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ONE HUNDRED EIGHTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

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June 3, 2004

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The Honorable Mark McClellan, M.D., PhD.
Administrator
Centers for Medicare and Medicaid Services
200 Independence Avenue., S.W., #314-G
Washington, D.C. 20201

Dear Administrator McClellan:

I am writing to inquire about the Medicare beneficiary education campaign for both the Medicare Prescription Drug Discount Card and the Medicare Prescription Drug benefit. Congress appropriated a significant sum of money for the purpose of education and outreach, and I wish to determine whether these resources are being used effectively.

The law authorizes \$1 billion for education and outreach programs. Unfortunately, some of these funds have been spent on what would appear to be propaganda efforts, rather than education and outreach. And the General Accounting Office has already found that one release violated the law. News reports also link Department of Health and Human Services (HHS) contractors on these ads to contractors involved with the President's 2000 campaign.

Given the importance of education and outreach programs for our seniors, the proper handling of these monies is essential. To that end, I would appreciate answers to the following questions:

1. What portion of the funding has the Department of Health and Human Services designated for different types of education and outreach activities? How much is allocated to television advertisements? The 1-800-number? Hiring new federal workers?
2. How much of the funding is allocated to be spent on activities undertaken by federal workers and how much will be spent on activities undertaken by contractor? How many contract employees will be working for the Department on this initiative? What is the average wage and benefits they are receiving? Where are the contractor (or any subcontractor) employees physically located? Are any of the contractor (or any subcontractor) employees located outside of the United States?

3. Please itemize the funding that has been spent *to date* on various education and outreach activities. How much has the Department spent on the 1-800-MEDICARE telephone number? How much has the Department spent on hiring the 1,000 additional employees and/or contract workers at the 1-800-MEDICARE number to respond to the confusion generated by the overwhelming number of discount cards?
4. The General Accounting Office recently determined that the Centers for Medicare and Medicaid Services (CMS) Video News Releases – VNRs – violated the publicity or propaganda prohibitions in law.¹ These “news” clips, which were provided to local television stations, had someone paid by HHS posing as an independent reporter offering a “news” story on the Medicare bill. How much was spent on those advertisements? Did the Department refund that money to the Treasury? Would it be appropriate for the contractor to refund its payment to the government for having produced a product in violation of the law?
5. How much of the spending to date has been used within the Department and how much has been paid to outside contractors? Please list the contractors that have been hired or have pending contracts with the Department for work in this area. On what basis were contractors selected? Did the Department follow the Federal Acquisition Regulations? Were the contracts competitively bid? Is there any evidence of impropriety in the selection of the contractors?
6. The Associated Press reported that one of the contractors working on the advertising effort, National Media, Inc., is also currently working on the Bush re-election and includes partners involved in the Bush 2000 election campaign.² Are there any other such relationships between officers or employees of contractors (or the contractor itself) performing work for the Medicare education and outreach campaign? Do they have any relation to the President’s previous or current campaign whether through donations of money or time or other in-kind activities?
7. Ad buyers, such as National Media, Inc., typically receive 10 to 15 percent of the cost of the air time purchased for the ads. How much of Medicare funding is paying the fees of these contractors in each contract?
8. A number of industry groups have initiated advertising and education campaigns to coordinate with the HHS campaign, in particular groups funded by the pharmaceutical industry such as the Health Leadership Council and the Alliance

¹General Accounting Office Decision B-302710 May 19, 2004.

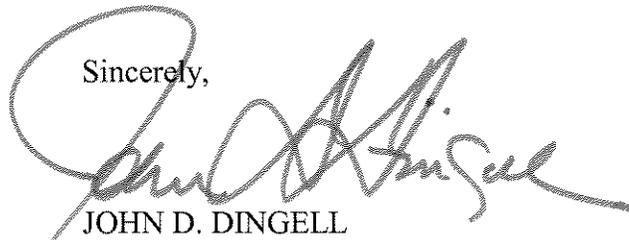
²Sherman, Mark Associated Press February 4, 2004, “Media Firm Does Ads for Bush and Medicare.”

to Improve Medicare. Has the Department given any funding to such groups to perform Medicare education?

9. It is my understanding that the messages that have been used in the television and print advertisements were tested in focus groups. Please review the creation and use of these focus groups. How much Medicare administrative money was spent on these focus group tests? Were these messages developed by HHS or by contractors? What questions were asked of the focus groups?

I appreciate your prompt attention to this matter and look forward to your response.

Sincerely,



JOHN D. DINGELL
RANKING MEMBER

cc: The Honorable Joe Barton, Chairman
Committee on Energy and Commerce

The Honorable Michael Bilirakis, Chairman
Subcommittee on Health

The Honorable Sherrod Brown, Ranking Member
Subcommittee on Health