

Department of Health and Human Services
Office of Inspector General



Office of Audit Services

January 2025 | OAS-25-03-018

**Centers for Medicare & Medicaid
Services Fiscal Year 2024 Detailed
Accounting Submission and Fiscal
Year 2026 Budget Formulation
Compliance Report for National
Drug Control Activities, and the
Accompanying Required Assertions**



U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

January 15, 2025

TO: Megan Worstell
Center for Medicare and Medicaid Services
Director and Chief Financial Officer (CFO)

FROM: /Amy J. Frontz/
Deputy Inspector General for Audit Services

SUBJECT: Independent Attestation Review: *Centers for Medicare & Medicaid Services Fiscal Year 2024 Detailed Accounting Submission and Fiscal Year 2026 Budget Formulation Compliance Report for National Drug Control Activities, and the Accompanying Required Assertions*, OAS-25-03-018

We have reviewed the attached Centers for Medicare & Medicaid Services (CMS) Office of National Drug Control Policy (ONDCP) Detailed Accounting Report, which includes the table of Drug Control Obligations, related disclosures, and management's assertions for the fiscal year ended September 30, 2024. We also reviewed the Budget Formulation Compliance Report, which includes budget formulation information for the fiscal year ending September 30, 2026, and the Chief Financial Officer's or accountable senior executive's assertions relating to the budget formulation information.¹ CMS management is responsible for, and submitted, the Detailed Accounting Report and Budget Formulation Compliance Report, which were prepared in accordance with the ONDCP Circular *National Drug Control Program Agency Compliance Reviews*, dated September 9, 2021 (ONDCP Compliance Reviews Circular). We performed this review as required by 21 U.S.C. section 1704(d)(1) and as authorized by 21 U.S.C. section 1703(d)(7) and in compliance with the ONDCP Compliance Reviews Circular.

It is our responsibility to express a conclusion about the reliability of CMS's Detailed Accounting Report for fiscal year 2024, CMS's Budget Formulation Compliance Report for fiscal year 2026, and management's assertions based on our review.

We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements, as described in the U.S. Government Accountability Office publication, *Government Auditing Standards* (February 2024). Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the

¹ Although CMS's Budget Formulation Compliance Report was provided to ONDCP as of fiscal year 2024, the budget figures reflect the fiscal year 2026 funding request.

Detailed Accounting Report, Budget Formulation Compliance Report, and management's assertions for them to be in accordance with the criteria. The procedures performed in a review vary in nature and timing from, and are substantially less in extent than an examination, the objective of which is to obtain reasonable assurance about whether management's reports and assertions are in accordance with the criteria in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion.

Notwithstanding the limited nature of the engagement, we believe that the review evidence obtained is sufficient in accordance with attestation standards and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

As part of our review, we performed review procedures on CMS's fiscal year 2024 Detailed Accounting Report and fiscal year 2026 Budget Formulation Compliance Report according to the ONDCP Compliance Reviews Circular's criteria. We limited our work to inquiries and analytical procedures appropriate for an attestation review. Specifically, we performed procedures for the purpose of expressing a conclusion about the reliability of each of the assertions made in CMS's reports. Those procedures included reviewing CMS's drug methodologies and reprogramming or transfer of drug control funds, if applicable. We also performed procedures to determine whether CMS submitted the summer budget timely and whether funding levels represented CMS requests.

Based on our review, we are not aware of any material modifications that should be made to CMS's Detailed Accounting Report for fiscal year 2024 and CMS's Budget Formulation Compliance Report for fiscal year 2026 and management's assertions for them to be in accordance with the ONDCP Compliance Reviews Circular.

CMS's Detailed Accounting Report and Budget Formulation Compliance Report assertions are included as Attachments A and B.²

Although this report is an unrestricted public document, the information it contains is intended solely for the information and use of Congress, ONDCP, and CMS. It is not intended to be, and should not be, used by anyone other than those specified parties. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Carla J. Lewis, Assistant Inspector General for Audit Services, at (202) 834-5992 or Carla.Lewis@oig.hhs.gov. Please refer to report number OAS-25-03-018 in all correspondence.

Attachments

² Only the Budget Formulation Compliance Report assertions are included in Attachment B since the report contains prospective information.



DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mailstop C3-01-24
Baltimore, Maryland 21244-1850

Office of Financial Management

MEMORANDUM

DATE: November 13, 2024

TO: Director
Office of National Drug Control Policy (ONDCP)

THROUGH: Teresa Miranda
Deputy Assistant Secretary for Financial Resources and
Deputy Chief Financial Officer
Assistant Secretary for Financial Resources
Office of the Secretary
Department of Health and Human Services

FROM: Megan Worstell
Director, Office of Financial Management and Chief Financial Officer
Centers for Medicare & Medicaid Services

SUBJECT: Fiscal Year 2024 Detailed Accounting Report

In accordance with the requirements of the ONDCP Circular, *National Drug Control Program Agency Compliance Reviews*, dated September 9, 2021, CMS makes the following assertions under Section 7, Detailed Accounting Report:

Obligations by Budget Decision Unit

CMS asserts, in accordance with Section 7.b.(1), that we do not receive specific ONDCP appropriation funding for drug control activities. The amounts provided are based on estimates of the projected costs associated with substance use disorder (SUD) treatment paid for by Medicare and Medicaid, and which are prepared by the CMS Office of the Actuary (OACT). (See Attachment A.)

Drug Methodology

CMS asserts, in accordance with Section 7.b.(2), that the methodology used to determine these estimates is based on an analysis of historical claims experience and is reasonable and accurate. In accordance with these criteria, CMS has documented/identified data that support the drug

methodology, explained and documented other estimation methods (the assumptions for which are subjected to periodic review), and determined that the methodology yield data that present fairly, in all material aspects, estimates based on current law from which the drug estimates are derived. (See Attachment B.)

Application of Drug Methodology

CMS asserts, in accordance with Section 7.b.(3), that the drug methodology disclosed in Attachment B was the actual methodology used to generate the tables and narratives as required.

Material Weaknesses or Other Findings

CMS asserts, in accordance of Section 7.b.(4), there have been no material weaknesses or other findings by independent sources or other known weaknesses reported in the agency's annual financial statement audit or internal controls review which would be identified in the Agency's Annual Statement of Assurance that may affect the presentation of prior year drug-related obligations as required.

Methodology Modifications

CMS asserts, in accordance with Section 7.b.(5), there are no modifications for reporting drug control resources from the previous year's reporting.

Reprogrammings or Transfers

CMS asserts, in accordance with Section 7.b.(6), that there have been no reprogramming or transfers, since we do not receive specific ONDCP appropriation funding for drug control activities.

Fund Control Notices

CMS asserts, in accordance with Section 7.b.(7), that we do not receive specific ONDCP appropriation funding for drug control activities. The amounts provided are not based on obligations but rather on estimates of the projected costs associated with SUD treatment paid for by Medicare and Medicaid, and which are prepared by OACT.

Sign and Date:

Megan Worstell -S Digitally signed by Megan Worstell -S
Date: 2024.11.13 12:15:54 -05'00'

Megan Worstell

Director, Office of Financial Management and Chief Financial Officer
Centers for Medicare & Medicaid Services

Attachments

- Attachment A - FY 2024 Drug Control Resource Table
- Attachment B - FY 2024 Drug Control Methodology

Attachment A

FY 2024 Drug Control Summary Resource Table

CENTERS FOR MEDICARE & MEDICAID SERVICES

FY 2024 Drug Control Enacted Outlays

(Dollars in millions except where indicated otherwise)

Drug Resources by Decision Unit and Function¹

Medicaid	
Treatment.....	\$8,510.0
Total Medicaid.....	\$8,510.0
Medicare	
Treatment.....	\$3,070.0
Total Medicare.....	\$3,070.0
Total Funding.....	\$11,580.0
Drug Resources Personnel Summary	
<i>Total Full Time Equivalent (FTEs).....</i>	<i>0</i>
Drug Resources as a Percent of Budget	
Total Agency Budget (in billions) ²	\$1,590.6
Drug Resources Percentage.....	0.7%

¹ Drug Resources by Decision Unit and Function table comes from the FY 2026 Fall Submission.

² The total agency budget reflects only Medicare and Medicaid current law benefit costs as estimated by the CMS Office of the Actuary. The Medicaid total reflects the net outlays of Medical Assistance Payments benefit grants and the Vaccines for Children Program, administered by the Centers for Disease Control and Prevention. The Medicare total reflects gross benefit outlays.

Attachment B

FY 2024 Drug Control Methodology

1) **Drug Methodology** – The Fiscal Year (FY) 2024 Drug Control budgetary resources are provided based on estimates of the projected costs associated with substance use disorder (SUD) treatment paid for by Medicare and Medicaid and are prepared by the CMS Office of the Actuary (OACT). See below for detailed descriptions of the Medicaid and Medicare methodologies.

- a. **FY 2024 Outlays/Enacted by Budget Decision Unit** – CMS distributes drug control treatment into two functions:
- Medicaid – Treatment
 - Medicare – Treatment

Medicaid Treatment:

Included in this Drug Control Accounting report for FY 2024 are estimated Medicaid outlays, rather than obligations, since CMS receives no direct funding from ONDCP. Based on the Medicaid Methodology stated below, OACT projected \$8,510.0 million in estimated outlays in Medicaid treatment costs based on the methodology below.

Medicaid Methodology

The projections provided in the above table were based on data from the Medicaid Analytic eXtract (MAX) for Fiscal Year (FY) 2007 through 2013, based on expenditures for claims with SUDs as a primary diagnosis. Managed care expenditures were estimated based on the ratio of SUD expenditures to all expenditures for fee-for-service by eligibility group. The estimates were trended forward to FY 2022 using the growth rate of expenditures by state and eligibility category from the form CMS-64, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program, MAX data, and estimates are consistent with the FY 2025 President's Budget. The annual growth rates were adjusted by comparing the rate of SUD expenditure growth from FY 2007 through 2013 to all service expenditure growth and adjusting the growth rate proportionately.

Medicare Treatment:

Included in this Drug Control Accounting report for FY 2024 are estimated Medicare outlays, rather than obligations, since CMS receives no direct funding from ONDCP. Based on the Medicare Methodology stated below, OACT projected \$3,070.0 million in estimated outlays in Medicare treatment costs based on the methodology below.

Medicare Methodology

The projections of Medicare spending for the treatment of SUD are based on the FY 2025 President's Budget baseline. These projections reflect estimated Part A and Part B spending into FY 2025 and are based on an analysis of historical fee-for-service claims through 2023, using the

primary diagnosis code³ included on the claims. The historical trend is then used to make projections into the future. These projections are very similar to those for the FY 2024 President's Budget and vary only due to changes in the baseline.

Within this methodology, an adjustment was made to reflect spending for beneficiaries who are enrolled in Medicare Advantage (MA) plans, since their actual claims are not available. It was assumed that the proportion of costs related to SUD treatment was similar for beneficiaries enrolled in MA plans as for those enrolled in fee-for-service Medicare.

These estimates do not include spending under Medicare Part D because there is not a straightforward way to get this information. There is no diagnosis code associated with prescription drug claims, and drugs used to treat SUD are often also used to treat other conditions.

- 2) **Methodology Modifications** – None
- 3) **Material Weakness or Other Findings** - None
- 4) **Reprogramming or Transfers** – None
- 5) **Other Disclosures** – None

³ Based on the International Classification of Diseases (ICD) coding system. The applicable ICD-9 codes for SUD include a subset of the 291, 292, 303, 304, and 305 category of codes; ICD-9 codes 7903, E9352, and E9401; and *Other Chronic and Potentially Disabling Conditions for Alcohol and Drug Use Disorders*, excluding V65.42 and V79.1. The applicable ICD-10 codes for SUD include a subset of the F10, F11, F12, F13, F14, F15, F16, F17, F18, and F19, G62, I42, K29, K70, O35, O99, P04, P96, Q86, R78, T40, T50, and T51 ICD-10 category of codes.



DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mailstop C3-01-24
Baltimore, Maryland 21244-1850

Office of Financial Management

MEMORANDUM

DATE: November 13, 2024

TO: Director
Office of National Drug Control Policy (ONDCP)

THROUGH: Norris Cochran
Deputy Assistant Secretary for Financial Resources
Office of the Secretary
Department of Health and Human Services

FROM: Megan Worstell
Director, Office of Financial Management and Chief Financial Officer
Centers for Medicare & Medicaid Services

SUBJECT: Assertions Concerning Fiscal Year 2026 Budget Formulation Summer Submission

In accordance with the requirements of the ONDCP Circular, *National Drug Control Program Agency Compliance Reviews*, dated September 9, 2021, CMS states that its FY 2026 Summer Drug Budget was submitted to ONDCP on Friday, May 31, 2024, under Section 9.a.(1) of the ONDCP Circular, *Budget Formulation*, dated September 9, 2021. CMS also makes the following assertions under Section 6, Budget Formulation Compliance Report:

Timeliness of Summer Budget Submission

CMS asserts, in accordance with Section 6.a.(1), that the FY 2026 Summer Drug Budget submitted to ONDCP on Friday, May 31, 2024 was provided to ONDCP at the same time as the budget request was submitted to HHS in accordance with 21 U.S.C. § 1703(c)(1)(A) without alteration or adjustment.

Funding Levels Represent Actuarial Estimates of Projected Spending Based on Current Law
CMS asserts, in accordance with Section 6.a.(2), that we do not receive specific ONDCP appropriation funding for drug control activities. The amounts provided are not based on

obligations but rather on estimates of the projected costs associated with substance use disorder (SUD) treatment paid for by Medicare and Medicaid, which are conducted by the CMS Office of the Actuary (OACT). Our submission represents the budget estimates made by CMS to the Department without alteration or adjustment by any official at the Department. (See Attachment A.)

Sign and Date:

Megan Worstell -S Digitally signed by Megan Worstell -S
Date: 2024.11.13 12:15:28 -05'00'

Megan Worstell

Director, Office of Financial Management and Chief Financial Officer
Centers for Medicare & Medicaid Services

Attachments

- Attachment A - FY 2026 Summer Drug Budget Resource Summary Table

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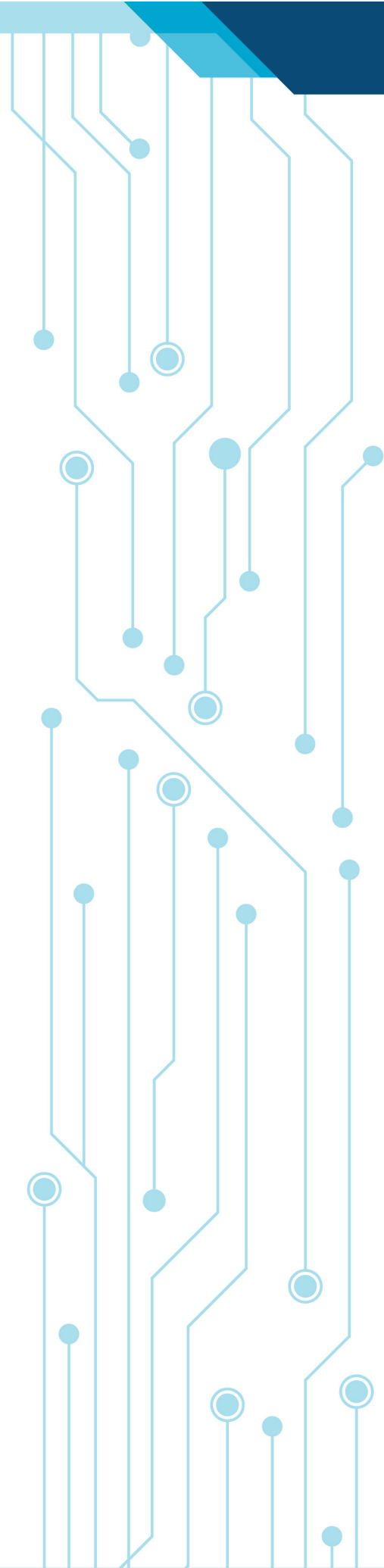
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