August 2019

MEDICAID

Efforts to Identify, Predict, or Manage High-Expenditure Beneficiaries

Why GAO Did This Study

Medicaid, a joint federal-state health care financing program, is one of the nation's largest sources of health care coverage for low-income and medically needy individuals. A 2016 report published by the National Governors Association noted that high-expenditure Medicaid beneficiaries typically have poorly managed chronic conditions and a host of unmet social needs that result in potentially preventable use of costly services, such as emergency department visits. The report also noted that identifying and better managing those beneficiaries are key to reducing costs and improving outcomes.

GAO was asked to examine state and federal efforts to manage costs and improve care coordination for high-expenditure Medicaid beneficiaries. This report describes (1) approaches selected states used to identify or predict high-expenditure Medicaid beneficiaries; (2) strategies selected states used to manage beneficiaries' health care costs while ensuring quality of care; and (3) resources CMS provided to states to help them identify, predict, or better manage high-expenditure beneficiaries.

GAO interviewed officials from CMS, as well as Medicaid officials from a nongeneralizable sample of seven states (Indiana, Nevada, Pennsylvania, South Carolina, South Dakota, Vermont, and Washington) and five MCOs. States were selected for variation in their total Medicaid enrollment, enrollment in Medicaid managed care, percentage of state population living in rural settings, and percentage of state population with disabilities. MCOs were selected based on state suggestions, and varied in terms of whether they operated nationally or on a state or regional basis.

View GAO-19-569. For more information, contact Carolyn L. Yocom at (202) 512-7114 or yocomc@gao.gov.

What GAO Found

GAO previously reported that in fiscal years 2009 through 2011, the most expensive 5 percent of Medicaid beneficiaries accounted for nearly half of the expenditures for all beneficiaries; others have also found that a small percentage of beneficiaries account for a disproportionately large share of Medicaid program expenditures. These high-expenditure beneficiaries are an extremely diverse population with varying needs. GAO found that the seven selected states identified or predicted high-expenditure Medicaid beneficiaries using statistics and other approaches. For example, states used risk scores, which estimate an individual beneficiary's expected health care expenditures relative to the average expenditures for beneficiaries in the group. Other approaches included examining service utilization data to identify statistical outliers and using diagnoses, service utilization and claims expenditure thresholds, or clinical judgment to identify or predict high-expenditure beneficiaries.

To manage costs and ensure quality of care for high-expenditure beneficiaries, the seven selected states used care management and other strategies.

- **Care management**. All the selected states provided care management—providing various types of assistance such as coordinating care across different providers to manage physical and mental health conditions more effectively—for beneficiaries in their fee-for-service delivery systems. Five of the states also contracted with managed care organizations (MCO) to deliver services for a fixed payment and required the MCOs to ensure the provision of care management services to high-expenditure beneficiaries.
- **Other strategies**. Some of the seven selected states used additional strategies to manage care for high-expenditure beneficiaries. For example, Indiana officials described a program to restrict, or "lock in," a beneficiary who has demonstrated a pattern of high utilization to a single primary care provider, hospital, and pharmacy, if other efforts to change the beneficiary's high utilization were unsuccessful.

The Centers for Medicare & Medicaid Services (CMS), which oversees the Medicaid program at the federal level, offered optional tools and other resources to support states' efforts to identify or better manage high-expenditure beneficiaries. For example, CMS officials said states received access to resources and technical assistance on establishing health home programs—which seek to better coordinate care for those with chronic conditions—including how to focus on high-expenditure beneficiaries. CMS officials noted that they supported 23 states' and the District of Columbia's health home programs. CMS also offered several resources that, while not designed specifically to target high-expenditure beneficiaries, have been used to support states in identifying or better managing their care. For example, CMS's Medicaid Innovation Accelerator Program offered targeted technical support to states' Medicaid agencies in building their data analytic capacity as they designed and implemented delivery system reforms, which could be used to identify high-expenditure beneficiaries. Officials in two selected states reported that these tools were beneficial for managing the health care costs associated with high-expenditure beneficiaries. HHS provided technical comments, which GAO incorporated as appropriate.

_____ **United States Government Accountability Office**