

Scope and Methods for Federal Medicaid Audits

Presentation for
Pacific Northwest Intergovernmental Audit Forum
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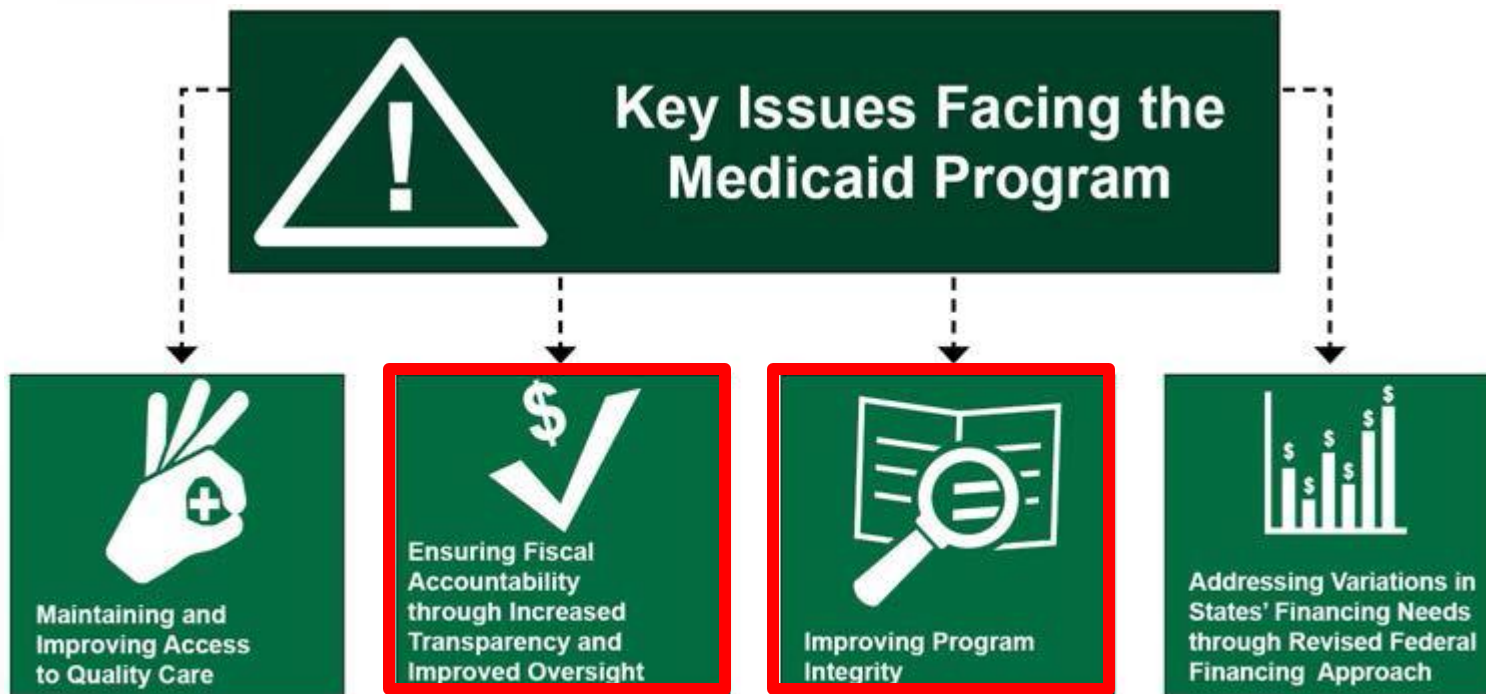
Overview

- Background on Medicaid
- GAO Audits of Medicaid
- Factors to Consider in Designing Audit Approach
- Examples of Medicaid Scope and Methods
 - Audit 1
 - Audit 2
- Related GAO Work

Background on Medicaid

- In fiscal year 2018, Medicaid
 - covered an estimated 75 million low-income and medically needy individuals at a cost of \$629 billion.
 - \$393 billion was financed by the federal government.
- Services are increasingly delivered through managed care, under which organizations are paid a set amount per beneficiary for care

GAO Audits of Medicaid



Source: GAO. | GAO-15-677

Factors to Consider in Designing Audit Approach

- Topic or Issue being reviewed
- Availability of Data
- Timeframes
- Resources

Audit 1: Medicaid Financing

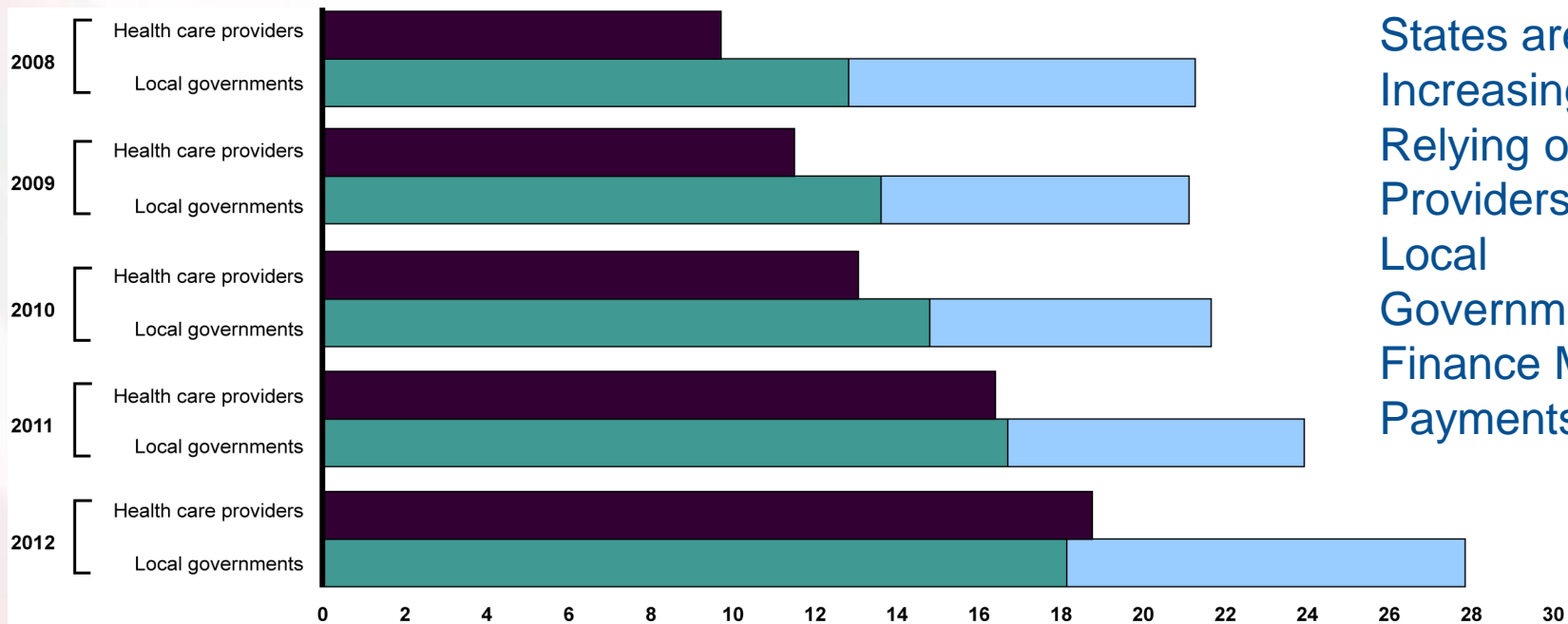
- Background on the Issue

- Request

- Scope and Methods:
 - National survey

 - In-depth review in selected states

Survey Findings



States are increasingly relying on Providers and Local Governments to Finance Medicaid Payments

Dollar amount in billions

Sources of funds from health care providers to finance the nonfederal share:

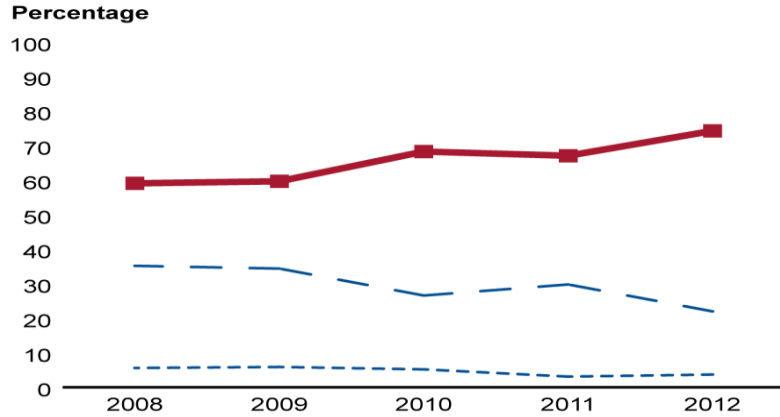
Provider taxes (taxes states levy on providers, such as hospitals)^a

Sources of funds from local governments to finance the nonfederal share:

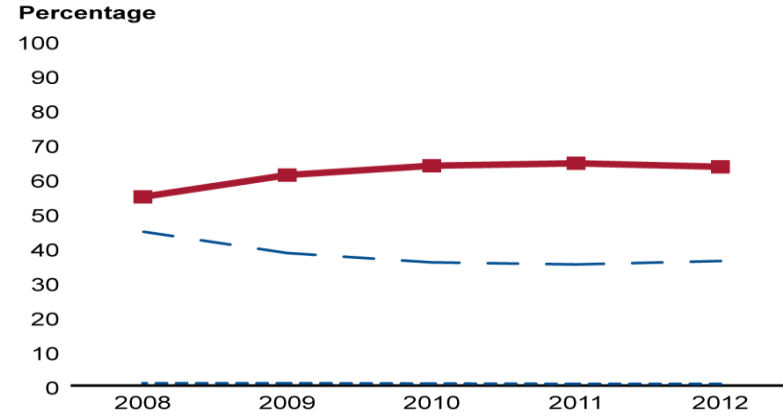
Intergovernmental transfers (transfers of funds to the state Medicaid agency)

Certified public expenditures (certifications that document Medicaid spending)

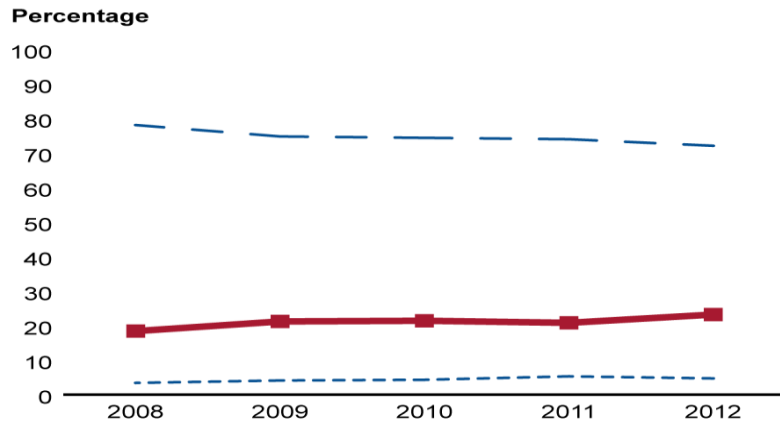
Non-Disproportionate Share Hospital (DSH) supplemental payments



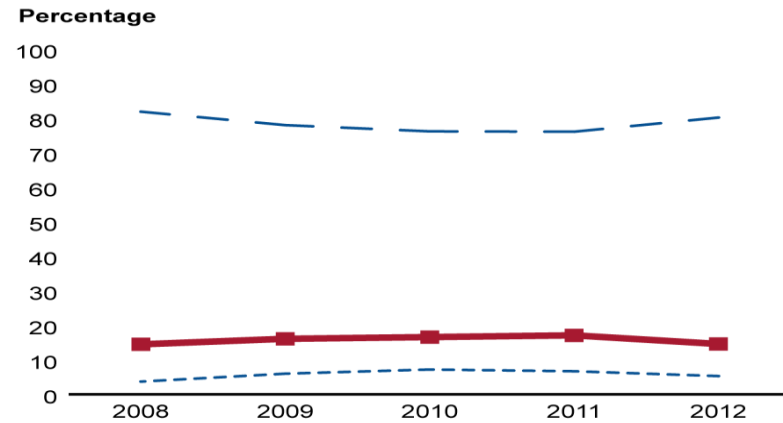
DSH supplemental payments



Fee-for-service Medicaid payments



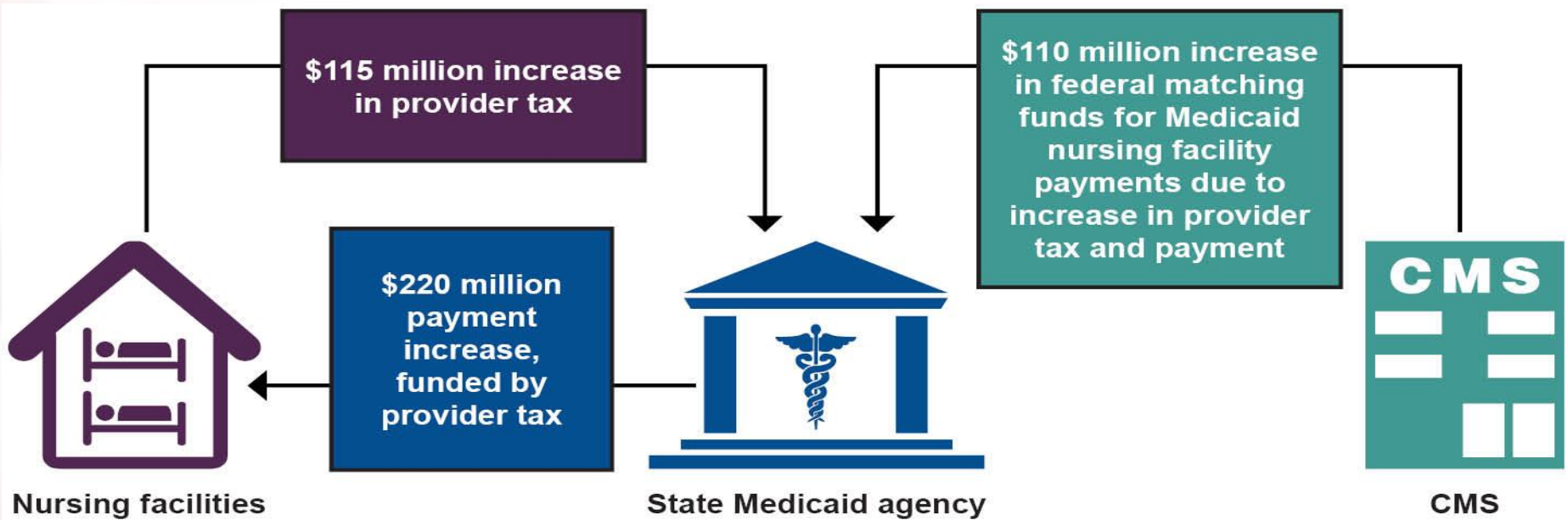
Capitation payments to managed care organizations



- Health care providers and local governments
- - - State funds^a
- · · Other sources of funds^b

Source: GAO. | GAO-14-627

Finding from a State Case Study



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^a

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

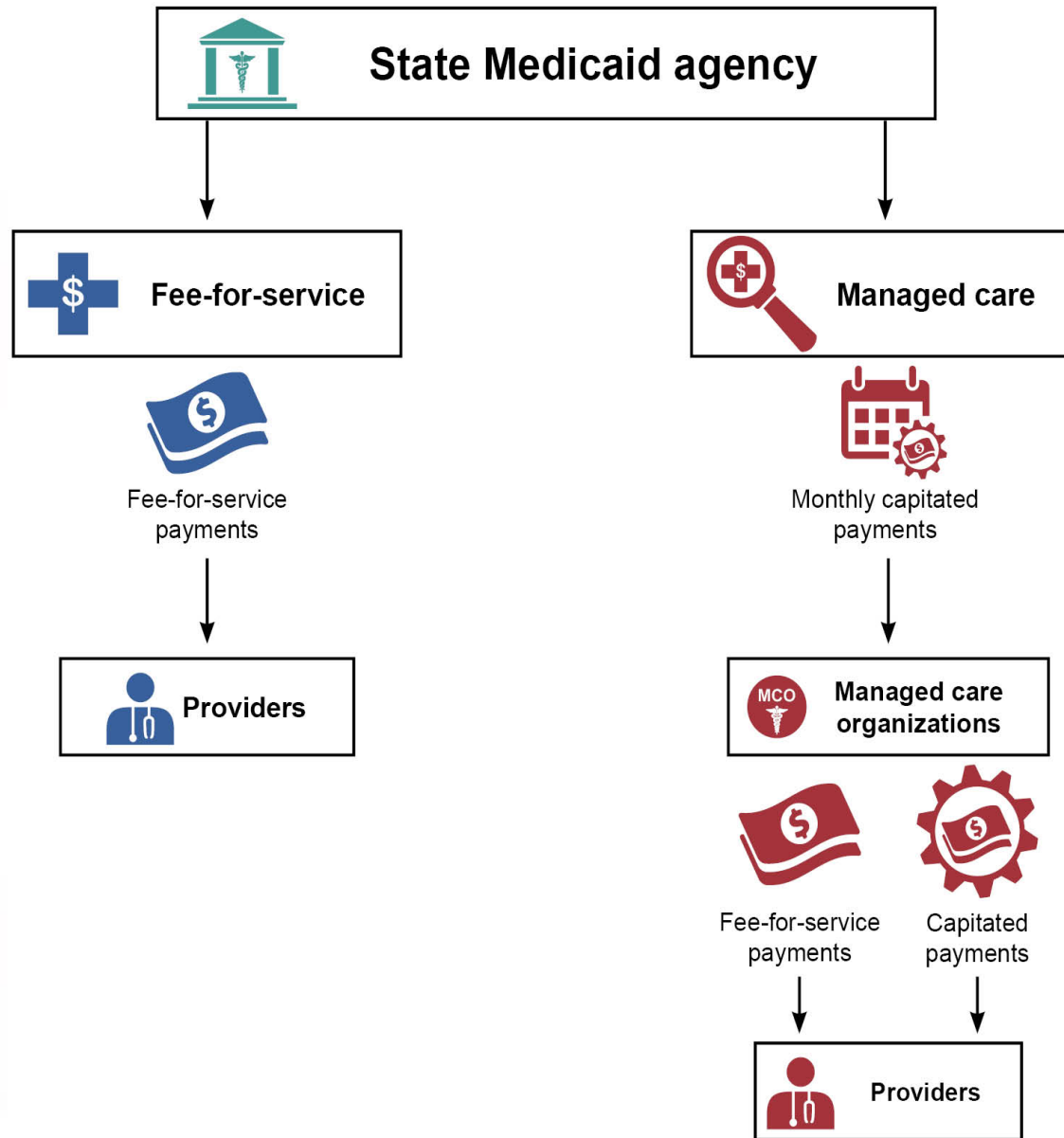
Audit 2: Payment Risk in Medicaid Managed Care

- Background on the Issue

- Request

- Scope and Methods:
 - Literature review

 - Standardized data collection from key stakeholders in selected states



Source: GAO. | GAO-18-528

Payment Risks: State Medicaid Payments to Managed Care Organizations (MCO)

	PAYMENT RISK	GENERAL DESCRIPTION
	Improper state capitation payments	State makes monthly capitation payments to an MCO for beneficiaries who are ineligible for Medicaid, not enrolled in Medicaid or who have died.
	Inaccurate state capitation rates	State establishes capitation rates that are inaccurate, primarily due to issues with the data used to set the rates. ^a
	State payments to noncompliant MCO	State makes monthly capitation payments to an MCO for beneficiaries even though the MCO has not fulfilled state contract requirements. ^b
	Duplicate state payments	State makes duplicate payments—for example, when a health care provider submits a fee-for-service claim to the state Medicaid program for services that were covered by the MCO contract.

Source: GAO analysis of audit and other reports. | GAO-18-528

Payment Risks: MCO Payments to Providers

	PAYMENT RISK	GENERAL DESCRIPTION
	Incorrect MCO fee-for-service payments	MCO pays providers for improper or false claims, such as claims for services (a) not provided, or provided by ineligible providers, or (b) that represent inappropriate billing, such as billing individually for bundled services or for a higher intensity of services than needed.
	Incorrect MCO capitation payments	MCO pays providers without assurance they have provided needed services. ^a

Source: GAO analysis of audit and other reports. | GAO-18-528

PAYMENT RISK

LEVELS OF RISK CITED BY STAKEHOLDERS

Incorrect managed care organization (MCO) fee-for-service payments



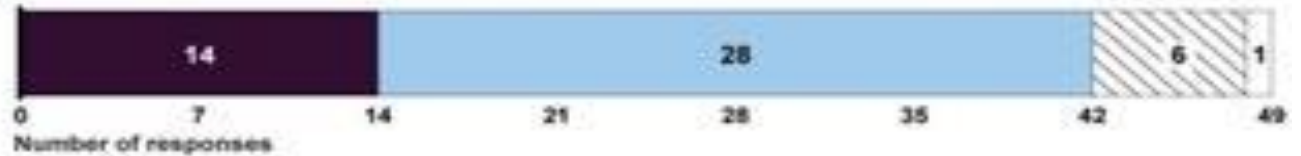
Inaccurate state capitation rates



Improper state capitation payments



State payments to noncompliant MCO



Incorrect MCO capitation payments



Duplicate state payments



High/some risk
 Low risk
 Don't know
 Not applicable

Related GAO Work

Audit 1

Medicaid Financing: States' Increased Reliance on Funds from Health Care Providers and Local Governments Warrants Improved CMS Data Collection, GAO-14-627 (Washington, D.C.: July 29, 2014)

Audit 2

Medicaid Managed Care: Improvements Needed to Better Oversee Payment Risks, GAO-18-528 (Washington, D.C.: July 26, 2018)