

Office of Medicare Hearings and Appeals

I am pleased to present the Office of Medicare Hearings and Appeals (OMHA's) Fiscal Year 2016 Congressional Justification. This budget request reflects OMHA's strong commitment to providing an independent forum for the fair and efficient adjudication of Medicare appeals for beneficiaries and other parties.

Since beginning operations in July 2005, OMHA has been committed to continuous improvement in the Medicare appeals process through responsible stewardship. Given current resources and average receipt levels OMHA is receiving more than one year's worth of work every eight weeks. With these rising receipt levels far exceeding the adjudication capacity of its 72 Administrative Law Judges (ALJ) currently on-board, OMHA is unable to issue Medicare decisions in 90 days as envisioned by statute.

The FY 2016 budget reflects OMHA's efforts not only to build upon the operational success achieved during its first ten years, but to introduce the first steps in a multi-year strategy to balance resources with workloads and eliminate the backlog. The first of these is an Adjudication Expansion Initiative to respond to the agency's foremost challenge, its increased level of appeals receipts and the resulting backlog of appeals. OMHA has also proposed the following legislative and business process changes which will help it to adjudicate more appeals at a lower cost: Settlement Conference Facilitation, Medicare Magistrate Program, and Attorney Adjudicator Initiative. Additionally other Departmental budget requests contain critical legislative proposals that if implemented will help to reduce the backlog.

Although OMHA recognizes that the improvements to the appeals process envisioned by the proposed legislative changes must be a part of the solution, these changes alone will not enable OMHA to adjudicate the significant number of appeals that it has on hand or that it projects will be received in the coming years. In order to begin to reduce the catastrophic backlog of Medicare appeals pending at OMHA, a significant funding increase is required. The FY 2016 budget request is a starting point and must serve as a baseline for future requests.

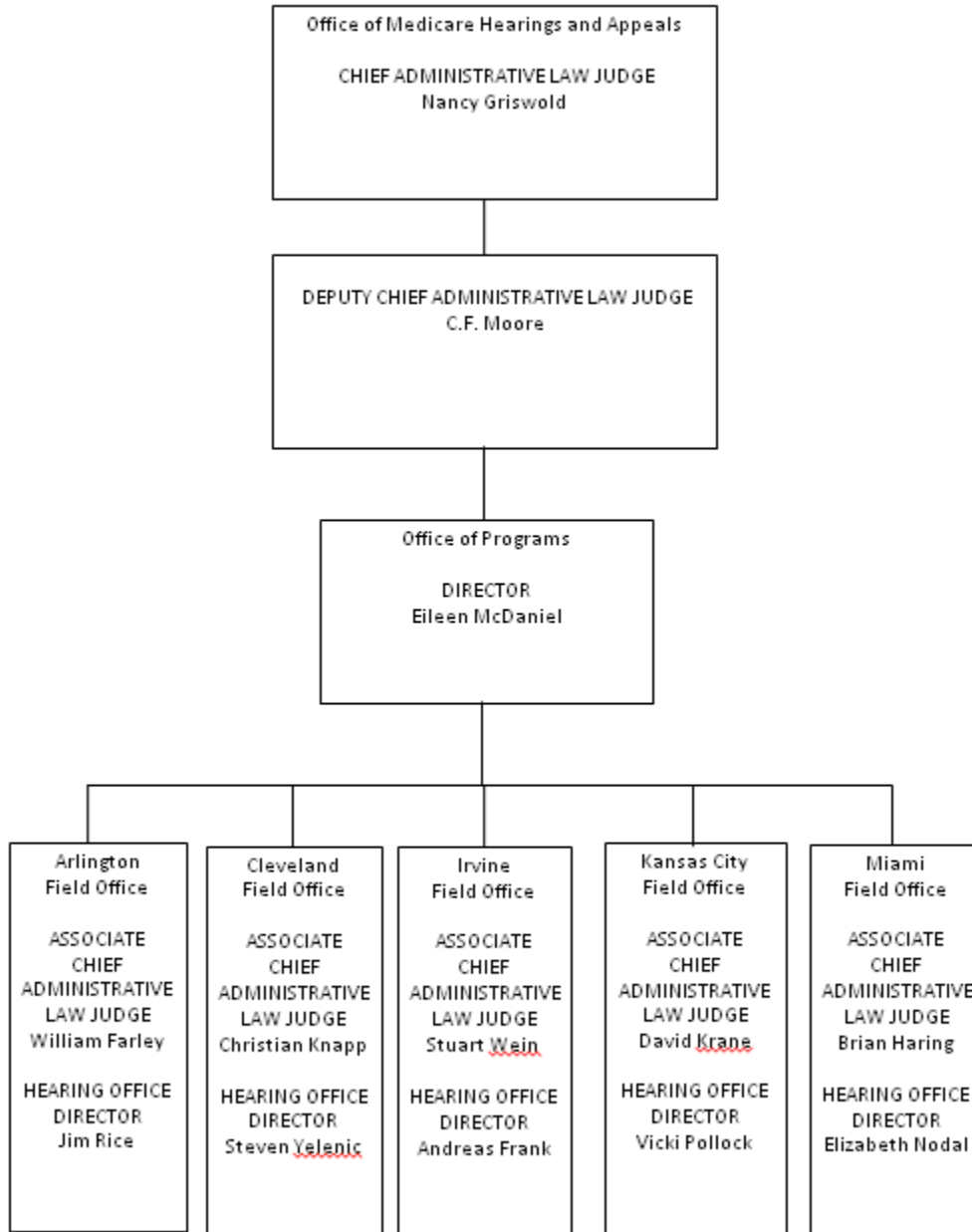
Above all, this FY 2016 budget reflects OMHA's efforts to focus on the agency's mission, by increasing efficiency and capacity by further enhancing service to the public.

/Nancy J. Griswold/
Nancy J. Griswold
Chief Administrative Law Judge

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Organizational Chart



Organizational Chart: Text Version

Office of Medicare Hearings and Appeals

- Chief Administrative Law Judge, Nancy Griswold
- Deputy Chief Administrative Law Judge, C.F. Moore

The following offices report directly to the Chief Administrative Law Judge:

- Director, Office of Programs
 - Eileen McDaniel
- Arlington Field Office
 - Associate Chief Administrative Law Judge, William Farley
 - Hearing Office Director, Jim Rice
- Cleveland Field Office
 - Associate Chief Administrative Law Judge, Christian Knapp
 - Hearing Office Director, Steven Yelenic
- Irvine Field Office
 - Associate Chief Administrative Law Judge, Stuart Wein
 - Hearing Office Director, Andreas Frank
- Kansas City Field Office
 - Associate Chief Administrative Law Judge, David Krane
 - Hearing Office Director, Vicki Pollock
- Miami Field Office
 - Associate Chief Administrative Law Judge, Brian Haring
 - Hearing Office Director, Elizabeth Nodal

Introduction and Mission

The Office of Medicare Hearings and Appeals (OMHA), an agency of the U.S. Department of Health and Human Services (HHS), administers hearings and appeals nationwide for the Medicare program. OMHA ensures that Medicare beneficiaries, providers and suppliers have access to an independent forum and opportunity for hearing conducted pursuant to the Administrative Hearing Act on disputed Medicare claims. By providing a timely and impartial review of Medicare appeals, OMHA encourages providers and suppliers to continue to provide services and supplies to Medicare beneficiaries. Such access to timely adjudication of disputes is essential to the integrity of the Medicare system. On behalf of the Secretary of HHS, the Administrative Law Judges (ALJs) within OMHA conduct impartial hearings and issue decisions on claims determination appeals involving Medicare Parts A, B, C and D, as well as Medicare entitlement and eligibility appeals.

Mission

OMHA is a responsive forum for fair, credible, and timely decision-making through an accomplished, innovative, and resilient workforce. Each employee makes a difference by contributing to shaping American health care.

Vision

World class adjudication for the public good.

Statutory Decisional Timeframes

The Benefits Improvement and Protection Act of 2000 envisions that OMHA will issue decisions on disputed claims within 90 days after a request for hearing is filed.

Overview of Budget Request

The FY 2016 budget request for OMHA of \$270,000,000 represents a \$182,619,000 million increase over the FY 2015 enacted level of \$87,381,000. The request includes \$140,000,000 in budget authority and \$130,000,000 in program level funding from proposed legislation.

HHS is proposing a series of legislative proposals to permit HHS to make regulatory and policy changes. The most significant would authorize access to \$125,000,000 in recovery audit collections to reimburse OMHA for administrative costs related to adjudicating Recovery Audit (RA) appeals. For the past two years these appeals have represented over 50% of OMHA's total receipts. Also proposed is a provision for a refundable filing fee. If this filing fee provision is authorized it is estimated that it will add \$5,000,000 in program level funding. However, the \$5,000,000 in additional authority is purely an estimate and does not include the administrative costs of processing the fees.

The request positions OMHA to hear more Medicare appeals than ever before by expanding the agency's capacity from the projected 77 ALJ teams on-board at the end of FY 2015 to 196 ALJ teams nationwide, and establishing 6 new field offices. After gaining 6 to 12 months of experience, these ALJ teams will collectively adjudicate approximately 119,000 additional appeals annually, more than doubling the adjudication capacity of the agency. The expansion of adjudicatory capacity will enable OMHA to hear almost 200,000 complex appeals annually and will begin to slow the growth of its increasing backlog, which currently exceeds 800,000 appeals. The additional funding also supports several HHS and OMHA initiatives to address less complex appeals by other means, including Settlement Conference Facilitation, Medicare Magistrates, and Attorney Adjudicators. These alternative adjudication methods will increase OMHA's appeals resolution capacity at a lower cost per appeal. It is estimated with adequate support staff that the production for the both the Medicare Magistrates and Attorney Adjudicators would be similar to that of an ALJ (up to 1,000 appeals annually) and could increase OMHA's adjudicatory capacity by 103,000 appeals in FY 2016 alone.

However, OMHA has passed the critical juncture at which it is able to adequately support its workload. If the additional resources requested are not received it is estimated that the unheard claims workload will approach 3,000,000 (if the average number of claims per appeal remains at 2 to 1, this would translate to 1,400,000 appeals) by the end of FY 2016.

Overall, OMHA's budget request makes investments to support HHS Strategic Goals to Strengthen Healthcare and Ensure Efficiency, Transparency, Accountability and Effectiveness of HHS Programs. This will be accomplished by maximizing its organizational adjudicatory capacity to meet the needs of Medicare beneficiaries, who are among our nation's most vulnerable populations, providers and suppliers of services to Medicare beneficiaries, and the tax-paying public.

Overview of Performance

OMHA has remained committed to continuous improvement in the Medicare appeals process by implementing initiatives to enhance the quality and timeliness of its services. However, as workloads have grown dramatically, it has become impossible for the agency to achieve its goals. Between FY 2011 and FY 2013, OMHA experienced a 545% growth in appeals (from 60,000 appeals in FY 2011 to 384,000 appeals in FY 2013). In just the first six months of FY 2014, OMHA received 289,000 appeals – 75% of total appeals received in FY 2013. This dramatic increase in both RA and non-RA appeals has had a predictably detrimental impact on the agency's performance. For the past three years, OMHA has failed to issue decisions in 90 days. In FY 2014, OMHA adjudicated only 9.7% of its BIPA claims in 90 days, far short of the 21% performance target. The average processing time on closed workload in FY 2014 is well over a year. Because the average age of pending appeals at OMHA has climbed to 647 days, it is apparent that there will be a dramatic increase in processing times until the backlog of pending appeals has been resolved.

Given current resource levels, OMHA staff has streamlined the business process to the maximum extent possible without sacrificing program integrity. Adjudication teams have increased productivity to maximum sustainable levels of approximately 1,000 appeals per team annually. The only viable way for OMHA to fully address the receipt level and improve performance is to systematically add adjudicators over the next few years, while concurrently implementing other short and long-term departmental and OMHA policy initiatives. Lesser measures would exacerbate current challenges by adding to the pending workload, resulting in progressively longer wait times for appellants.

In FY 2014, OMHA began prioritizing the handling of beneficiary appeals, which represent appeals filed by the most vulnerable Medicare appellants and often involve pre-service denials. For beneficiary appeals filed in FY 2014 OMHA's average processing time was 120 days as opposed to 235 days for appeals filed in FY 2013. To date OMHA has already decided 91% of cases received in FY 2014.

Despite the sharp workload increase, OMHA continues its unwavering support of the HHS Strategic Goal 4 to Ensure Efficiency, Transparency, Accountability and Effectiveness. OMHA continues to evaluate its customer service through an independent evaluation that captures the scope of the Level III appeals experience by randomly surveying selected appellants and appellant representatives. Measure 1.5 aims to ensure appellants and related parties are satisfied with their Medicare appeals experience regardless of the outcome of their appeal. The measure is evaluated on a scale of 1-to-5, 1 representing the lowest score (very dissatisfied) and 5 representing the best score (very satisfied). In FY 2014, OMHA achieved appellant satisfaction scores that averaged 3.9 nationwide, exceeding the FY 2014 target of 3.6 by 0.3. However, appellant satisfaction scores have trended downward each year since FY 2011. If processing times are allowed to increase due to the influx of appeal receipts, it is certain that appellant's frustration with increasing processing times will grow and that their level of satisfaction with the process will decrease.

In support of HHS Strategic Goal 1 to Strengthen Healthcare, OMHA's leadership is proposing multiple strategies to address workload, including the expansion of field offices, implementation of internal and departmental initiatives, and legislative proposals that will support increased funding for staffing, reduce processing delays, and achieve cost savings. However, agency performance (ability to process BIPA cases within 90 days) will remain quite low until the backlog is fully resolved and OMHA is once again able to process appeals as they are received. Given these assumptions, in FY 2016 OMHA's goal is to decide the vast majority of its beneficiary appeals (which are 2% of BIPA cases) within 90 days.

Workload Mitigation Initiatives Highlights

The FY 2016 budget request will support three initiatives to reduce the backlog of pending appeals and streamline the appeals process. The Adjudication Expansion initiative will expand OMHA's capacity by 6 field offices and 119 ALJ teams nationwide. OMHA will also introduce a legislative proposal for a Medicare Magistrate program in which attorneys will adjudicate a designated portion of appeals without a hearing as a less costly alternative, an Attorney Adjudicator Initiative as an interim measure for disposition of appeals on-the-record in anticipation of the Medicare Magistrate program, and expansion of its Settlement Conference facilitation which will provide an alternative dispute resolution forum for resolution of claims that are currently pending at OMHA.

All Purpose Table

(Dollars in Thousands)

OMHA	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
Discretionary Budget Authority	82,381	87,381	140,000	+52,619
Proposed Legislation	-	-	-	-
Recovery Audit Recoveries	-	-	125,000	+125,000
Refundable Filing Fee	-	-	5,000	+5,000
Total OMHA	82,381	87,381	270,000	+182,619
FTE	468	564	1,475	+911

Authorizing Legislation.....Titles XVIII and XI of the Social Security Act
 FY 2016 Authorization..... Indefinite
 Allocation Method.....Direct Federal

Appropriations Language

For expenses necessary for the Office of Medicare Hearings and Appeals, [**\$87,381,000**] *\$140,000,000*, to be transferred in appropriate part from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund.

Amounts Available for Obligation

Detail	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget
Trust Fund Discretionary Appropriation	82,381,000	87,381,000	140,000,000
<i>Subtotal, adjusted trust fund annual appropriation</i>	<i>82,381,000</i>	<i>87,381,000</i>	<i>140,000,000</i>
Unobligated balance lapsing	140,566	-	-
Total Obligations	82,240,434	87,381,000	140,000,000

Summary of Changes

(Dollars in Thousands)

Budget Year and Type of Authority	Dollars	FTE
FY 2015 Enacted	87,381	564
FY 2016 Adjusted Budget Authority	270,000	1,475
Net Change	182,619	911

Increases	FY 2015 FTE	FY 2015 Enacted	FY 2016 +/- FY 2015 FTE	FY 2016 +/- FY 2015 BA
Full-time permanent	564	48,716	911	78,141
Other personnel compensation	-	353	-	224
Civilian personnel benefits	-	15,103	-	25,137
Travel and transportation of persons	-	200	-	142
Transportation of things	-	182	-	10,675
Rental payments to GSA	-	6,885	-	13,999
Communications, utilities, and misc. charges	-	3,097	-	3,153
Printing and reproduction	-	154	-	44
Other services from non-Federal sources	-	904	-	25
Others goods and services from Federal sources	-	5,298	-	23,331
Operation and maintenance of facilities	-	3,946	-	5,276
Operation and maintenance of equipment	-	1,431	-	3,465
Supplies and materials	-	732	-	1,368
Equipment	-	380	-	17,639

Total Changes	FY 2015 FTE	FY 2015 Enacted	FY 2016 +/- FY 2015 FTE	FY 2016 +/- FY 2015 BA
Total Increases	564	87,381	911	182,619
Total Decreases	-	-	-	-
Total Net Change	564	87,381	911	182,619

Budget Authority by Activity – Direct*(Dollars in Thousands)*

Activity	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget
Office of Medicare Hearings and Appeals (OMHA)	82,381	87,381	140,000
OMHA FTE	468	564	903
Total, Budget Authority	82,381	87,381	140,000
Total, FTE	468	564	903

Authorizing Legislation*(Dollars in Thousands)*

OMHA	FY 2015 Amount Authorized	FY 2015 Appropriations Act	FY 2016 Amount Authorized	FY 2016 President's Budget
Office of Medicare Hearings and Appeals, Social Security Act, Titles XVIII and XI	Indefinite	\$87,381	Indefinite	\$140,000
Total Appropriation	-	\$87,381	-	\$140,000

Appropriation History Table

2006

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	80,000,000	60,000,000	75,000,000	60,000,000
Rescissions (P.L. 109-149)	-	-	-	(600,000)
Transfers (P.L. 109-148)	-	-	-	41,000
Subtotal	80,000,000	60,000,000	75,000,000	59,359,000

2007

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	74,250,000	70,000,000	70,000,000	59,727,000
Subtotal	74,250,000	70,000,000	70,000,000	59,727,000

2008

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	70,000,000	67,500,000	70,000,000	65,000,000
Rescissions (P.L. 110-161)	-	-	-	(1,136,000)
Subtotal	70,000,000	67,500,000	70,000,000	63,864,000

2009

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	65,344,000	-	63,864,000	64,604,000
Subtotal	65,344,000	-	63,864,000	64,604,000

2010

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	71,147,000	71,147,000	71,147,000	71,147,000
Subtotal	71,147,000	71,147,000	71,147,000	71,147,000

2011

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	77,798,000	-	77,798,000	71,147,000
Rescissions (P.L. 112-10)	-	-	-	(142,000)
Subtotal	77,798,000	-	77,798,000	71,005,000

2012

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	81,019,000	71,147,000	71,147,000	72,147,000
Rescissions (P.L. 112-74)	-	-	-	(136,000)
Subtotal	81,019,000	71,147,000	71,147,000	72,011,000

2013

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
	-	-	-	-
Trust Fund Appropriation	84,234,000		79,908,000	72,010,642
Rescissions (P.L. 113-6)	-	-	-	(144,021)
Sequestration (P.L. 112-25)	-	-	-	(3,622,567)
Transfers	-	-	-	1,200,000
Subtotal	84,234,000	-	79,908,000	69,444,054

2014

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	82,381,000	-	82,381,000	82,381,000
Subtotal	82,381,000	-	82,381,000	82,381,000

2015

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	100,000,000	-	-	87,381,000
Subtotal	100,000,000	-	-	87,381,000

2016

Details	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations
Trust Fund Appropriation	140,000,000	-	-	-
Subtotal	140,000,000	-	-	-

Narrative by Activity

Program Description and Accomplishments

OMHA opened its doors in July 2005 pursuant to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) which sought to respond to the delays in processing of Medicare appeals that existed at the Social Security Administration (SSA) by establishing a forum dedicated solely to the adjudication of Medicare appeals. According to the Government Accountability Office (GAO), SSA ALJs took on average 368 days to resolve appeals in 2003. While SSA had no statutory timeframe for case adjudication, the Benefits Improvement and Protection Act (BIPA) envisioned that most Medicare appeals would be decided by OMHA within 90 days of filing. Furthermore, the MMA provided for the addition of ALJs and staff as needed to insure for the “timely action on appeals before administrative law judges,” (MMA § 931(c), 117 Stat. 2398-99). However, since 2010, OMHA has lacked sufficient funding to handle the volume of appeals being received and has developed a backlog of appeals awaiting disposition.

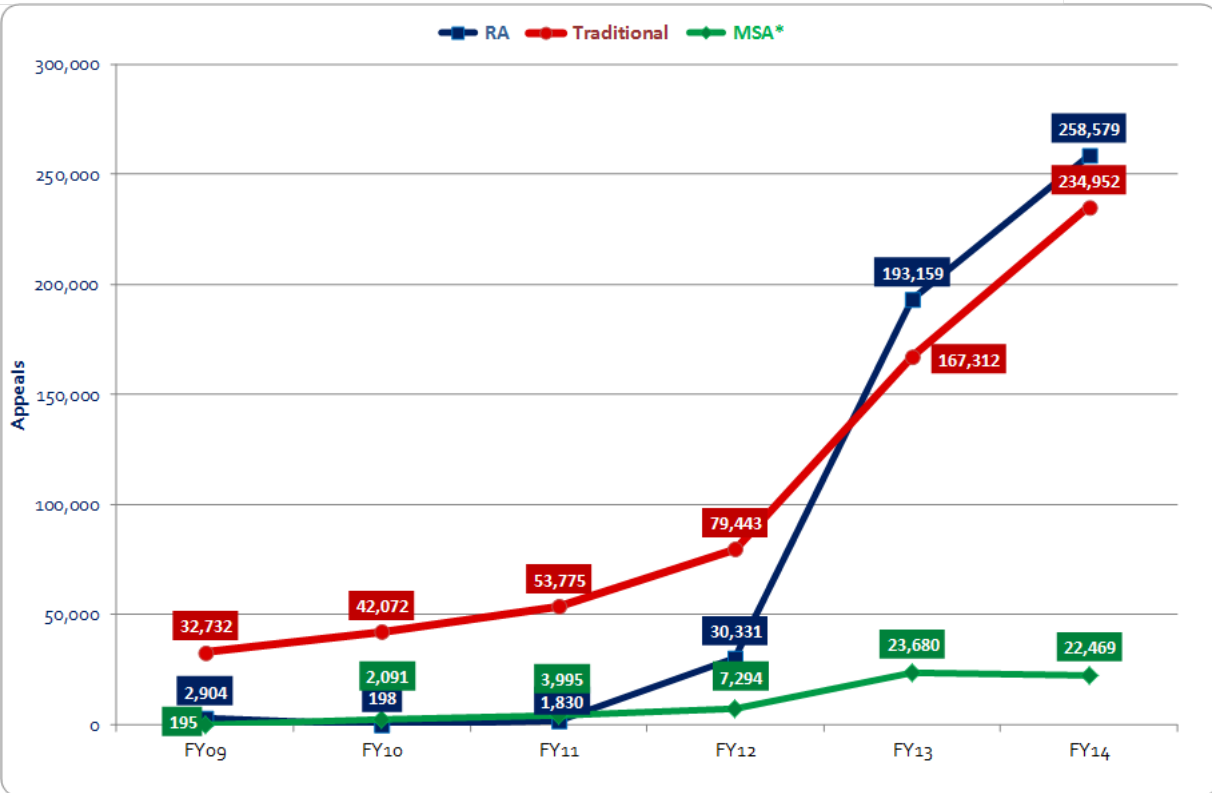
OMHA serves a broad sector of the public, including Medicare service providers and suppliers and Medicare beneficiaries who are often elderly and disabled and among the nation’s most vulnerable populations. Ensuring that providers and suppliers have a forum for independent and timely resolution of their disputes over Medicare payments also contributes to the security of the Medicare system by encouraging them to continue to provide services and supplies to Medicare beneficiaries. OMHA administers its program in five field offices, including Miami, Florida; Cleveland, Ohio; Irvine, California; Arlington, Virginia; and the recently established office in Kansas City, Missouri.

At the time of OMHA’s establishment, it was envisioned that OMHA would receive a traditional Medicare Part A and Part B workload. However, OMHA has seen an increased caseload due to the expansion of its original jurisdiction to include areas not originally envisioned to be within its authority. Specifically, in 2006, OMHA began hearing appeals arising from the new Medicare Part D Prescription Drug Plan. In 2007, OMHA was also given additional responsibility for conducting hearings and issuing decisions in Medicare Part B Income-Related Monthly Adjustment Amount (IRMAA) appeals.

Most significantly, however, OMHA began receiving new cases as a result of the Centers for Medicare & Medicaid Services (CMS) Recovery Audit (RA) pilot program in 2007. This program included RA reviews of Medicare Part A and Part B claims on a post-payment basis, and reviews for Medicare Secondary Payer recoupments. As a result of the RA pilot OMHA received more than 20,000 RA claims through FY 2009. In January 2010, the RA program became permanent and was expanded to all 50 States. As a result of this expansion, OMHA received nearly 195,000 RA claims in FY 2013 alone. Although the RA expansion legislation provided funding for the administrative costs of the program at CMS, OMHA is unable to use RA recoveries to fund RA appeals.

The significant expansion of appeals from the unfunded RA workload has exacerbated OMHA’s workload challenges. In addition to the RA workload, OMHA’s non-RA workload has also increased significantly as CMS contractors, (for example Medicare Administrative Contractors and Zone Program Integrity Contractors) have increased pre- and post-payment reviews. These reviews result in part from Medicare program integrity initiatives undertaken without sufficient funding to ensure the appeals process can address the increased workload. The end result is highlighted in the following graph, which charts the exponential growth in RA and non-RA (Traditional and MSA) appeals over the past 5 years.

OMHA Workload - Receipt Levels



Run Date: January 6, 2015

*MSA = (Medicare State Agencies) Source of Dual Beneficiary Appeals

Includes appeals with Request For Hearing Date in listed fiscal year and excludes combined and reopened appeals.

FY14 Appeal counts are based on actual appeals received through June of 2014. Remaining months are estimated (avg of prior 6 months // high & low excluded)

Recognizing the importance of timely resolution of Medicare disputes, OMHA has undertaken a number of initiatives focused on improving the quality and timeliness of its services. These include:

- A redefined five year strategic plan that codifies OMHA's objectives and establishes the foundation for organizational performance
- A national data standardization initiative to promote data quality
- An Adjudicative Business Practice (ABP) Initiative to develop OMHA-wide common business practices for the adjudicative process
- A National Substantive Legal Training Program for new Administrative Law Judges and attorneys
- A Centralized Operations initiative to establish a uniform case docketing process agency-wide
- The development of OMHA's Electronic Case Processing Environment (ECAPE), currently underway
- A Statistical Sampling Pilot to resolve large groups of appeals
- A Settlement conference facilitation pilot as a less costly alternative to ALJ hearings
- Prioritization of beneficiary appeals to optimize timely adjudication of beneficiary appeals

Funding History

Fiscal Year	Amount
FY 2011	\$71,005,000
FY 2012	\$72,011,000
FY 2013	\$69,444,054
FY 2014	\$82,381,000
FY 2015	\$87,381,000

FY 2016 Budget Request

The FY 2016 budget request of \$270,000,000 represents a \$182,619,000 increase above the FY 2015 enacted level. The request includes \$140,000,000 in budget authority and \$130,000,000 in program level funding from proposed legislation.

HHS is proposing a series of legislative proposals to permit HHS to make regulatory and policy changes. The most significant would authorize access to \$125,000,000 in recovery audit collections to reimburse OMHA for administrative costs related to adjudicating Recovery Audit (RA) appeals. For the past two years these appeals have represented over 50% of OMHA's total receipts. Also proposed is a provision for a refundable filing fee. If this filing fee provision is authorized it is estimated that it will add \$5,000,000 in program level funding. However, the \$5,000,000 in additional authority is purely an estimate and does not include the administrative costs of processing the fees.

OMHA has passed the critical juncture at which it is able to adequately support its workload and is currently receiving more than one year's worth of work every eight weeks. It is estimated that the unheard claims workload will approach 3,000,000 (if the average number of claims per appeal remains at 2 to 1, this would translate to 1,400,000 appeals) by the end of FY 2016 if additional resources are not forthcoming. Currently over 96% of the budget is dedicated to fixed costs such as labor and required operational costs such as rent. As a result the agency is unable to expand its staff to accommodate the increased required to docket and adjudicate appeals. The requested funding will allow OMHA to implement administrative initiatives designed to reduce the backlog, improve processing times, and reduce overall costs. While these initiatives will begin to address the challenges facing the administrative appeals process, the backlog in processing requests for ALJ hearings is substantial, and the need for additional ALJs and supporting staff remains critical.

OMHA Workload

OMHA measures its current and prior year workloads in appeals because each appeal requires a hearing and a decision by an ALJ. An appeal best represents a complete work unit within the adjudication process. A single appeal is comprised of one or more claims. OMHA projects future workloads in claims because they have consistently proven to be reasonably predictive. In contrast, appeals have been difficult to predict because the average number of claims per appeal has varied significantly over time. This additional variable has adversely affected appeals-based projections by as much as 200%.

Appeals:

OMHA received 384,000 appeals in FY 2013, nearly triple the 131,000 appeals received in FY 2012. Though the FY 2014 receipt count is not yet fully determined due to staffing shortages in OMHA's docketing function, OMHA projects 516,000 appeals, nearly four times the 2012 receipt levels.

Claims:

The total number of claims associated with these appeals continues to increase as well. In FY 2013, OMHA received 655,000 claims, compared to 293,000 claims in FY 2012. By mid-year FY 2014, OMHA had received 471,000 claims, (total counts unavailable due to staffing shortages in docketing), a number that puts OMHA on target to reach an estimated fiscal year total of 1,000,000 claims.

OMHA Claims Received*

FY 2011	FY 2012	FY 2013
207,000	293,000	655,000

* Excludes remands

OMHA Claims Projected

FY 2014	FY 2015**	FY 2016**
1,000,000	1,200,000	1,400,000

** Pending efficiencies from initiatives

Rising receipt levels are also exacerbated by increases in complexity and intensity of medical services for aging beneficiaries, which require adjudicators to invest significantly more time and attention to the resolution of individual appeals. In the first six months of FY 2014, OMHA received 202,000 complex Part A hospital insurance appeals – 79% of the number received in all of FY 2013. RA appeals currently account for the vast majority of these. RA claim determinations that are appealed to ALJs often present complex factual patterns and are becoming increasingly adversarial, many times with multiple parties appearing at hearings.

In FY 2016, OMHA will use requested resources to fund the following initiatives intended to reduce the backlog and improve the overall Medicare appeals process:

I. Adjudication Expansion Initiative (AEI)

As of the beginning of FY 2015, OMHA has approximately 10 years of work on hand for its existing 72 teams. The FY 2016 request, will allow OMHA to increase its staffing levels by 911 FTE to support 6 new field offices, the expansion of the Arlington and Kansas City field offices to the full complement of 18 ALJ teams per office, and the expansion of Headquarters. Due to the significant learning curve required for an ALJ to be fully productive, OMHA anticipates that maximum productivity of the additional teams hired in FY 2016 will not be fully realized in FY 2017. These offices will support 119 new ALJ teams nationwide, well above the projected 77 teams on staff by the end of FY 2015. These ALJ teams will collectively increase output by 119,000 additional dispositions a year. This strategy will allow OMHA to expedite backlog reduction efforts and improve adjudication timeframes, while increasing staff towards a level that can address projected future receipts.

Specific Components:

119 new ALJ teams (511 FTE) which includes:

- Establishing 6 new field offices Nationwide
 - \$40.8 M – (salary and benefits 748 additional positions = 374 FTE in FY 2016)
 - \$14.9 M – operating costs
 - \$10.6 M – rent
 - \$23.4 M – start-up (e.g., infrastructure, IT redesign/hardware, furniture)

- Arlington Field Office, Kansas City Field Office and Headquarters Expansion
 - \$15.7 M – salary and benefits - 80 new FTE in Arlington Field Office, 22 new FTE in Kansas City Field Office and 35 new FTE in HQ
 - \$3.9 M – operating costs
 - \$1.4 M – rent
 - \$4.5 M – start-up/construction

II. Medicare Magistrate Program

A considerable portion of claims and coverage determinations appealed to OMHA involve an amount in controversy (AIC), or amount in dispute, that is below the cost to adjudicate the claim. Therefore, OMHA is proposing legislation to increase the AIC to obtain a hearing before an ALJ from \$150 to the judicial review threshold (\$1,460 in FY 2015). Concurrently, OMHA is seeking authority for a Medicare Magistrate program in which attorneys would serve as independent adjudicators with binding decisional authority in cases with an AIC below the judicial review threshold. Medicare Magistrates would review less complex claims, such as those involving whether a contractor dismissal was appropriate; dismissals of requests for hearing on jurisdictional grounds (untimeliness, no appealable decision, below AIC threshold); and appellant withdrawals of requests for hearing.

Magistrates would decide appeals based on a review of the record (in the place of a hearing), resulting in a significant reduction in time and cost for adjudications. ALJs would continue to review cases in which hearings are necessary. It is estimated that the expected production for a Medicare Magistrate would be similar to that of an ALJ (up to 1,000 appeals annually), while the FY 2016 estimated cost to adjudicate an appeal by a Magistrate would be \$355 compared to \$637 by an ALJ. Therefore, this initiative is an ideal model to better align and maximize the agency's most costly resource (ALJs) with workload demand. This initiative could increase OMHA's adjudicatory capacity by 41,000 appeals in FY 2016 alone.

Specific Components:

- \$19.7 M – salary and benefits, 205 FTE
- \$7.6 M – rent and operating costs

III. Attorney Adjudicator Initiative

To further reduce processing delays, achieve savings, and maximize resources, the budget request funds the attorney adjudicator program for disposition of appeals on-the-record as an interim measure in anticipation of the Medicare Magistrate program. Under this program, appellants with pending cases or filing new appeals for claims and coverage determinations will have the option to waive their right to a hearing, and instead will have the merits of the case decided on the existing record by a senior attorney advisor (with concurrence by an ALJ). It is estimated that the expected production for the attorney adjudicator would be similar to that of an ALJ (up to 1,000 appeals annually). This initiative could increase OMHA's adjudicatory capacity by 62,000 appeals in FY 2016 alone.

Specific Components:

- \$13.7 M – salary and benefits, 125 FTE
- \$6.2 M – rent and operating costs

IV. Settlement Conference Facilitation

OMHA's alternative dispute resolution pilot program began on June 30, 2014 for unassigned Medicare Part B cases. The pilot is supported by a few trained facilitators pulled from OMHA's existing pool of attorney advisors who primarily support ALJ's decision writing. These consent-based settlement conferences facilitate agreement between the appellant and Centers for Medicare and Medicaid Services (CMS) without a hearing by an ALJ, and are therefore less costly. In addition, a successful settlement will remove the claims from the administrative appeals process, reducing OMHA's backlog and the number of claims appealed to the Departmental Appeals Board (DAB), while allowing OMHA's ALJs to focus on claims that can be resolved only after a hearing. Based on conversations with providers and suppliers OMHA is currently revising its pilot in anticipation of the requested FY 2016 resources to expand this initiative throughout the agency.

Specific Components:

- \$6.9 M – salary and benefits, 50 FTE
- \$2.2 M – rent and operating costs

V. Legislative proposals:

Provide Office of Medicare Hearings and Appeals to Use RAC Collections: This proposal would expand the Secretary's authority to retain a portion of Recovery Audit (RA) recoveries for the purpose of administering the recovery audit program. This proposal will allow RA program recoveries to fully fund RA related appeals at the Office of Medicare Hearings. [\$1.3 billion in cost over 10 years]

Establish a Refundable Filing Fee: This proposal would institute a refundable filing fee for providers, suppliers, and State Medicaid agencies, including those acting as a representative of a beneficiary, to pay a per-claim filing fee at each level of appeal. This filing fee would allow HHS to invest in the appeals system to improve responsiveness and efficiency. Fees will be returned to appellants who receive a fully favorable appeal determination. [No budget impact]

Outputs and Outcomes Table

Measure	Most Recent Result	FY 2015 Target	FY 2016 Target	FY 2016 Target +/- FY 2015 Target
Increase the number of BIPA cases closed within 90 days	FY 2014: 9.7% Target: 21% (Target Not Met)	15%	TBD*	TBD*
Reduce the percentage of decisions reversed or remanded on appeals to the Medicare Appeals Council	FY 2014: 1.2% Target: 1% (Target Not Met)	1%	1%	Maintain
Improve average survey results from appellants reporting good customer service on a scale of 1-5 at the Medicare Appeals level	FY 2014: 3.9 Target: 3.6 (Target Exceeded)	3.4	3.4	Maintain

*A performance target will be determined when the backlog is reduced to a more manageable level.

Budget Authority by Object Class – Direct

(Dollars in Thousands)

Personnel Compensation

Object Class Code	Description	FY 2014 Actual	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
11.1	Full-time permanent	40,177	48,716	126,857	78,141
11.5	Other personnel compensation	231	353	577	224

Subtotal Personnel Compensation

Object Class Code	Description	FY 2014 Actual	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
Subtotal	Personnel Compensation	40,408	49,069	127,434	78,365
12.1	Civilian personnel benefits	12,462	15,103	40,240	25,137
Total	Pay Costs	52,870	64,172	167,674	103,502
21.0	Travel and transportation of persons	157	200	342	142
22.0	Transportation of things	178	182	10,857	10,675
23.1	Rental payments to GSA	6,787	6,885	20,884	13,999
23.3	Communications, utilities, and misc. charges	3,215	3,097	6,250	3,153
24.0	Printing and reproduction	145	154	198	44

Other Contractual Services

Object Class Code	Description	FY 2014 Actual	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
25.2	Other services from non-Federal sources	4,831	904	929	25
25.3	Other goods and services from Federal sources	5,371	5,298	28,629	23,331
25.4	Operation and maintenance of facilities	6,218	3,946	9,222	5,276
25.7	Operation and maintenance of equipment	888	1,431	4,896	3,465

Subtotal Other Contractual Services

Object Class Code	Description	FY 2014 Actual	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
Subtotal	Other Contractual Services	17,308	11,579	43,676	32,097
26.0	Supplies and materials	681	732	2,100	1,368
31.0	Equipment	899	380	18,019	17,639

Office of Medicare Hearings and Appeals

Object Class Code	Description	FY 2014 Actual	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
Total	Non-Pay Costs	29,370	23,209	102,326	79,117

Salary & Expenses Table

(Dollars in Thousands)

Personnel Compensation

Object Class Code	Description	FY 2014 Actual	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
11.1	Full-time permanent	40,177	48,716	126,857	73,141
11.5	Other personnel compensation	231	353	577	224

Subtotal Personnel Compensation

Object Class Code	Description	FY 2014 Actual	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
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Subtotal Pay Costs

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Subtotal Other Contractual Services

Object Class Code	Description	FY 2014 Actual	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
Subtotal	Other Contractual Services	21,003	11,579	43,676	32,097
26.0	Supplies and materials	681	732	2,100	1,368

Subtotal Non-Pay Costs

Object Class Code	Description	FY 2014 Actual	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
Subtotal	Non-Pay Costs	21,684	15,944	63,423	47,479
Total	Salaries and Expenses	74,554	80,116	231,097	150,981
23.1	Rental payments to GSA	6,787	6,885	20,884	13,999
Total	Salaries, Expenses and Rent	81,341	87,001	251,981	164,980
Total	Direct FTE	468	564	1,475	911

Rent and Common Expenses

(Dollars in Thousands)

Detail	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget	FY 2016 +/- FY 2015
Rent	6,787	6,885	20,884	13,999
Subtotal	6,787	6,885	20,884	13,999
Operations and Maintenance	7,105	5,377	14,118	8,741
Subtotal	7,105	5,377	14,118	8,741
Service and Supply Fund	5,397	5,829	15,244	9,415
Subtotal	5,397	5,829	15,244	9,415
TOTAL	19,289	18,091	50,246	32,155

Detail of Full-Time Equivalent (FTE) Employment

Detail	FY 2014 Actual Civilian	FY 2014 Actual Military	FY 2014 Actual Total	FY 2015 Estimate Civilian	FY 2015 Estimate Military	FY 2015 Estimate Total	FY 2016 Estimate Civilian	FY 2016 Estimate Military	FY 2016 Estimate Total
Direct	468	0	468	564	0	564	1,475	0	1,475
Reimbursable	0	0	0	0	0	0	0	0	0
Total FTE	468	0	468	564	0	564	1,475	0	1,475

Fiscal Year	Average GS
FY 2012	11/3
FY 2013	11/4
FY 2014	11/4
FY 2015	11/5
FY 2016	11/1

Detail of Positions

Detail	FY 2014 Actual	FY 2015 Enacted	FY 2016 Budget
ALJ-1	1	1	1
ALJ-2	6	6	12
ALJ-3	65	76	116
Subtotal	72	83	129
Total - AL Salary	11,247,819	12,325,641	20,234,295
Exec. Level	2	1	1
Subtotal	2	1	1
Total - SES Salaries	316,478	183,300	184,184
GS-15	13	14	22
GS-14	24	28	66
GS-13	23	25	283
GS-12	151	163	299
GS-11	52	52	73
GS-10	0	0	0
GS-9	20	25	362
GS-8	104	110	230
GS-7	17	18	64
GS-6	18	37	208
GS-5	2	2	14
GS-4	13	15	29
GS-3	2	3	10
GS-2	0	0	0
GS-1	0	0	0
Subtotal	439	492	1,660
Total – GS Salary	28,059,456	36,207,979	106,438,826
Total Positions	513	576	1,790
Total FTE	468	564	1,475
Average AL salary	156,219	148,502	156,855
Average ES Salary	158,239	182,813	184,184
Average GS Grade	63,917	73,593	64,120
Average GS Salary	11/4	11/5	11/1

FY 2016 Budget by HHS Strategic Goal

(Dollars in Millions)

1. Transform Health Care

HHS Strategic Goals	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget
1.A Make coverage more secure	-	-	-
1.B Improve health care quality and patient safety	55.00	58.00	181.00
1.C Emphasize primary & preventative care, link to prevention	-	-	-
1.D Reduce growth of health care costs promoting high-value	-	-	-
1.E Ensure access to quality culturally competent care	-	-	-
1.F Promote the adoption of health information technology	-	-	-

2. Advance Scientific Knowledge and Innovation

HHS Strategic Goals	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget
2.A Accelerate scientific discovery to improve patient care	-	-	-
2.B Foster innovation at HHS to create shared solutions	-	-	-
2.C Invest in sciences to improve food & medical product safety	-	-	-
2.D Increase understanding of what works in health & services	-	-	-

3. Advance the Health, Safety and Well-Being of the American People

HHS Strategic Goals	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget
3.A Ensure the children & youth safety, well-being & health	-	-	-
3.B Promote economic & social well-being	-	-	-
3.C Improve services for people with disabilities and elderly	-	-	-
3.D Promote prevention and wellness	-	-	-
3.E Reduce the occurrence of infectious diseases	-	-	-
3.F Protect Americans' health and safety during emergencies	-	-	-

4. Increase Efficiency, Transparency and Accountability of HHS Programs

HHS Strategic Goals	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget
4.A Ensure program integrity and responsible stewardship	27.00	29.00	89.00
4.B Fight fraud and work to eliminate improper payments	-	-	-
4.C Use HHS data to improve American health & well-being	-	-	-
4.D Improve HHS environmental performance for sustainability	-	-	-

5. Strengthen the Nation's Health and Human Service Infrastructure and Workforce

HHS Strategic Goals	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget
5.A Invest in HHS workforce to help meet America's health and human service needs today & tomorrow	-	-	-
5.B Ensure health care workforce meets increased demands.	-	-	-

HHS Strategic Goals	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget
	-	-	-
5.D Strengthen the Nation's human service workforce	-	-	-
	-	-	-
Total OMHA Program Level	82.00	87.00	270.00

Total OMHA Program Level

HHS Strategic Goals	FY 2014 Final	FY 2015 Enacted	FY 2016 President's Budget
Total OMHA Program Level	82.00	87.00	270.00