



Highlights of [GAO-09-64](#), a report to congressional requesters

Why GAO Did This Study

Americans receive care from tens of thousands of health care facilities participating in Medicare and Medicaid. To ensure the quality of care, CMS contracts with states to conduct periodic surveys and complaint investigations. Federal spending on such activities totaled about \$444 million in fiscal year 2007; states are expected to contribute their own funds both through the Medicaid program and apart from that program. GAO evaluated survey funding, state workloads, and federal oversight of states' use of funds since fiscal year 2000 to determine if federal funding had kept pace with the changing workload. GAO analyzed (1) federal funding trends from fiscal years 2000 through 2007 and CMS's methodology for determining states' allocations and spending, (2) CMS data on the number of participating facilities and completed state surveys, and (3) CMS oversight of state spending. GAO interviewed state officials and collected data from 28 states.

What GAO Recommends

GAO recommends that CMS consider several actions to address survey funding weaknesses, such as state funding inequities, limited data on the impact of funding on facility oversight, and limited oversight of state spending. GAO also recommends that CMS broadly reexamine its current approach to funding and conducting surveys. CMS and state officials disagreed with elements of GAO's workload analysis but CMS concurred with 9 of GAO's 10 recommendations and partially concurred with the other.

To view the full product, including the scope and methodology, click on [GAO-09-64](#). For more information, contact John Dicken at (202) 512-7114 or dickenj@gao.gov.

MEDICARE AND MEDICAID PARTICIPATING FACILITIES

CMS Needs to Reexamine Its Approach for Funding State Oversight of Health Care Facilities

What GAO Found

Federal funding for state surveys increased from fiscal years 2000 through 2002 but was nearly flat from fiscal years 2002 through 2007. In inflation-adjusted terms, funding fell 9 percent from fiscal years 2002 through 2007. CMS has made incremental adjustments to improve its management of state allocations. It shifted federal funding from support contracts to surveys, increasing state allocations about 1 percent in fiscal years 2006 and 2007. For some facilities without statutory survey frequencies, CMS increased the time between surveys from 6 years to 10 years—a schedule that may further increase the chance of undetected quality problems. CMS also developed a budget analysis tool to help address the mismatch between federal allocations and states' current survey workloads, but use of the tool has been limited.

Most states, including those that spent more than their initial federal allocations, did not complete CMS's survey workload priorities in fiscal years 2006 and 2007, though the required survey workload—the workload that states would have to complete to meet statutory and CMS survey frequency requirements—decreased about 4 percent nationwide from fiscal years 2000 to 2007. A decrease in the number of the most time-consuming and frequently surveyed facilities, such as nursing homes, offset the increase in other facilities. CMS lacked consistent and reliable data to measure workload changes in other areas such as complaint investigations. States reported that workforce instability due to noncompetitive surveyor salaries and hiring freezes hindered their workload completion but CMS has little influence over state hiring. Among seven states that completed their nursing home surveys, CMS found that 25 percent or more of some of their surveys missed serious deficiencies. According to CMS, the performance of one of these states raised concerns about the state's management of survey activities.

There is little oversight of state non-Medicaid contributions intended in part to reflect the benefit states derive from participating in federally sponsored oversight of facilities. State contribution rates have not been reviewed in recent years. CMS officials told GAO that the agency does not collect information on state expenditures to help ensure that states are contributing funds consistent with those rates, noting limits on their authority to require submission of such data. CMS believes, however, that federal funding may not be sufficient and that state spending above the initial Medicare allocation represents state funds in addition to the non-Medicaid share.

The evidence is mixed on whether federal funding has kept pace with the changing workload. The required survey workload decreased nationwide but most states told GAO that survey frequencies of 6 to 10 years for many facilities could adversely affect beneficiaries. Moreover, distinguishing the impact of funding, staffing, and management on state workloads is difficult. GAO believes that these and other weaknesses in CMS's current funding approach will continue to frustrate the agency's efforts to support and oversee state survey activities.