GAO Highlights

Highlights of GAO-14-341, a report to the Committee on Finance, U.S. Senate

May 2014

MEDICAID PROGRAM INTEGRITY

Increased Oversight Needed to Ensure Integrity of Growing Managed Care Expenditures

Why GAO Did This Study

In fiscal year 2013, the Medicaid program covered about 71.7 million individuals at a cost of $431.1 billion, of which CMS estimated that $14.4 billion (5.8 percent) were improper payments. Multiple state and federal entities are involved in program integrity efforts, such as payment review, auditing, and investigating fraud. GAO was asked to examine how these entities ensure comprehensive Medicaid program integrity. This report examines state and federal roles and responsibilities to identify potential (1) gaps in efforts to ensure Medicaid program integrity coverage; and (2) fragmentation, overlap, or duplication of program integrity efforts, and efforts to coordinate activities. GAO examined relevant federal laws and regulations, CMS guidance, and state program integrity reviews. GAO also interviewed officials from CMS and HHS's Office of Inspector General, as well as PI unit and MFCU officials from seven states.

What GAO Recommends

GAO recommends that CMS increase its oversight of program integrity efforts by requiring states to audit payments to and by MCOs; updating its guidance on Medicaid managed care program integrity; and providing states additional support for managed care oversight, such as audit assistance from existing contractors. In its comments, HHS asked for clarification on the first recommendation and concurred with the other two. In response, GAO clarified its first recommendation—that CMS take the added step of requiring states to audit the appropriateness of payments to and by MCOs to better ensure Medicaid program integrity.

View GAO-14-341. For more information, contact Carolyn L. Yocom at (202) 512-7114 or yocomc@gao.gov.

What GAO Found

GAO identified a gap in state and federal efforts to ensure Medicaid managed care program integrity. Federal laws require the states and the Centers for Medicare & Medicaid Services (CMS) to ensure the integrity of the Medicaid program, including payments under Medicaid managed care, which are growing at a faster rate than payments under fee-for-service (FFS). However, five state program integrity (PI) units and four Medicaid Fraud Control Units (MFCU) from the seven states included in GAO's review said they primarily focus their efforts on Medicaid FFS claims and have not begun to closely examine program integrity in Medicaid managed care. In addition, federal entities have taken few steps to address Medicaid managed care program integrity.

- CMS, the federal agency within the Department of Health and Human Services (HHS) that oversees Medicaid has largely delegated managed care program integrity oversight activities to the states, but has not updated its program integrity guidance since 2000.
- Additionally, CMS does not require states to audit managed care payments, and state officials GAO interviewed said they require additional CMS support, such as additional guidance and the option to obtain audit assistance from existing Medicaid integrity contractors in overseeing Medicaid managed care program integrity.

The involvement of multiple entities in conducting post-payment reviews, audits, and investigations has resulted in fragmented program integrity efforts; yet the effects of fragmentation are unclear. As GAO has found in past work, coordinating activities can alleviate many problems created by fragmentation, thus allowing entities to avoid unnecessary duplication and overlap. Most of the program integrity officials from the seven states GAO included in this review said that coordination efforts helped them manage overlap and avoid unnecessary duplication; however some officials said that coordination presented additional challenges for time and staff resources. Given that combined federal and state efforts have recovered only a small portion of the estimated improper payments, continued monitoring of federal and state program integrity efforts in Medicaid will be an important means of assessing whether the current structure is effective.

Because of the gap GAO identified between state and federal program integrity efforts in managed care, neither state nor federal entities are well positioned to identify improper payments made to managed care organizations (MCOs), nor are they able to ensure that MCOs are taking appropriate actions to identify, prevent, or discourage improper payments. Improving federal and state efforts to strengthen Medicaid managed care program integrity takes on greater urgency as states that choose to expand their Medicaid programs under the Patient Protection and Affordable Care Act are likely to do so with managed care arrangements, and will receive a 100 percent federal match for newly eligible individuals from 2014 through 2016. Unless CMS takes a larger role in holding states accountable, and provides guidance and support to states to ensure adequate program integrity efforts in Medicaid managed care, the gap between state and federal efforts to monitor managed care program integrity will leave a growing portion of federal Medicaid dollars vulnerable to improper payments.