MEDICAID AND CHIP

Increased Funding in U.S. Territories Merits Improved Program Integrity Efforts

Why GAO Did This Study

Notable differences exist in the funding and operation of Medicaid and CHIP—joint federal-state health financing programs for low-income and medically needy individuals—in the territories versus the states. For example, the territories are subject to certain funding restrictions, such as capped annual federal funding, that are not applicable to the states. Further, certain federal requirements regarding eligibility, benefits, and program integrity do not apply to the territories’ programs, and certain otherwise applicable requirements have not been enforced. In recent years, various laws—such as the Patient Protection and Affordable Care Act (PPACA)—have increased funding for Medicaid and CHIP in the territories.

This report examines (1) eligibility and benefit characteristics of the territories’ Medicaid and CHIP programs, (2) Medicaid and CHIP spending in the territories, and (3) Medicaid and CHIP program integrity efforts in the territories. GAO reviewed laws and regulations, data on five territories’ Medicaid and CHIP spending, and federal internal control standards. GAO also interviewed CMS and territory Medicaid officials.

What GAO Found

Eligibility and benefits for Medicaid and the state Children’s Health Insurance Program (CHIP) in five U.S. territories—American Samoa, Commonwealth of the Northern Mariana Islands (CNMI), Guam, Puerto Rico and the U.S. Virgin Islands—differ from one another and from the states, generally reflecting the territories’ unique circumstances. For example, Guam is the only territory that covers all 17 mandatory Medicaid benefits, while American Samoa and Puerto Rico cover 10 of the 17 benefits. Officials from the territories that do not cover all mandatory benefits cited multiple reasons for not doing so, including limited funding and a lack of infrastructure, and, in some cases, exercised available flexibility to exclude certain benefits.

Temporary increases in federal funding have enabled the territories to increase Medicaid and CHIP spending. Unlike the states, whose Medicaid funding is not subject to a capped allotment—provided they contribute their share—territories are subject to a capped allotment, and historically have exhausted available federal Medicaid and CHIP funds each year. Most notably, the Patient Protection and Affordable Care Act (PPACA) provided the territories an additional $7.3 billion through at least fiscal year 2019. Officials in four territories cited positive effects of the additional funding, such as the ability to enroll more providers and cover more services; however, some officials also expressed concerns about the temporary nature of the funding, noting that they may have to make program cuts once the funding is exhausted—and that future shortfalls remain a concern.

Despite temporary increases in Medicaid funding, GAO found little assurance that territory Medicaid funds are protected from fraud, waste, and abuse.

- **Program oversight mechanisms:** Only Puerto Rico has developed a program integrity unit, which, although not required, is tasked with identifying and recovering improper payments and is a management best practice. Additionally, no territory has established a Medicaid Fraud Control Unit—which identify and prosecute Medicaid fraud—or received an exemption from doing so, as required by federal law.

- **Program information:** Territories lack detail on the types and volume of services they provide, contrary to federal reporting requirements, resulting in limited information on how territories spend their federal Medicaid funding. Until recently, the Centers for Medicare & Medicaid Services (CMS), within the Department of Health and Human Services (HHS), exempted the territories from the requirement to implement a claims processing and information retrieval system with program integrity capabilities, although the U.S. Virgin Islands has established a partnership to use such a system.

- **Program assessments:** CMS has performed assessments on Medicaid program integrity effectiveness and compliance only for Puerto Rico. Although not required, such assessments have been conducted on all states. CMS does provide technical assistance, with the activities of CMS officials varying across the territories. Officials from CMS noted that funding for program integrity would count against the territories’ capped allotments. Nonetheless, such limited efforts by the territories and federal government are inconsistent with federal internal control standards regarding identifying and responding to risks, particularly in light of increased federal Medicaid spending in the territories as a result of PPACA.