



Highlights of [GAO-12-719T](#), before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

HHS manages hundreds of complex programs benefiting the health and well-being of Americans, accounting for a quarter of all federal outlays. For fiscal year 2012, HHS is responsible for approximately \$76 billion in discretionary spending and for an estimated \$788 billion in mandatory spending. The size and critical mission of the two largest HHS programs, Medicare and Medicaid, make it imperative that HHS is fiscally prudent yet vigilant in protecting the populations that depend on these programs. In recent years, GAO has identified shortcomings and recommended actions to enhance operations and correct inefficiencies in Medicare and Medicaid, and HHS has implemented many recommendations, resulting in billions of dollars in savings. Because agencies now must do more with less, recommendations not yet implemented are opportunities for further conserving HHS funds and strengthening oversight of programs serving the nation's most vulnerable populations.

GAO was asked to testify on issues related to HHS's budget. This statement draws from GAO's prior work, including work on these two high-risk programs, in which GAO made recommendations related to (1) the management of Medicare and (2) the need for additional oversight of Medicaid. To the extent information was available, GAO updated the status of these recommendations.

View [GAO-12-719T](#). For more information, contact James Cosgrove at (202) 512-7114 or cosgrovej@gao.gov or Carolyn L. Yocom at (202) 512-7114 or yocomc@gao.gov.

May 9, 2012

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Opportunities for Financial Savings and Program Improvements in Medicare and Medicaid Remain

What GAO Found

Over the past several years, GAO has made a number of recommendations to the Centers for Medicare & Medicaid Services (CMS)—an agency within the Department of Health and Human Services (HHS)—to increase savings in Medicare fee-for-service and Medicare Advantage (MA), which is a private plan alternative to the traditional Medicare fee-for-service program. Open recommendations that could yield billions of dollars in savings remain in many areas, such as the following:

- **Minimizing improper payments and fraud in Medicare.** GAO recommended that CMS require contractors to automate prepayment controls to identify potentially improper claims for medical equipment and supplies, expand current regulations to revoke billing privileges for home health agencies with improper billing practices, designate authorized personnel to evaluate and address vulnerabilities in payment systems, and enhance payment safeguards for physicians who use advanced imaging services.
- **Aligning coverage with clinical recommendations.** GAO recommended that CMS provide coverage for services recommended by clinical experts, as appropriate, given cost-effectiveness and other criteria.
- **Better aligning payments to MA plans.** To ensure that payments to MA plans reflect the health status of beneficiaries, GAO recommended that CMS more accurately adjust for differences between MA plans and traditional Medicare providers in reporting beneficiary diagnoses. GAO also recommended that CMS cancel the MA Quality Bonus Payment Demonstration because its design precludes it from yielding meaningful results.

GAO has made recommendations to CMS regarding Medicaid program oversight. Open recommendations remain in many areas, such as the following:

- **Improving oversight of Medicaid payments.** GAO recommended that CMS adopt transparency requirements and a strategy to ensure that supplemental payments to providers have been reviewed by CMS. These supplemental payments are separate from and in addition to those made at states' regular Medicaid rates.
- **Ensuring Medicaid demonstrations do not increase federal liability.** GAO recommended that CMS revise its approval process for demonstrations to ensure they are budget neutral, which GAO subsequently referred to Congress as a matter for consideration.

The size of Medicare and Medicaid requires CMS to focus continually on the appropriateness of the methodology for payments that these programs make and the pre- and postpayment checks that can help ensure that program spending is appropriate, overpayment recovery is expedient, and agency practices with regard to operations for these programs are efficient. Therefore, GAO urges HHS to ensure action is taken on open recommendations to advance its performance and accountability.