

GAO

Report to the Secretary of Health and
Human Services

October 1990

**ADP
TELECOMMUNICATIONS**

**HCFA Needs to
Expedite Transition to
FTS 2000**



**Information Management and
Technology Division**

B-240859

October 30, 1990

The Honorable Louis W. Sullivan, M.D.
The Secretary of Health and Human Services

Dear Mr. Secretary:

We have recently completed a review of the telecommunications data networks used by the Health Care Financing Administration (HCFA), Department of Health and Human Services (HHS). The purpose of our review was to determine if HCFA was using the most cost-effective method of obtaining telecommunications services to support its automated systems. Our work was performed primarily at HCFA headquarters, the National Library of Medicine, and the General Services Administration (GSA). Details of our objective, scope, and methodology are discussed in appendix I.

Results in Brief

HCFA is not currently using FTS 2000—the government's telecommunications network—to obtain its telecommunications services. Instead, it is using commercial telecommunications contracts, under a GSA delegation of procurement authority, to obtain most of these services. After we discussed with HCFA and GSA the need to consider the use of FTS 2000, GSA, in May 1990, notified HHS of HCFA's need to develop a plan to move to FTS 2000.

HCFA has shown reluctance in making the transition to FTS 2000. In June 1990, on the basis of information we obtained on HCFA's telecommunications requirements, the American Telephone and Telegraph Company (AT&T)—the contractor providing FTS 2000 services to HHS—informed HCFA that FTS 2000 could meet all of its data communications needs at less cost than it was currently paying. AT&T estimates that the transition could be completed by January 1, 1992. HCFA needs to move to FTS 2000 as quickly as possible, but may not do so until fiscal year 1992 or 1993.

Background

HCFA currently relies on 16 data telecommunications networks to administer the nation's Medicare program. It uses these networks to exchange programmatic and administrative information among its national headquarters in Woodlawn, Maryland, and about 1,100 sites nationwide, including intermediaries and carriers, state-related agencies, and health maintenance organizations. HCFA expects to spend \$8.1 million in fiscal year 1990 for data communications services.

maintain and increase economies of scale. Essentially, the unit cost to the federal government decreases as more agencies use FTS 2000. Conversely, if agencies do not participate in FTS 2000, the average cost to the federal government increases.

GSA Believes FTS 2000 Can More Cost-Effectively Meet HCFA's Telecommunications Needs

Although HCFA procures most of its commercial telecommunications services under a delegation of procurement authority approved by GSA, as a result of our review GSA now believes that use of FTS 2000 would be more cost-effective. At the initiation of our work in November 1989, we approached HCFA officials concerning their need to consider FTS 2000 as a viable alternative to their use of these commercial services. They agreed that FTS 2000 should be considered, but said that HCFA had developed no plans to make a transition to FTS 2000.

In January 1990 a HCFA official told us that the agency was not actively pursuing transition plans, primarily because it believed AT&T could not meet all of the agency's network requirements. At that time we began obtaining documentation about the agency's total data network configuration and capacity, including location and number of networks, network sites, circuits, the monthly rate and amount of data characters transmitted, protocols used, and actual costs, to begin assessing whether FTS 2000 could indeed meet HCFA's technical and cost requirements.

In a February 1990 draft document, HCFA proposed increased funding for commercial telecommunications, stating that it planned to consider FTS 2000, but not until fiscal year 1992 or 1993. In March we met with GSA officials to discuss whether HCFA could make the transition at an earlier date. We provided GSA officials with our preliminary analysis, indicating that FTS 2000 could probably meet HCFA's data communications requirements. They agreed to submit this analysis to AT&T to (1) determine whether FTS 2000 could meet HCFA's total data communications requirements and (2) estimate the cost of HCFA using FTS 2000 for telecommunications services.

In May 1990, HCFA provided us with a document stating that it would determine by January 1991 the feasibility of using FTS 2000 to meet all of its data communications needs. At that time, however, HCFA officials stated that they believed the cost of using FTS 2000 was roughly equivalent to what they were paying for current commercial services.

Also in May, GSA informed HHS that HCFA was rapidly expanding the use of the commercial services that it had obtained under its delegation of

Recommendation

Because of the possible cost savings available through GSA's FTS 2000 system and because federal law mandates the use of FTS 2000, we recommend that the Secretary of Health and Human Services direct the Administrator, Health Care Financing Administration, to expedite the agency's transition to FTS 2000.

As you know, the head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on our recommendation to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of this letter, and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of this letter.

We did not obtain official agency comments on a draft of this report. However, its contents were discussed with agency officials, and their views have been incorporated where appropriate. We are sending copies of this report to the Chairmen of the House Committee on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations; and to the Administrator, Health Care Financing Administration. We will also make copies available to others upon request.

This report was prepared under the direction of Frank W. Reilly, Director, Human Resources Information Systems, who can be reached at (202) 275-4659. Other major contributors are listed in appendix II.

Sincerely yours,


for Ralph V. Carlone
Assistant Comptroller General

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Objective, Scope, and Methodology

Our objective was to determine if HCFA was using the most cost-effective method of obtaining telecommunications data networks, including FTS 2000, to support its automated systems. To determine HCFA's data communications configuration and capacity, we obtained information on the total number of networks and circuits, location of network sites, and data on the number of characters transmitted (1) via switched and dedicated circuits, (2) during prime and nonprime hours, (3) by speed of transmission, and (4) by protocol. We obtained this information from HCFA's Bureau of Data Management and Strategy. The bureau also provided us with projections of HCFA's total data communications costs for fiscal years 1990 through 1996. In addition, we reviewed HCFA's expenditures for commercial services from January 1989 through June 1990, provided by the National Library of Medicine, National Institutes of Health.

To determine the feasibility of HCFA's using FTS 2000 to meet its data communications needs, we met with officials from GSA's FTS 2000 Service Oversight Center's Transition and Implementation Branch and the American Telegraph and Telephone Company's Federal Systems Department. We provided these officials with the documentation we obtained on HCFA's data network configuration and capacity, to allow them to develop an analysis of the feasibility of HCFA's making the transition of its data communications to FTS 2000. To determine HHS' position regarding HCFA's transition to FTS 2000, we met with officials from HHS' Office of Information Resources Management.

We conducted our review from November 1989 through September 1990, in accordance with generally accepted government auditing standards.

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Abbreviations

AT&T	American Telephone and Telegraph Company
GAO	General Accounting Office
GSA	General Services Administration
HCFA	Health Care Financing Administration
HHS	Health and Human Services
IMTEC	Information Management and Technology Division

procurement authority. GSA also noted that it had a need to meet as soon as possible to discuss HCFA's requirements and review a plan for moving toward FTS 2000. Subsequently, HHS advised GSA that it unconditionally supported HCFA's use of FTS 2000 and would work to ensure its timely implementation.

In June, AT&T (with GSA concurrence) provided HCFA with its preliminary analysis showing that FTS 2000 could meet all of the agency's data requirements. As a result, we met with HCFA and HHS officials on June 14 to determine the agency's future course of action. HCFA officials indicated that the agency would develop a transition plan, but did not rule out moving to FTS 2000 in fiscal year 1992 or 1993, as originally planned.

On June 26 HCFA wrote AT&T, raising concerns about the transition to FTS. The letter included questions as to whether FTS 2000 could meet HCFA's data communications requirements, the projected cost, and the time frame for providing services. AT&T responded on July 5, 1990, with a detailed plan of how it would meet HCFA's requirements. AT&T also provided cost and schedule data and offered assistance to HCFA in developing its future telecommunications needs. AT&T provided a preliminary schedule indicating that a transition to FTS 2000 could be completed by the end of fiscal year 1991. On September 11 AT&T informed HCFA that, as a result of AT&T's obtaining more information about HCFA's operations and the complexities of communications between independent telecommunications networks, the earliest it could provide a transition to FTS 2000 would be January 1, 1992—a delay of 3 months.

HCFA's current estimated cost for its data communications networks, through fiscal year 1996, is \$88 million. AT&T estimates that FTS 2000 can meet HCFA's requirements and provide a solution that offers savings over existing services. Although AT&T can't estimate the exact dollar savings, it believes this savings can be significant.

Conclusions

Although HCFA has stated that one of its major objectives is to reduce its data communications costs, it has not acted to achieve potential cost savings that are available by using FTS 2000. HHS and GSA officials are committed to working closely with HCFA to begin a transition to FTS 2000 as soon as possible. Given HCFA's previous reluctance to using FTS 2000, it is incumbent upon HHS and GSA to oversee HCFA's realization of a plan to move to FTS 2000 by January 1, 1992.

HCFA is currently using services procured from commercial vendors to meet most of its data network needs. The major user of these services is HCFA's Common Working File system, which expended about 79 percent of the telecommunications capacity to process Medicare claims.

HHS has designated the National Library of Medicine, a major component of the National Institutes of Health,¹ as its focal point for procuring commercial telecommunications services because the Library has had experience in procuring these services since 1971. While the Library negotiates, awards, and manages the commercial services contracts, HCFA enters into interagency agreements with the Library to pay for the services it uses.

In October 1987, HCFA began utilizing commercial services procured by the Library. In December 1988, the Library entered into new contracts with several commercial vendors for telecommunications services, including HCFA's. The contracts have an anticipated life of 8 years—an initial 9-month base contract through fiscal year 1989, with seven 1-year-renewable options and a 3-month-renewable option running through December 31, 1996.

Executive Agencies Must Use FTS 2000

In September 1988, with the passage of Public Law 100-440,² using FTS 2000 telecommunications services became mandatory for most executive agencies unless GSA grants a specific exemption. Agencies are mandated not to expend appropriated monies for products or services available on FTS 2000 unless (1) such product or service is obtained as part of the FTS 2000 procurement; or (2) the agency establishes to the satisfaction of the GSA Administrator that its requirements are unique and cannot be satisfied under FTS 2000, and the agency's procurement of these unique requirements would be cost-effective and not adversely affect the overall cost-effectiveness of the FTS 2000 program.

Unless exempted by GSA, executive agencies must use available FTS 2000 services before exercising renewal options on previously awarded contracts for telecommunications services. Additionally, agencies are responsible for completing plans to transition to FTS 2000 before current telecommunications services contracts expire. According to GSA, the objective of mandated executive agency participation in FTS 2000 is to

¹The National Institutes of Health are managed by the Public Health Service under the Department of Health and Human Services.

²This mandate was reiterated on November 3, 1989, with the passage of Public Law 101-136.

