

United States Senate

WASHINGTON, DC 20510-2101

May 14, 2014

Mrs. Marilyn Tavenner
Administrator
Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services
7500 Security Boulevard
Baltimore, MD 21244

Dear Administrator Tavenner:

We write to request information about an alarming report that hundreds of employees of Serco, a company awarded up to \$1.25 billion in federal taxpayer dollars to process paper applications for health insurance through the federal Obamacare exchange, are being paid to do nothing.

On May 12, 2014, KMOV News 4 in St. Louis reported allegations made by an anonymous Serco employee at the company's facility in Wentzville, Missouri, that Serco is paying its employees not to work. When asked whether employees experience days when data entry personnel may not process a single application, the whistleblower said, "There are some weeks that a data entry person would not process an application."¹ This anonymous employee went on to state that despite a lack of work, Serco tells its employees "to sit at their computers and hit the refresh button every ten minutes. No more than every ten minutes . . . to hopefully look for an application."² The Serco employee also contended, "We have call centers in Missouri, Kentucky and Oklahoma, and with everybody that's working probably 1,800 people [are] trying to get 1 of 30 applications that pop up. There's just not enough here."³

On July 11, 2013, Serco announced that it had been awarded a contract with the Centers for Medicare and Medicaid Services (CMS) to support the Obamacare exchanges. The contract terms included a one-year base period and four one-year option periods, amounting to a total potential contract value of approximately \$1.25 billion, according to Serco. Under this contract, Serco said the company would "operate a mailroom to intake applications, review documentation to ensure authenticity, identify any potential issues with applications, and notify customers of any issues or missing documentation, among other activities."⁴ In other words, Serco is responsible for processing all paper applications coming from the federally-facilitated health insurance exchanges.⁵

¹ *Workers paid taxpayer dollars to do nothing*, NEWS 4 INVESTIGATES (May 13, 2014), <http://www.kmov.com/news/investigates/News-4-investigates-Workers-paid-taxpayer-dollars-to-do-nothing-259002161.html>.

² *Id.*

³ *Id.*

⁴ Press Release, Serco Inc., Serco Awarded \$1.2 Billion Center for Medicare and Medicaid Contract Supporting Health Benefit Exchanges (July 11, 2013), [http://www.serco-na.com/news-article/2013/07/11/serco-awarded-\\$1.2-billion-center-for-medicare-and-medicicaid-contract-supporting-health-benefit-exchanges](http://www.serco-na.com/news-article/2013/07/11/serco-awarded-$1.2-billion-center-for-medicare-and-medicicaid-contract-supporting-health-benefit-exchanges).

⁵ See Lynnley Browning, *Obamacare's Paper Problem*, NEWSWEEK (Apr. 22, 2014), <http://www.newsweek.com/obamacares-paper-problem-224859>.

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We are concerned Serco may have much less work than was expected when CMS awarded the contract, and may not be successfully completing the applications it has received. According to a December 12, 2013, article in *The Washington Post*, there was a backlog of 50,000 – 60,000 paper health insurance applications at the time, with many of those customers unaware of their application status. Despite this alarming backlog, it appears that fewer people were submitting paper applications than anticipated. CMS data released on December 11 show that between October 1 - November 30, only 17 percent of exchange applications were submitted on paper – far below the one-in-three rate projected by the Congressional Budget Office in May 2013.

CMS awarded Serco a contract despite the fact that Serco's parent company, Serco Group plc, was placed under firm review in July 2013 after a British government audit found the company was charging for services it did not provide. The probe by Britain's chief procurement officer should raise more questions about Serco's effort to implement Obamacare. CMS spokesman Brian Cook defended the Serco contract at the time, saying, "Serco is a highly skilled company that has a proven track record in providing cost-effective services to numerous other (U.S.) federal agencies."⁶

With these concerns and allegations in mind, we request a detailed reply to each of the following questions:

- (1) When and to what extent did CMS become aware of potential problems with the Serco-managed facility in Wentzville, MO?
- (2) What measures, if any, have been taken to address the aforementioned allegations with Serco's Wentzville, MO, facility?
- (3) Does CMS have knowledge of other Serco facilities where allegations of similar fraud and waste have been made? If yes, please explain (i) when such knowledge was acquired; (ii) the location of each facility, (iii) the scope of the facility's work; (iv) the nature of the corresponding allegation(s); and (v) what action(s), if any, was/were taken to address the allegation(s).
- (4) Please provide a copy of CMS contract HHSM-500-2013-00118C and any related and/or ancillary contracts.
- (5) How, if at all, were Serco staffing levels adjusted during the health insurance exchange open enrollment period to account for increased and decreased workloads?
- (6) Per its contract with Serco, what oversight or other measures, if any, was CMS permitted to take in order to ensure Serco's contractual compliance?

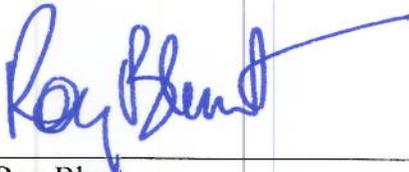
⁶ David Morgan, *Obama Administration Defends Serco, Firm With \$1.2 Billion Obamacare Contract, Amid U.K. Probe* REUTERS (July 15, 2013), http://www.huffingtonpost.com/2013/07/16/obama-administration-serco_n_3607068.html.

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- (7) Did CMS conduct any oversight or other actions to ensure Serco's contractual compliance? If yes, please disclose the date and nature of these actions. If no, why not?
- (8) Should the aforementioned allegations against Serco eventually prove true, what would CMS do to recoup wasted taxpayer dollars?
- (9) How many paper applications have yet to be processed by Serco?
- (10) How many paper applications have been processed by Serco, and yet the consumer has not been informed of the review results?
- (11) How much of the CMS contract's potential \$1.25 billion has Serco collected to date?
- (12) If Serco's representations about the terms of its CMS contract are accurate, what review processes and/or indicia will CMS use to determine whether Serco will be granted a one-year option period at the end of the contract's one-year base period? By when would such a review be completed?

We appreciate your prompt time and attention to this important matter and look forward to your written reply on or before May 30, 2014.

Sincere regards,



Roy Blunt
United States Senator



Lamar Alexander
United States Senator