

GAO Highlights

Highlights of [GAO-14-25](#), a report to congressional requesters

Why GAO Did This Study

While states and certain federal entities have had long-standing roles identifying Medicaid improper payments, the Deficit Reduction Act of 2005 expanded CMS's role in identifying improper payments. As a result, CMS created a national audit program, which uses federal contractors to audit state Medicaid claims and identify overpayments—payments that should not have been made or were higher than allowed—to providers. States are responsible for recovering any identified overpayments and reporting the return of the federal share of those overpayments to CMS.

GAO was asked to examine states' efforts to recover and report overpayments identified by federal audits, and examine CMS's review of state reporting. This report assesses the extent to which: (1) states recovered Medicaid overpayments identified by federal audits and reported the return of the federal share, and (2) CMS reviewed states' reporting of Medicaid overpayments related to these federal audits. GAO obtained overpayment and recovery data from all states with an identified overpayment and compared this with CMS data; reviewed relevant laws, regulations, and CMS guidance; and interviewed CMS and state officials.

What GAO Recommends

GAO recommends that the CMS Administrator increase efforts to ensure that states are clearly reporting overpayments identified by federal audits in the designated location of the CMS-64 form. HHS concurred with this recommendation.

View [GAO-14-25](#). For more information, contact Carolyn L. Yocom at (202) 512-7114 or yocomc@gao.gov.

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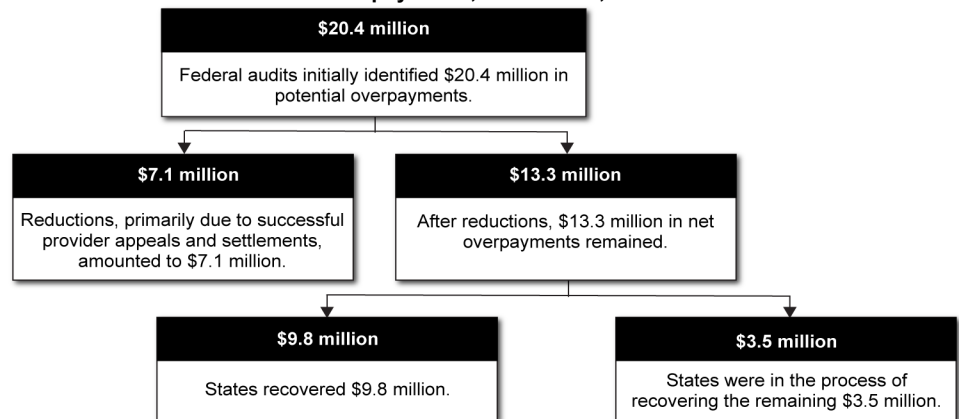
CMS Should Ensure That States Clearly Report Overpayments

What GAO Found

States recovered \$9.8 million in Medicaid overpayments, but they did not clearly report the overpayments and the return of the federal share to the Centers for Medicare & Medicaid Services (CMS) within the Department of Health and Human Services (HHS). Federal audits initially identified about \$20.4 million in potential Medicaid overpayments across the 19 states with identified overpayments from June 2007 through February 2012. Of the \$13.3 million in net overpayments shown below, states recovered \$9.8 million and were in the process of recovering the remaining \$3.5 million. States should have reported the return of the federal share for \$13.3 million on the line designated for overpayments identified by national audit program contractors on the CMS-64—the form that states fill out quarterly to obtain federal reimbursement for Medicaid services. However, states made multiple reporting errors. Specifically:

- instead of reporting \$13.3 million, states reported the return of the federal share for \$12.4 million and did not report the return of the federal share for the remaining \$855,000; and
- within the \$12.4 million that was reported by states, \$6.6 million was correctly reported on the CMS-64, while the remaining \$5.8 million was reported on the CMS-64, but not on the correct line.

Overview of Potential Medicaid Overpayments, Reductions, and Recoveries



Source: GAO review of Centers for Medicare & Medicaid Services documents.

CMS generally reviewed states' reporting of overpayments but was not always aware of incomplete reporting. All 7 of the CMS regional offices GAO spoke with indicated that reviewing states' reporting of the return of the federal share of overpayments was a routine part of their quarterly review of the CMS-64 and helped ensure the timely return of the federal share of overpayments in 59 of the 89 audits GAO reviewed. In some cases, though, regional offices were not always aware that states' reporting was incomplete. CMS's Medicaid Integrity Group may review data from these audits on the designated line of the CMS-64, which can be an important gauge for measuring the effectiveness of CMS's efforts to reduce improper payments. However, reviewing these data would not yield a clear picture of the return of the federal share of overpayments given the errors GAO identified in state reporting.