Medicaid: Key Issues Facing the Program

Presentation for
The Council of State Governments
September 23, 2015

Carolyn L. Yocom, Director
U.S. Government Accountability Office
Overview

• GAO’s role
• Key issues facing Medicaid
• Changes with implications for federal oversight
• Coming soon
• Questions
GAO’s Role

• The U.S. Government Accountability Office (GAO) is an independent, nonpartisan agency that gathers information for Congress.

• GAO investigates how the federal government spends taxpayer dollars. Our work is generated through
  • mandates in public laws or committee reports,
  • congressional requests, and
  • Comptroller General authority.
GAO and the States

- Information from states is essential to providing full, accurate, and complete information to Congress.

- State selection
  - The typical GAO study includes outreach to about 8 states.
  - Selection process uses multiple factors according to the best needs of each study.
  - We try to balance state outreach so as to not “overuse” any particular state.
  - Combine interviews and data requests whenever possible.
Types of GAO Work

Reports and testimonies advise Congress and the heads of agencies about ways to make government more efficient, effective, ethical, equitable, and responsive.

Programs needing continued attention due to high risk factors, including vulnerability to waste, fraud, and abuse.

Annual report on areas where the federal government could reduce duplication and achieve cost savings.
July 2015 Report: Key Issues Facing Medicaid

- GAO reported on
  1. key issues that face the Medicaid program based on GAO’s work, and
  2. program and other changes with implications for federal oversight.
- GAO reviewed reports issued from January 2005 through July 2015, reviewed Centers for Medicare & Medicaid Services (CMS) documents, and interviewed CMS officials.

Note:
A state wishing to make amendments to its state Medicaid plan must seek CMS approval. A state wishing to change its Medicaid program in ways that deviate from certain federal requirements may seek to do so through a Medicaid demonstration outside of its state Medicaid plan.
What GAO Found

Key Issues Facing the Medicaid Program

- Maintaining and Improving Access to Quality Care
- Ensuring Fiscal Accountability through Increased Transparency and Improved Oversight
- Improving Program Integrity
- Addressing Variations in States’ Financing Needs through Revised Federal Financing Approach

Source: GAO. | GAO-15-677
Access to Care

Medicaid enrollees report access generally comparable to the privately insured, but some face particular access challenges.
Access to Care

Specialty Physicians’ Acceptance of Children as New Patients, and Physicians’ Level of Difficulty Referring Children for Specialty Care (among Physicians Participating in Medicaid), 2010

**Specialty care physicians’ acceptance of new patients**

- Medicaid: 45%, All; 4%, Some; 51%, None
- Private Insurance: 16%, All; 84%, None

**Difficulties with specialty referrals**

- Medicaid: 50%, Great difficulty; 16%, Some difficulty; 34%, No difficulty
- Private Insurance: 75%, Great difficulty; 25%, Some difficulty; 1%, No difficulty

Source: GAO | GAO-15-677
Access to Care

Better data needed to help assess and improve Medicaid enrollees’ access to care.

Adult Total Professional Service Utilization in Selected States, 2010
Transparency and Oversight

Data limitations hinder oversight

• Lack of provider-specific data on supplemental and other payments.
• Issues with existing data sets:
  • MSIS
  • CMS-64
• CMS actions to improve data:
  • DSH audits
  • T-MSIS
• GAO recommended that CMS
  • require provider-specific reporting of all payments, and
  • develop a policy and process for reviewing the economy and efficiency of these payments.

Source: GAO-15-677
Transparency and Oversight

Economy & Efficiency: Two local government hospitals received Medicaid payments exceeding their total operating costs.

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Payments</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital 1</td>
<td>$231,997,347</td>
<td>$21,362,047</td>
</tr>
<tr>
<td>Hospital 2</td>
<td>$254,028,816</td>
<td>$67,562,956</td>
</tr>
<tr>
<td>Hospital 3</td>
<td>$1,225,336</td>
<td>$959,883</td>
</tr>
<tr>
<td>Hospital 4</td>
<td>$954,547</td>
<td>$830,433</td>
</tr>
<tr>
<td>Hospital 5</td>
<td>$3,229,231</td>
<td>$4,207,888</td>
</tr>
<tr>
<td>Hospital 6</td>
<td>$4,763,149</td>
<td>$7,739,530</td>
</tr>
<tr>
<td>Hospital 7</td>
<td>$23,497,031</td>
<td>$32,356,999</td>
</tr>
<tr>
<td>Hospital 8</td>
<td>$125,731,870</td>
<td>$191,076,400</td>
</tr>
<tr>
<td>Hospital 9</td>
<td>$72,186,424</td>
<td>$161,636,494</td>
</tr>
</tbody>
</table>

Payments less than Medicaid costs

Payments greater than Medicaid costs

These two local government hospitals received total Medicaid payments that exceeded their Medicaid costs – and exceeded the hospitals’ total operating costs.

Sources: GAO analysis of data from Centers for Medicare & Medicaid Services (inpatient hospital claims) and New York (hospital ownership, supplemental payments, and Medicaid Cost Reports).

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Payments</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital 1</td>
<td>$210,635,300</td>
<td>$186,465,860</td>
</tr>
<tr>
<td>Hospital 2</td>
<td>$265,453</td>
<td>$124,114</td>
</tr>
<tr>
<td>Hospital 3</td>
<td>$976,657</td>
<td>$2,956,381</td>
</tr>
<tr>
<td>Hospital 4</td>
<td>$8,859,968</td>
<td>$65,344,530</td>
</tr>
<tr>
<td>Hospital 5</td>
<td>$89,450,070</td>
<td></td>
</tr>
</tbody>
</table>
Transparency and Oversight

Supplemental and Other Payments: Financing the Nonfederal Share

Sources of funds from health care providers to finance the nonfederal share:
- Provider taxes (taxes states levy on providers, such as hospitals)

Sources of funds from local governments to finance the nonfederal share:
- Intergovernmental transfers (transfers of funds to the state Medicaid agency)
- Certified public expenditures (certifications that document Medicaid spending)

Source: GAO  |  GAO-15-677
Transparency and Oversight

Nursing facilities had $105 million net payment increase ($220 million payment increase minus $115 million paid in provider taxes)

State contributed $5 million less in state general funds to the non-federal share of Medicaid nursing facility payments

Federal government contributed an estimated $110 million more towards the federal share of Medicaid nursing facility payments

Source: GAO. | GAO-15-677
Transparency and Oversight

Improving HHS’s review and approval process for demonstration spending may prevent unnecessary federal spending.

• Key challenges
  • Rapid spending growth.
  • Demonstration spending not always budget neutral or clearly related to Medicaid program objectives.
  • Gaps in HHS’s approval process.

• GAO recommended HHS improve the criteria, process, and transparency of its approvals.

Source: GAO-15-677
Program Integrity

Additional actions needed to identify and prevent improper payments.

• Coordinating to minimize duplication and ensure coverage, including of growing Medicaid managed care expenditures.
• Identifying cost-effective efforts.
• Ensuring Medicaid remains a payer of last resort.
Federal and Non-Federal Entities with Primary Oversight Responsibilities for Medicaid Program Integrity: Coordination Matters!
Program Integrity

Third-Party Liability

Estimated Prevalence of Private Health Insurance among Medicaid Enrollees by Eligibility Category, 2012

<table>
<thead>
<tr>
<th>Medicaid Eligibility Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children</td>
<td>8.4</td>
</tr>
<tr>
<td>Adults</td>
<td>12.4</td>
</tr>
<tr>
<td>Disabled</td>
<td>13.2</td>
</tr>
<tr>
<td>Aged</td>
<td>34.6</td>
</tr>
<tr>
<td>All Enrollees</td>
<td>13.4</td>
</tr>
</tbody>
</table>

Source: GAO analysis of 2012 U.S. Census Bureau data. | GAO-15-677
Program Integrity

Ongoing efforts to improve oversight of managed care important for ensuring appropriate rates

• 2010 review identified problems with CMS oversight of states’ rate setting.
• GAO recommended CMS
  • implement a mechanism to track state compliance,
  • clarify guidance on rate setting reviews, and
  • use information on data quality to assess capitation rates.
• Related CMS actions include
  • new database to track contracts,
  • new guidance on rate setting, and
  • June 2015 proposed rule.

Source: GAO-15-677
Program Integrity

Ensuring only eligible individuals and providers participate in Medicaid

<table>
<thead>
<tr>
<th>Potential improper payment indicator</th>
<th>Approximate number of enrollees receiving benefits or providers delivering services</th>
<th>Estimate of total Medicaid benefits paid (dollars in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beneficiary indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concurrent benefits paid by 2+ states</td>
<td>8,600</td>
<td>$18.3</td>
</tr>
<tr>
<td>Deceased</td>
<td>200</td>
<td>9.6</td>
</tr>
<tr>
<td>Incarcerated</td>
<td>3,600</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Provider indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suspended or revoked licenses (at least one state)</td>
<td>90</td>
<td>$2.8</td>
</tr>
<tr>
<td>Commercial Mail Receiving Agency (virtual address)</td>
<td>220</td>
<td>$0.3</td>
</tr>
<tr>
<td>Deceased</td>
<td>50</td>
<td>$0.2</td>
</tr>
<tr>
<td>Excluded</td>
<td>50</td>
<td>$0.1</td>
</tr>
</tbody>
</table>

Source: GAO analysis of data provided by the Centers for Medicare & Medicaid Services, four state Medicaid programs, and other sources | GAO-15-313
Federal Financing Approach

More timely and targeted federal assistance would better aid states during economic downturns.

• Prior congressional efforts to provide states with temporary increases in the FMAP were not as responsive to states’ economic conditions as they could have been.
• GAO identified opportunities to improve the timing, amount, and duration of assistance, including
  • automatic and timely trigger for starting assistance,
  • targeted assistance based on state needs, and
  • timely and tapered end of assistance.

Source: GAO-15-677
Federal Financing Approach

Percentage Change in Medicaid Enrollment, Dec. 2007-Dec. 2009

Sources: GAO analysis of state reported Medicaid enrollment (data). Map Resources (map). | GAO-15-677
Federal Financing Approach

More equitable funding formula would better reflect states’ varying ability to fund Medicaid.

• GAO has found that the FMAP formula—which relies on per-capita income to calculate a state’s federal matching rate—does not adequately address variation in the demand for services, geographic cost differences, and state resources.

• GAO identified multiple alternative data sources that could be used to allocating Medicaid funds more equitably among states.

Source: GAO-15-677
## Federal Financing Approach

<table>
<thead>
<tr>
<th>Measure</th>
<th>Examples of possible data sources</th>
<th>How measures could improve equity across states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand for services</td>
<td>U.S. Census Bureau’s American Community Survey and Current Population Survey</td>
<td>• Directly estimate the number of persons in each state with incomes low enough to qualify for Medicaid.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Estimates can be adjusted to reflect variation in health service needs within this population.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Accounts for the cost of personnel who provide health care services (the greatest share of costs).</td>
</tr>
<tr>
<td>State resources</td>
<td>Department of Treasury’s Total Taxable Resources</td>
<td>• Includes all types of income, unaffected by a state’s taxing authorities or policies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• In addition to per capita income, adds other sources of taxable income.</td>
</tr>
</tbody>
</table>
Medicaid’s Ongoing Transformation Highlights the Importance of Federal and State Oversight

- Emerging changes brought on by the Patient Protection and Affordable Care Act (PPACA)
  - Enrollment processes
  - Increased enrollment
  - Increased spending
- Other factors include
  - Increased demonstration spending
  - Changes in states’ delivery systems (e.g. managed care growth; and new models for health care delivery systems, such as for long-term services and supports)
  - New technology

Source: GAO-15-677
Coming Soon

- Medicaid Managed Care
- Medicaid Enrollees and Expenditures
- Medicaid and Interactions with the Exchanges
- Program Integrity in Managed Care
- Medicaid Personal Care Services
- Medicaid and CHIP in the Territories
- Non-Emergency Medical Transportation