
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION



**RECOVERY ACT EXCHANGE CONTRACT
WITH LOVELACE CLINIC FOUNDATION
CONTRACT SS00-10-60030**

October 2011

A-15-11-11157

AUDIT REPORT



Mission

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The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

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- Access to all information necessary for the reviews.**
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SOCIAL SECURITY

MEMORANDUM

Date: October 13, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Recovery Act Exchange Contract with Lovelace Clinic Foundation -
Contract SS00-10-60030 (A-15-11-11157)

OBJECTIVE

Our objectives were to determine whether (1) the Social Security Administration (SSA) properly accounted for *American Recovery and Reinvestment Act of 2009* (Recovery Act) funds, (2) SSA achieved its objective of requesting and receiving medical information through health information technology (HIT), (3) the contractor complied with the contract terms and applicable regulations, and (4) SSA personnel properly monitored the contract.

BACKGROUND

On February 17, 2009, the President signed the \$787 billion Recovery Act into law.¹ The Recovery Act has three immediate goals: (1) create new and save existing jobs, (2) spur economic activity and invest in long-term growth, and (3) foster unprecedented levels of accountability and transparency in Government spending.²

A section of the Recovery Act, the *Health Information Technology for Economic and Clinical Health Act* (HITECH), provided \$19.2 billion to increase the use of Electronic Health Records³ (EHR) by physicians and hospitals. As a result, the Recovery Act HITECH provided that up to \$40 million allocated to SSA may be used for health information technology research and activities to facilitate the adoption of electronic records in disability claims.⁴

¹ Pub. L. No. 111-5, 123 Stat. 115 (2009).

² http://www.recovery.gov/About/Pages/The_Act.aspx.

³ HITECH Act, Pub. L. No. 111-5, Title XXX, § 3000(13), 123 Stat. 226, 229 (2009). A Qualified EHR is an electronic record of health-related information on an individual that includes patient demographic and clinical health information, such as medical history and problems lists.

⁴ Pub. L. No. 111-5, 123 Stat. 115, 185-186 (2009).

Health Information Technology⁵

SSA will process almost 3 million disability applications this year. This includes cases processed at the initial and appeal levels. To process applications, SSA makes over 15 million patient-authorized requests for medical information from health care providers at all levels of the disability adjudication process. According to SSA, on average, it takes more than 2 months to process an initial disability application. SSA spends much of that time waiting for medical records. That timeframe increases dramatically at the appeals levels.⁶

SSA also acknowledged significant challenges because of increased growth in the number of disability applications, the complexity of applications, outdated policies and procedures, and limited resources.⁷ One of the ways SSA met this challenge was by collaborating with medical providers to request and receive medical information in a standardized electronic data format through the Nationwide Health Information Network⁸ (NWHIN).⁹ HIT allowed SSA to automate the authorized request and receipt of data and analyze received data electronically. SSA can reduce the time it takes to receive medical information to minutes as well as the amount of time to review and make a decision on a disability claim.¹⁰

SSA Awarded HIT Contracts

In August 2008, SSA partnered with Beth Israel Deaconess Medical Center in Boston, Massachusetts, to provide a patient-authorized electronic medical information release and accept electronic medical information in return. In February 2009, SSA collaborated with MedVirginia on the first production use of the NWHIN to request and receive electronic medical information.

In February 2010, SSA used Recovery Act funds to award 15 fixed-price contracts to expand the number of healthcare providers participating in the NWHIN. This will give providers the capability to receive a standardized electronic request for medical records along with a patient's authorization. Medical providers will then respond automatically to SSA's requests with structured medical information. This effort's goal is a more efficient and effective medical evidence gathering process in support of the decision-

⁵ HIT allows secure exchange of health information between healthcare providers and their customers.

⁶ Contract number SS00-10-60030, Part 1, Section B-1 – Statement of Work, Overview 1.1.

⁷ SSA, *Annual Performance Plan for FY 2011 and Revised Final Performance Plan for FY 2010*.

⁸ The U.S. Department of Health and Human Services, Office of the National Coordinator establishes governance for the NWHIN. NWHIN provides a secure, nationwide, interoperable health information infrastructure that will connect providers, consumers, and others involved in supporting health and healthcare.

⁹ Contract number SS00-10-60030, Part 1, Section B-1 – Statement of Work, Overview 1.3.

¹⁰ SSA, MEGAHIT Information <http://ods.ssahost.ba.ssa.gov/megahit/index.htm>.

making process for disability claims. Of the 15 contracts, SSA later terminated 3.¹¹ See Appendix B for the list of the HIT contractors.

Lovelace Clinic Foundation

On February 1, 2010, SSA awarded a HIT contract to Lovelace Clinic Foundation (LCF). We selected the LCF contract for audit because, in comparison to other HIT contracts, the LCF contract had progressed furthest.¹² The firm-fixed-price contract was for about \$1.1 million.¹³ The contract measures its progress by accomplishing certain tasks referred to as milestones. This contract consists of three milestones that represent a portion of the total contract. The breakdown of the milestones is as follows.

Table 1 - Lovelace Clinic Foundation Milestones		
Milestone*	Task Description	Percent of Total Contract Price
1	Submission and approval of Sample Continuity of Care Document and verified certification of Electronic Health Record application.	15
2	Submittal and approval of Verification Continuity of Care Documents.	25
3	Production submission of up to 5 percent of expected annual volume, complying with specifications outlined in the Statement of Work.	60
	Total	100
*LCF must successfully complete each milestone to receive payment for that milestone.		

LCF must complete the three milestones to meet the contract's objectives. However, the contract does not have specific due dates for each milestone. The contract requires that LCF complete all the milestones within 1 year from the start date stated in the notice to proceed¹⁴ (thus June 3, 2011). As of the date of this report, LCF had completed Milestone 1 and was working on Milestone 2; therefore, the scope of our audit tests, results, conclusions, and recommendations relate only to Milestones 1 and 2.

¹¹ SSA terminated contracts with Memorial Hospital Foundation, CareSpark, Inc., and CalRHIO. See Appendix B for further details of termination.

¹² We audited only the LCF contract. We did not review or apply audit procedures to any other medical providers awarded Recovery Act dollars for HIT.

¹³ Contract number SS00-10-60030.

¹⁴ The Notice to Proceed is a Government notice that directs the contractor to proceed with the performance of the work called for by a contract. LCF's start date per its Notice to Proceed was June 3, 2010.

RESULTS OF REVIEW

Our audit determined that SSA properly accounted for Recovery Act funds related to this contract. In addition, we determined that the LCF contract is progressing; however, SSA stated LCF's progress is slower than planned but expects that LCF will successfully complete this contract. Specifically, we determined that LCF performed all tasks required by the contract and complied with the contract terms and applicable regulations for Milestone 1. Additionally, we verified there were 2.31 jobs created or retained for the third quarter of Calendar Year 2010, and LCF reported the jobs in a manner consistent with Office of Management and Budget guidance. Furthermore, we determined that SSA personnel were properly monitoring the contract.

LCF Progress

Milestone 1, Sample Continuity of Care Document

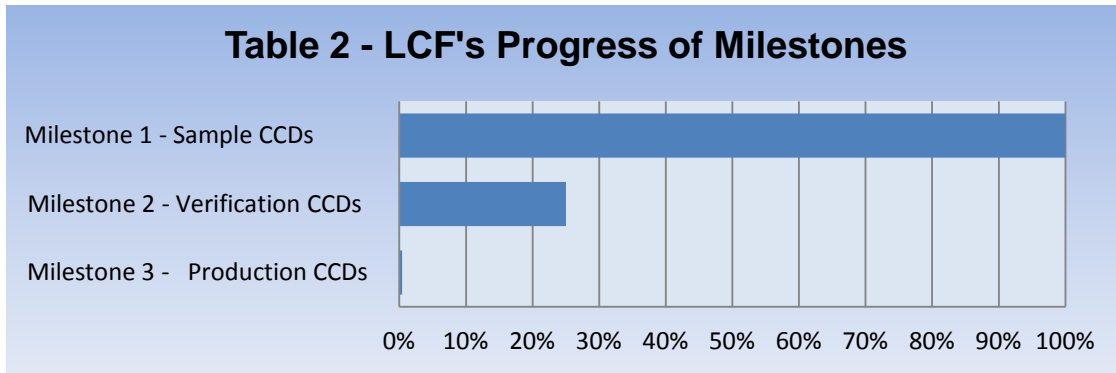
In October 2010, LCF completed Milestone 1 by successfully creating a sample Continuity of Care Document (CCD) and obtaining a valid EHR certification. Both were submitted to, and approved by, SSA. A CCD is a data record that allows health providers to share clinical summary information about patients to referring physicians, pharmacies, electronic medical record systems, and other providers. The CCD is critical for the successful completion of the three milestones. SSA ensured that LCF was complying with the contract's terms by ascertaining that the medical information received via the CCD was sufficient to support SSA's disability programs. At the completion of Milestone 1, SSA paid LCF \$162,409, 15 percent of the total contract price. Refer to Table 2 for a summary of LCF's progress on the three milestones.

Milestone 2, Verification CCD

SSA is verifying that the electronic health information in the CCDs comply with the EHR Content Checklist. As of the date of this report, LCF had not completed Milestone 2; therefore, SSA had not paid LCF for this milestone in accordance with the contract terms. On May 12, 2011, LCF requested a no-cost extension of 150 days extending the period of performance to November 2, 2011. LCF requested the extension to ensure it had enough time to go into production with SSA and meet the final milestone. Furthermore, LCF stated that during the project, it experienced delays that were unanticipated, caused by factors beyond LCF's control. Refer to Table 2.

Milestone 3, Production CCD

As of the date of this report, LCF had not started Milestone 3, Production CCD. The completion of Milestone 2 is required before LCF can begin Milestone 3. Refer to Table 2.



CONCLUSION

We determined SSA properly accounted for Recovery Act funds related to this contract and was receiving medical information via HIT. We also determined that LCF was performing all tasks required by the contract and complying with the contract terms and applicable regulations. However, SSA stated that LCF's progress was slower than expected; therefore, SSA modified this contract to extend LCF's period of performance from June 3 to November 2, 2011. In addition, as of the date of this report, SSA had paid LCF \$162,409 for completion of Milestone 1, which is 15 percent of the total contract price. Furthermore, we determined that SSA personnel were properly monitoring the contract.

AGENCY COMMENTS

SSA agreed with our conclusion (see Appendix D).

Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Social Security Administration Contractors Awarded Health Information Technology Contracts

APPENDIX C – Scope and Methodology

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Acronyms

CCD	Continuity of Care Document
EHR	Electronic Health Record
FAR	Federal Acquisition Regulations
HIT	Health Information Technology
HITECH	<i>Health Information Technology for Economic and Clinical Health Act</i>
LCF	Lovelace Clinic Foundation
NWHIN	Nationwide Health Information Network
OIG	Office of the Inspector General
Recovery Act	<i>American Recovery and Reinvestment Act of 2009</i>
SSA	Social Security Administration

Social Security Administration Contractors Awarded Health Information Technology Contracts

Current Health Information Technology Contractors	
Contractor	Contract Amount
Center for Healthy Communities, Wright State University, Healthlink	\$999,000
Central Virginia Health Network/MedVirginia	\$1,139,000
Community Health Information Collaborative	\$977,000
Douglas County Individual Practice Association	\$502,000
EHR Doctors, Inc.	\$750,000
HealthBridge	\$1,400,000
Lovelace Clinic Foundation	\$1,083,000
Marshfield Clinic Research Foundation	\$923,000
Oregon Community Health Information Network	\$284,000
Regenstrief Institute, Inc.	\$350,000
Science Applications International Corporation	\$1,587,000
Southeastern Michigan Health Association	\$2,988,000
Total Contract Dollars	\$12,982,000

Health Information Technology Contracts the Agency Terminated	
Contractor	Contract Amount
California Regional Health Information Organization (Note 1)	\$1,625,000
CareSpark (Note 2)	\$1,363,000
Memorial Hospital Foundation & Memorial Hospital of Gulfport Foundation, Inc. (Note 3)	\$1,100,000
Total Contract Dollars	\$4,088,000

Note 1: SSA terminated the contract with California Regional because this medical provider could not fully meet the contract requirements. Information about this termination can be found at [Recovery.gov](http://www.recovery.gov/Transparency/agency/reporting/agency_reporting2.aspx?agency_code=28&dt=06/30/2011) http://www.recovery.gov/Transparency/agency/reporting/agency_reporting2.aspx?agency_code=28&dt=06/30/2011.

Note 2: SSA terminated the contract with CareSpark, Inc. for convenience¹ because this medical provider could not fully meet the terms of the contract. Information about this termination of can be found at [Recovery.gov](http://www.recovery.gov/Transparency/agency/reporting/agency_reporting2.aspx?agency_code=28&dt=03/18/2011) http://www.recovery.gov/Transparency/agency/reporting/agency_reporting2.aspx?agency_code=28&dt=03/18/2011.

Note 3: SSA terminated contract with Memorial Hospital Foundation because this medical provider could not fully meet the contract requirements. Information about this termination can be found at [Recovery.gov](http://www.recovery.gov/Transparency/agency/reporting/agency_reporting2.aspx?agency_code=28&dt=05/21/2010) http://www.recovery.gov/Transparency/agency/reporting/agency_reporting2.aspx?agency_code=28&dt=05/21/2010.

¹ The contracting officer should exercise the Government's right to terminate a contract for commercial items either for cause or convenience only when such a termination would be in the best interests of the Government. FAR 12.403(b), Termination for cause allows the Government to terminate a contract due to nonperformance. See FAR 12.403(c). Termination for convenience also allows for termination due to nonperformance; however, the contractor shall be paid. FAR 12.403(d) (1). The FAR states "Termination for convenience" means the exercise of the Government's right to completely or partially terminate performance of work under a contract when it is in the Government's interest. "Termination for default" means the exercise of the Government's right to completely or partially terminate a contract because of the contractor's actual or anticipated failure to perform its contractual obligations. FAR 2.101.

Scope and Methodology

To accomplish our objectives, we reviewed Lovelace Clinic Foundation's (LCF) Statement of Work, which states all services LCF is to perform. Based on our review of the Statement of Work, we determined the requirements of LCF and the Social Security Administration (SSA) and determined via inquiry and observation whether the contract requirements were performed. LCF must complete the three milestones to meet the contract's objectives. As of the date of this report, LCF had completed Milestone 1 and was working on Milestone 2; therefore, the scope of our audit tests, results, conclusions, and recommendations relate only to these milestones. This contract is composed of the following major areas.

- **Minimum Requirements.** LCF must include providers/facilities that have an Electronic Health Record (EHR) application installed and in use. The EHR is certified by the Certification Commission for Healthcare Information Technology or another U.S. Department of Health and Human Services' recognized certification body.
- **Contractor Tasks.** LCF shall develop a system to generate a Continuity of Care Document (CCD) that conforms to the most current industry standards. LCF shall adhere to all appropriate privacy policies and the governance model for the Nationwide Health Information Network (NWHIN).
- **Contractor Deliverables.** LCF must deliver to SSA a project plan, a sample CCD, a verified CCD, object identifiers, URL addresses, a digital certificate, a certificate of receipt of the production CCD through the NWHIN gateway, and production CCDs.
- **SSA Tasks.** SSA shall ensure LCF has delivered and performed specific tasks by performing (1) verification of the sample CCD, (2) verification testing of the verification CCDs, (3) interoperability testing, (4) validation testing, (5) acceptance testing, (6) integration testing, (7) production release, and (8) evaluation of production CCDs.
- **Post Award Meeting.** Within 15 business days after receipt of Notice to Proceed, LCF and appropriate SSA staff shall attend a post-award meeting to discuss and ensure mutual understanding relative to the administration of the contract.
- **Project Management.** LCF shall provide a Project Manager to conduct overall management coordination and be the central point of contact for overall performance of work under the contract.
- **Reporting Requirements.** LCF shall provide monthly status reports, weekly project reports, and documentation of weekly status calls in electronic format to SSA.

- **Federal Acquisition Regulations (FAR) Clauses.** This contract incorporates, but is not limited to be in accordance with FAR 12.301 (a)(3), 12.302 and 52.212-4.
- **Security And Suitability.** The *Federal Information Security Management Act of 2002* (Title III, Pub. L. No. 107-347) and Office of Management and Budget policy (through Circular A-130, Appendix III) require that all agency employees, as well as contractor and subcontractor employees working under agency service contracts, receive periodic training in computer security awareness and accepted computer security practices. Following contract award, LCF shall ensure that all employees performing under this contract have signed the security bulletin entitled “SSA Security Awareness: Contractor Personnel Security Certification.” This requirement also applies to LCF employees added to the contract after contract performance has commenced.¹
- **Additional Agency Specific Terms and Conditions.** SSA must follow these specific terms and conditions of the contract: (1) protection of confidential information, (2) protecting and reporting the loss of personally identifiable information, (3) *Federal Information Security Management Act* and Agency Privacy Management, (4) designation of Government contract specialist, (5) designation of Contracting Officer’s technical representative, (6) technical direction, (7) contract administration, (8) removal from duty, and (9) contractor performance reviews and reports.

Job Creation

In addition, the Recovery Act requires that the contractor calculate the number of jobs created or retained.² Therefore, we verified the number of jobs reported as created or retained by LCF as of the third quarter of Calendar Year 2010 (July 1 to September 30, 2010).³

We determined that the data used in this audit were sufficiently reliable given the audit objectives and intended use of the data. The SSA components responsible for providing data for this audit were the Offices of the Chief Information Officer, Disability Systems, and Disability and Health Information Systems. We performed our audit at SSA Headquarters in Baltimore, Maryland, from January to March 2011. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

¹ The Agency determined that the standard suitability requirements were not necessary because LCF will not be accessing SSA’s systems—LCF will be providing the same documentation SSA already has, but in a new format. Therefore, SSA decided the Homeland Security Presidential Directive – 12 regulations did not apply.

² Pub. L. No. 111-5, Title XV, § 1512(c), 123 Stat. 286-288 (2009).

³ We selected the third quarter of Calendar Year 2010 (July 1 to September 30, 2010) because at the start of our fieldwork it was the latest quarter posted to <https://www.federalreporting.gov/federalreporting/>.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: August 31, 2011

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Recovery Act Exchange Contract With Lovelace Clinic Foundation – Contract SS00-10-60030" (A-15-11-11157)--INFORMATION

Thank you for the opportunity to review the draft report. We agree with the report's findings/conclusions and have no additional comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Frances Cord at (410) 966-5787.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Victoria Vetter, Director, Financial Audit Division

Mark Meehan, Audit Manager

Ronald Anderson, Acting Audit Manager

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-15-11-11157.

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OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

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