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It was a \$6.6B deal for 9 years. Then the feds reneged. Did politics play a role?

On the surface, 1-800-MEDICARE is a government success story. Now, there's a battle between a powerful union, a prominent federal contractor and politicians.

BY DAN DIAMOND

On the surface, 1-800-MEDICARE is a government success story: a free, popular service helping tens of millions of older Americans understand their health insurance and options for care. The call line boasts a 95 percent satisfaction rate, according to federal officials.

But behind the scenes, the multibillion-dollar job of running the Medicare call line and similar services for the Affordable Care Act — one of the richest service contracts offered by the federal government — has sparked a bitter battle between a powerful labor union, a prominent federal contractor and politicians who are now accusing the White House of delivering an election-year favor for its union allies.

The fight centers on the Biden administration's decision in September 2022 to award a \$6.6 billion contract to Maximus, a McLean, Va., company that helps manage call centers across the country — and Biden officials' decision to end the contract 15 months later, citing concerns about customer service. Officials at the Centers for Medicare and Medicaid Services also amended the contract to add a "labor harmony agreement," essentially a pledge by participating companies that they will make peace with unions and not experience a labor stoppage affecting



RICKY CARIOTI/THE WASHINGTON POST

Rep. Rosa DeLauro (D-Conn.) supports the decision to rebid the contract for the Medicare help line.

the call centers.

Bids on the revised contract are due Friday.

There is little precedent for the federal government to abruptly end such a large contract and insert a labor harmony agreement. Maximus last week filed a protest with the Government Accountability Office, urging the federal

watchdog to investigate the decision to rebid a contract that the company spent years working to win.

In a statement, Maximus said that it is "challenging the premature, improper, and unlawful re-procurement of our highly successful operation" overseeing the call centers. Maximus is the largest employer of federal call center workers,

with more than 10,000 workers around the country. Its CEO this month emphasized that Maximus has strong labor relations, saying its “employees are the heart and soul of our company.”

The Biden administration is defending its decision, pointing to walkouts at Maximus-run call centers last year.

“The call center has experienced worker strikes, and HHS believes rebidding the contract with a labor peace agreement will preserve access to high-quality customer service for the millions of Americans who rely on its dedicated workforce,” the Department of Health and Human Services said in a statement.

Some Democrats are also asking whether rebidding the contract could jeopardize services for the more than 35 million Americans who rely on 1-800-MEDICARE, the Affordable Care Act’s customer-service call line, and other response-center operations to navigate the complexities of their health insurance. Maximus had run 1-800-MEDICARE and the Affordable Care Act support services since 2018 after acquiring the business from a different contractor, receiving high customer satisfaction scores — a decision that influenced federal officials’ decision to award the company a nine-year contract in 2022.

Switching to a new contractor could be disruptive, particularly if the shift happens in the middle of an open enrollment period, these Democrats have warned.

“My constituents rely on the services provided by CMS each and every day. My only concern is their well-being and making sure that they are not harmed in this transition,” Rep. Gerry Connolly (D-Va.) said in a statement to The Washington Post. Connolly, who wrote a letter to CMS leadership last week asking for an explanation about the contract changes, represents the district where Maximus is headquartered.

But other Democrats say that the Biden administration’s action is overdue, asserting that Maximus had long mistreated its workers by offering low wages and limited benefits. Some call center workers have gone on strike and joined protests in D.C. last year, urging federal officials to pressure the

company to address workforce issues. Maximus workers also walked off the job during open enrollment for the Affordable Care Act in November 2023, seeking to draw attention to their fight with company leadership.

“It’s now being re-competed, and that’s a good thing,” said Rep. Rosa DeLauro (D-Conn.), a longtime critic of the company. DeLauro, the top Democrat on the powerful House Appropriations Committee, added legislative language to a 2022 government funding bill in an attempt to delay the contract from being awarded to Maximus, she said in an interview this week.

“At the time, we were waiting for the White House to put out an executive order on labor reforms,” DeLauro said, referencing a January 2023 memo that offered recommendations for how federal contracts could be structured in a more pro-labor way. “I was trying ... to delay the process going forward until the administration had come out with its executive order.”

Senate Republicans took out DeLauro’s language, clearing the way for Maximus to win the \$6.6 billion contract in December 2022.

The labor harmony provision was cheered by officials at the Communications Workers of America who have said Maximus fought their efforts to organize call-center workers. The union’s president has touted the revised contract as a victory for the labor movement and compared workers’ protests to historic efforts during the civil rights movement in the 1960s, noting that some of the key organizers at Maximus call centers were Black women.

“I’m hopeful that ... whoever gets the contract, CWA will be able to sit down and work out an agreement” for labor harmony that will help workers get better wages and benefits, Claude Cummings Jr., president of the Communications Workers of America, said in an interview last week. Cummings said he hoped workers at other call centers would be inspired to “reach out to CWA and hopefully express an interest of also wanting to organize.”

Experts in federal contracting have countered that moving too quickly to

rebid the contract after first awarding it, and particularly adding the labor harmony provision, is disruptive and confusing. Some of Maximus’s subcontractors have written to the federal government, defending the company and urging officials to reconsider.

“There’s no articulated problem that this is fixing,” said David Berteau, CEO of the Professional Services Council, a lobbying organization for federal contractors that counts Maximus among its members. Berteau noted that the original contract was set to run up to nine years, with annual options to renew, and that federal officials initially touted Maximus’s existing years of work in helping manage the government’s health services. He added that there is no way for a company to guarantee it will not experience a labor disruption.

“These actions undermine the contracting process by ending early a contract that has excellent performance, replacing it with an approach that’s unproven,” Berteau said.

Maximus has said the focus on worker pay is misplaced and an artifact of how federal contracts are awarded, with incentives that encourage contractors to keep wages relatively low to win government business. The company has called for Congress to overhaul the Service Contract Act, which helps determine how local wages are set for federal contracts.

Maximus leaders and its allies have also defended the company’s broader working environment, noting that The Post last week named Maximus to its Top Workplaces list of best places to work in the D.C. area. (The list is compiled by a team at The Post separate from the one that worked on this article.)

The news that federal officials are rebidding the contract has also landed with a thud with congressional Republicans, who accuse the White House of performing political favors, invoking the administration’s own pledges to the labor movement. President Biden has described himself as “the most pro-union president” in U.S. history.

CWA, meanwhile, has thrown its support behind the president, with union leaders citing his track record of

supporting their causes.

“We must reelect Joe Biden,” Cummings exhorted union members Wednesday at CWA’s annual legislative conference. “We need to turn out, and we need to vote.”

“Redoing a nine-year contract after two years is not about improving services. It is a Biden administration sacrificing continuity of care for older Americans to benefit large labor unions just before a presidential election,” Sen. Bill Cassidy (R-La.), the top Republican on the Senate’s health committee, said in a statement to The Post.

Federal health officials did not respond to a detailed list of questions about who decided to rebid the contract, how that decision was reached and the nature of their conversations with union leaders and congressional Democrats. But they have defended their actions as appropriate, particularly after a Wall Street Journal editorial last week suggested the Biden administration was “pushing unions on a federal contractor” by rebidding the contract with a labor-friendly provision.

“There’s no one that’s influencing [it]. Even I don’t get into that process that CMS undertakes on a contract bidding process,” HHS Secretary Xavier Becerra told reporters last week. “They are essentially in their bubble doing that work.”

Four federal officials who spoke on

the condition of anonymity to discuss contracting decisions said the HHS secretary’s office was closely involved in the decision to rebid the contract amid pressure from unions and Democrats such as DeLauro.

G.K. Butterfield, a former Democratic congressman who now works with Maximus, said he ran into Becerra at a social gathering in September 2023, when the HHS secretary told him he shared the union’s concerns about Maximus.

HHS did not respond to a question about Becerra’s conversation with Butterfield.

DeLauro, the longtime Maximus critic, said she would accept the company winning the contract again, under its new terms.

“No one is preventing Maximus, or, quite frankly, any other company for that matter, from bidding on the contract,” DeLauro said. “If they’re competing, and they’ve accepted a labor harmony [agreement] ... they can move forward on that.”

Behind the scenes, federal health officials provided some reassurance to Maximus even as the agency began moving to rebid the contract.

According to an annual review completed by federal contracting officials in November 2023, Maximus had fulfilled all key requirements of the contract at a “satisfactory” or “very

good” level of performance, according to documents reviewed by The Post. The contracting official who conducted the review of Maximus “would recommend them for similar requirements in the future,” she concluded.

The following month, union leaders gathered outside HHS to protest conditions at Maximus, joined by several congressional Democrats. Maximus workers shared stories about helping shoppers find health insurance while being unable to afford coverage themselves, saying pay at the company was well below the \$25 an hour they say is needed for a livable wage.

“The Biden administration talks a lot about improving jobs for federal contractors, about racial justice, but we at Maximus are not seeing that,” said Katherine Charles, a call center worker in Riverview, Fla.

“Shame on you! Shame on you!” yelled Cummings, the CWA president, leading the crowd in chants as they gestured toward the health department’s headquarters. The union president added that he’d “talked to everybody” about the situation, including Senate Majority Leader Charles E. Schumer (D-N.Y.) and Vice President Harris.

Three days later, federal health officials announced they would rebid the contract. Maximus officials have said they are planning to try to win it again.