

GAO Highlights

Highlights of [GAO-15-746T](#), a testimony before the Subcommittee on Health, Committee on Energy and Commerce, House of Representatives

Why GAO Did This Study

The Medicaid program marks its 50th anniversary on July 30, 2015. The joint federal-state program has grown to be one of the largest sources of health care coverage and financing for a diverse low-income and medically needy population. Medicaid is a significant component of federal and state budgets, with estimated outlays of \$508 billion in fiscal year 2014, of which \$304 billion was financed by the federal government and \$204 billion by the states. The program is a federal-state partnership, and both the federal government and the states play important roles in ensuring that Medicaid is fiscally sustainable over time and effective in meeting the needs of the populations it serves. GAO considers Medicaid a high-risk program due to its size, growth, diversity, and gaps in oversight identified by GAO's work.

GAO has a large body of work on challenges facing Medicaid, and on gaps in federal oversight. This testimony addresses key issues that face the Medicaid program based on this work. It is based on GAO reports on Medicaid issued from January 2005 through June 2015, and information from the Centers for Medicare & Medicaid Services (CMS), the HHS agency that oversees Medicaid, about the status of prior GAO recommendations.

GAO has made over 80 recommendations regarding Medicaid. HHS has taken action in response to some of GAO's prior recommendations, but did not agree with others. GAO continues to believe that its recommendations have merit and should be implemented.

View [GAO-15-746T](#). For more information, contact Katherine M. Iritani at (202) 512-7114 or iritanik@gao.gov or Carolyn L. Yocom at (202) 512-7114 or yocomc@gao.gov.

July 8, 2015

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Overview of Key Issues Facing the Program

What GAO Found

GAO identified four key issues facing the Medicaid program: access to care; transparency and oversight; program integrity; and federal financing.

- **Access to care:** Medicaid enrollees report access to care that is generally comparable to privately insured individuals, but may have greater difficulty accessing specialty care (like mental health care) and dental care. GAO has recommended actions such as improving data on enrollees' access to care. CMS has issued guidance to states about reporting referrals for services, but has no plans to require states to report whether certain enrollees receive services for which they are referred, as GAO recommended.
- **Transparency and oversight:** The lack of reliable CMS data on states' financing of the non-federal share of Medicaid and program payments to providers hinders federal oversight, and GAO has recommended steps to improve data and oversight. Also, improvements are needed in the Department of Health and Human Services' (HHS) criteria, policy, and process for approving states' spending on demonstrations—state projects that may test new ways to deliver or pay for care, which have grown to account for close to one-third of federal Medicaid spending in 2014. HHS has approved demonstration spending limits that were not budget neutral to the federal government, as required by HHS policy. GAO estimated that spending limits were tens of billions of dollars higher than what spending would have been if states' existing Medicaid programs had continued. GAO has suggested that Congress consider requiring HHS to make improvements in these areas, such as by better ensuring that valid methods are used to demonstrate budget neutrality.
- **Program integrity:** The program's size and diversity make it vulnerable to improper payments, which totaled an estimated \$17.5 billion in fiscal year 2014, according to HHS. Key to ensuring the most appropriate use of funds are (1) identifying and preventing improper payments in fee-for-service and managed care, (2) setting appropriate payment rates for managed care organizations, and (3) ensuring only eligible individuals and providers participate in Medicaid. GAO has recommended steps to improve program integrity, such as by improving Medicaid managed care oversight. CMS has taken some steps, but the lack of a comprehensive program integrity strategy for managed care leaves a growing portion of Medicaid funds at risk. GAO believes that further actions, such as requiring states to conduct audits of payments to and by managed care organizations, are crucial.
- **Federal financing:** Automatic temporary increases in federal assistance during economic downturns and more equitable allocations of federal Medicaid funds to states (by better accounting for states' ability to fund Medicaid) could better align federal funding with states' needs, offering states greater fiscal stability. GAO has suggested that Congress could consider enacting a funding formula that provides automatic, targeted, and timely assistance in response to national economic downturns. GAO has also described revisions to the current funding formula that could better align federal funding with each state's resources, demand for services, and costs.