to-pay-workers-100-million-in-wages-union-says/>

Furthermore, there have been troubling allegations about the treatment of the CCO workforce under both past and present CCO employers. The Department of Labor (DOL) is investigating systemic SCA misclassification on the contract by Maximus and General Dynamics Information Technology, Inc., the predecessor CCO contractor until November 2018. Both of these companies have a record of committing millions of dollars of wage and hour abuses at their federally-contracted call centers.<sup>3</sup> It has been estimated that tens of thousands of CCO call center agents have been underpaid by over \$100 million since the start of the CCO contract.<sup>4</sup>

Under the terms of its 2013 agreement with CMS, the CCO contractor is obligated to “maintain a highly qualified workforce by ensuring low agent turnover rates” and to “use best practices in recruitment and retention.”<sup>5</sup> The companies’ wage and hour violations could jeopardize their ability to meet these requirements. In fact, employees at CCO call centers have reported high rates of attrition and churn.

Lastly, the current CCO contractor, Maximus, has a record of fraud and overbilling on government contracts. In 2007, Maximus entered into a \$30.5 million false claims settlement with the Department of Justice for Medicaid-funded targeted case management services, which assist foster children with their medical, social, and educational needs.<sup>6</sup> Maximus has also claimed unallowable profit fees, billed for extravagant travel and dining costs, and charged inappropriately high rates for fringe benefits and temporary staffing on CMS-funded programs.<sup>7</sup> This is particularly troubling given that the CCO contract is one of CMS’s largest cost-plus contracts,<sup>8</sup> and that cost control has already been an issue on this contract.

Due to the critical services provided at the CCO, the size of the workforce, the large and ballooning value of the contract, and the record of irresponsible corporate practices of CCO contractors, the CCO contract warrants enhanced oversight. The issues outlined above have serious implications in terms of quality of service, responsible stewardship of taxpayer dollars, fair treatment of the CCO workforce, and responsible contracting.

For these reasons, I request that HHS and CMS review the history of the contracted CCO services and predecessor contracts. Specifically, I request the following:

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<sup>3</sup> National Employment Law Project, *Delivering for Taxpayers: Taking on Contractor Fraud and Abuse and Improving Jobs for Millions of America’s Workers* 4 (Sept. 2018); “Violation Tracker Parent Company Profile: Maximus,” Good Jobs First, accessed Feb. 13, 2019, <https://violationtracker.goodjobsfirst.org/parent/maximus>.

<sup>4</sup> Jim Tankersley, “Complaint Accuses Contractor of Underpayment at Medicare Call Centers,” *New York Times*, (Jan. 30, 2018), <https://nytimes.com/2018/01/30/us/politics/medicare-call-centers-wages.html>.

<sup>5</sup> CCO Contract Statement of Work, at C-3, C-15 (Mod 30; Attachment J-4).

<sup>6</sup> Daniel L. Hatcher, *The Poverty Industry: The Exploitation of America’s Most Vulnerable Citizens* 29-30 (2016).

<sup>7</sup> N.Y. Office of the State Comptroller, *Examination of Contract C025147 - Maximus Inc*, Reports 2014-STAT-02A, 02B, 02C, & 02D (May 6, 2014, Nov. 25, 2014, April 23, 2015, and Aug. 21, 2015); U.S. H.H.S. Office of the Inspector General, *New York Compliance With Marketplace Contract Cost Requirements*, A-02-15-02008 (Dec. 2017), <https://oig.hhs.gov/oas/reports/region2/21502008.asp>.

<sup>8</sup> According to a search of USASpending.gov for CMS’ highest value cost-plus type contracts since 2013.

1. A review of the costs and expenditures of the CCO contract, including contract modifications, award fee structures, and submissions for reimbursement. What factors have driven the doubling of the projected total cost of the contract? Has the award of a lengthy 10-year contract limited incentives for cost control? What oversight do HHS and CMS exercise to ensure that there are not unnecessary or inappropriate cost overruns?
2. Information on human capital management, including data and reports on staffing levels, hiring, attrition, and retention. Have the CCO contractors complied with the Contract's recruitment, training, and staffing requirements? What are drivers of attrition? Has attrition and the associated training costs contributed to higher contract costs? What have been the impacts of attrition on performance?
3. A review of the performance evaluations on the CCO contract.
4. Information about the recent transition to a new company managing the CCO. What has HHS and CMS done, or plan to do, to ensure that the new prime contractor, Maximus, has the capacity to operate such a large contract? Which agency is responsible for conducting the novation? Will there be a responsibility determination conducted for the new company, and if so, what factors will be taken into consideration?
5. Information about allegations of wage theft at CCO. What actions have HHS and CMS taken to ensure that CCO contractors are in compliance with all wage and hour laws?

Thank you for your attention to this critical matter. I look forward to hearing from you and reviewing the progress of this request.

Sincerely,



Rosa L. DeLauro  
Member Congress