MEDICAID

CMS Needs More Information on States’ Financing and Payment Arrangements to Improve Oversight

What GAO Found

States and the federal government share in financing Medicaid, a health care program for low-income and medically needy individuals. States finance the nonfederal share with state general funds and other sources, such as taxes on health care providers and funds from local governments. GAO’s analysis showed a change in how states finance their Medicaid programs. In particular, states relied on provider taxes and local government funds for about 28 percent, or $63 billion, of the estimated $224 billion total nonfederal share of Medicaid payments in state fiscal year 2018—7 percentage points more than state fiscal year 2008.

The Centers for Medicare & Medicaid Services (CMS)—which oversees Medicaid—collects some information on states’ sources of funds and payments, but it is not complete, consistent, or sufficiently documented, which hinders the agency’s oversight. For example, CMS does not require states to report on the source of the nonfederal share for all payments. Absent complete, consistent, and sufficiently documented information about all Medicaid payments, CMS cannot adequately determine whether payments are consistent with statutory requirements for economy and efficiency, and with permissible financing, such as the categories of services on which provider taxes may be imposed.

What GAO Recommends

The Administrator of CMS should collect and document complete and consistent information about the sources of funding for the nonfederal share of payments to providers. CMS neither agreed nor disagreed with GAO’s recommendation, but acknowledged the need for additional financing and payment data for Medicaid oversight.

View GAO-21-98. For more information, contact Carolyn L. Yocom at (202) 512-7114 or yocomc@gao.gov.