

GAO Highlights

Highlights of [GAO-14-456](#), a report to congressional requesters

Why GAO Did This Study

Federal Medicaid expenditures totaled about \$267 billion in fiscal year 2013. With the expansion of Medicaid under the Patient Protection and Affordable Care Act and rising health care costs, the Congressional Budget Office projects that such expenditures will grow to about \$576 billion by fiscal year 2024. GAO was asked to examine variation among states in Medicaid spending and factors that influence such spending, and state approaches to setting rates per enrollee for Medicaid managed care plans.

This report examines (1) Medicaid spending per enrollee by state; (2) selected factors that influence Medicaid spending per enrollee, by state; and (3) how states account for factors that influence expected per-enrollee spending when setting rates for Medicaid managed care plans. GAO analyzed Medicaid enrollment and combined federal and state expenditure data provided by CMS for fiscal year 2008, and examined illustrative examples of factors that have been reported to influence health care spending, such as age, disability status, and scope of benefits received. GAO used 2008 data because they allowed a comparable view of spending per enrollee and factors that influence spending per enrollee—as 2008 was the most recent year for which certain data on factors influencing spending were readily available. GAO also interviewed officials in three states and five consulting firms with experience setting Medicaid managed care rates.

The Department of Health and Human Services provided technical comments on a draft of this report, which GAO incorporated as appropriate.

View [GAO-14-456](#). For more information, contact Carolyn L. Yocom, Director, Health Care, (202) 512-7114, yocomc@gao.gov.

June 2014

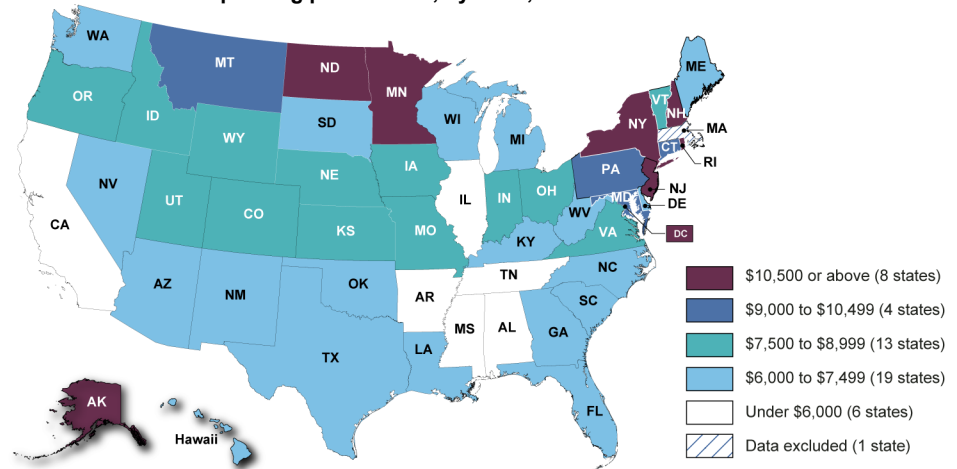
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Assessment of Variation among States in Per-Enrollee Spending

What GAO Found

Estimates of Medicaid spending developed from Centers for Medicare & Medicaid Services (CMS) data sources suggest wide variation among states in Medicaid spending per enrollee, overall and for each of four main eligibility groups—children, adults, disabled, and aged.

Estimated Medicaid Spending per Enrollee, by State, Federal Fiscal Year 2008



Sources: GAO analysis of Centers for Medicare & Medicaid Services data; Map Resources (map). | GAO-14-456

Notes: Spending per enrollee includes federal and state spending on regular Medicaid payments for covered services, as well as supplemental payments, such as payments to hospitals for low-income patients, but does not include administrative costs. Estimates also do not reflect states' subsequent changes to the spending originally reported for this year. Enrollment is measured in terms of full-year-equivalent enrollees, regardless of scope of benefits. Massachusetts was excluded because of errors in fiscal year 2008 CMS data for this state.

Although estimates of spending per enrollee are based on the best data readily available from CMS, these data do not permit full assessment of state spending variation. Limitations include the difficulty of determining spending on services enrollees received during a particular time period and lack of complete, accurate information about supplemental payments. GAO has previously recommended that CMS take steps to improve states' reporting of supplemental payments and that Congress consider requiring CMS to take such steps.

Certain factors that influence overall per-enrollee Medicaid spending, such as distribution of enrollees among eligibility groups, enrollee health service needs, and scope of benefits offered, varied widely by state. For example, in calendar year 2008, the percentage of enrollees in higher-need eligibility groups—individuals who are disabled or aged—ranged from about 15 percent to 38 percent across states.

States consider a range of demographic and health factors to predict expected spending per enrollee when setting Medicaid managed care rates. According to consulting firm officials, states often consider detailed information on enrollee health status, particularly for aged and disabled enrollees.