

Why GAO Did This Study

Medicaid has been on GAO's High Risk List since 2003, in part due to concerns about the adequacy of fiscal oversight.

GAO was asked to review the Medicaid RAC program. This report (1) describes the status of states' use of the program, (2) evaluates CMS's oversight of states' Medicaid RAC programs, and (3) evaluates any opportunities for CMS to improve the program.

To do so, GAO analyzed statutes, regulations, policies, guidance, and CMS reports related to recovery audit contractors. GAO examined certain documents covering the Medicaid RAC program for all states and the District of Columbia, during fiscal year 2021 and interviewed CMS and state officials from a nongeneralizable sample of 11 states.

What GAO Recommends

GAO is making four recommendations, including that CMS establish and implement written policies and procedures to document and communicate an expiration date for full exemption from the Medicaid RAC program, and conduct a cost-effectiveness study to determine whether states should include payments to managed care organizations as part of the program. CMS concurred with two, partially concurred with one, and disagreed with one of GAO's recommendations. GAO continues to believe that all of the recommendations are warranted.

View [GAO-23-106025](#). For more information, contact M. Hannah Padilla at (202) 512-5683 or padillah@gao.gov.

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CMS Oversight and Guidance Could Improve Recovery Audit Contractor Program

What GAO Found

The Patient Protection and Affordable Care Act established the Medicaid Recovery Audit Contractor (RAC) program to identify overpayments and underpayments and recoup overpayments. The act allowed the Centers for Medicare & Medicaid Services (CMS) to permit exceptions and exemptions to Medicaid RAC program requirements. GAO's review found that 34 states and the District of Columbia did not participate in this program during fiscal year 2021. Most states cited having other program-integrity initiatives as the reason for requesting an exemption, as shown in the table.

Reasons for State Exemption from the Medicaid Recovery Audit Contractor Program in Fiscal Year 2021

| Reasons for exemption approved by Centers for Medicare & Medicaid Services | Number of states not-participating in the program for exemption reason (population: 35 states) ^a |
|--|---|
| State has other program integrity initiatives | 25 |
| State could not procure a recovery audit contractor | 22 |
| State Medicaid population is predominantly enrolled in managed care | 20 |

Source: GAO analysis of the 50 states' and the District of Columbia's state plan amendments. | GAO-23-106025

^aStates include the District of Columbia. In addition, states may have more than one reason for exemption, but any single approved reason could result in a full exemption.

CMS did not consistently establish or communicate the expiration of its approvals for full exemption from the Medicaid RAC program. CMS officials stated that it is their process to not give states a permanent full exemption, but instead include a 2-year expiration date on their approval. However, CMS does not have written procedures for documenting and monitoring expiration dates. GAO found nine states without a CMS-documented expiration date, and an additional 18 nonparticipating states with expired approvals. As a result, CMS may not be determining whether states warrant full exemptions and may be missing opportunities to collect overpayments.

CMS has an opportunity to improve the program by conducting a cost-effectiveness study on including managed care, which is a system in which states make fixed payments to managed-care plans to provide health care services. Since 2011, CMS has not determined whether the inclusion of managed care payments in the Medicaid RAC program would be cost effective. However, states that have elected to use recovery audit contractors to review managed care have reported collecting overpayments, including one selected state that reported collecting more than \$177 million in overpayments in 1 year. This suggests that RACs' review of managed care claims could result in recoveries. If CMS were to conduct a study to determine the cost-effectiveness of expanding the program to include managed care, the federal government may identify additional opportunities to recover Medicaid overpayments.