

Why GAO Did This Study

Medicaid—a joint federal-state health care financing program—is administered at the state level and overseen at the federal level by CMS. Since 2003, GAO has designated Medicaid as a high-risk program due to concerns related to adequacy of fiscal oversight, among other concerns. The Medicaid program has evolved considerably in areas such as eligibility, service delivery, and payment methods. Given these and other changes to Medicaid over time, stakeholders have questions about the impact of the range and complexity of federal Medicaid policies on states' ability to efficiently administer their programs.

GAO was asked to assess a range of federal Medicaid policies. This report describes (1) states' perspectives on any challenges related to federal Medicaid policies, including laws, regulations, and procedures; and (2) considerations for any related federal action to address the identified challenges.

GAO interviewed Medicaid officials from 50 states and the District of Columbia to obtain information on challenges related to Medicaid program areas, Medicaid waiver processes, and Medicaid reporting requirements. GAO also obtained input from CMS officials on state-identified challenges, reviewed CMS documents and prior GAO work, and reviewed publications from organizations representing Medicaid providers and beneficiaries.

The Department of Health and Human Services provided technical comments on a draft of this report, which GAO incorporated as appropriate.

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MEDICAID

State Views on Program Administration Challenges

What GAO Found

In interviews with GAO, a majority of Medicaid officials from the 50 states and the District of Columbia (hereafter, states) identified federal Medicaid policies—including laws, regulations, and procedures—in four program areas that posed a significant or moderate challenge to effective program administration. Of note:

- **Coverage exclusions and care coordination.** Officials from 47 states identified challenges with a policy that generally excludes Medicaid coverage for residents of institutions for mental diseases. State officials cited this coverage exclusion as a barrier to their ability to use Medicaid funds to provide a full continuum of care to beneficiaries with complex health care needs, including mental health or substance use treatment needs.
- **Covered benefits and eligibility.** Officials from 39 states identified challenges related to the requirement for coverage of outpatient prescription drugs, noting that newer drugs are often higher cost and may not yet have an established clinical benefit.
- **Medicare and Medicaid alignment.** Officials from 42 states identified challenges related to integrating care for beneficiaries eligible for both Medicare and Medicaid, due in part to differences between the programs.
- **Payment methods.** Officials from 27 states identified challenges with the requirement to pay federally qualified health centers and rural health clinics based on historic costs, citing higher payments than for other providers.

State officials also reported challenges with the processes for obtaining federal approval to waive certain statutory Medicaid requirements, citing lengthy delays and insufficient guidance. Finally, state officials identified challenges with some federal reporting requirements, including concerns about whether certain reported data are useful for program oversight.

The Centers for Medicare & Medicaid Services (CMS) recognizes many of the challenges identified by state officials and has taken steps to address some of them. Based on its prior work and the perspectives of others, GAO identified broader considerations for any potential federal actions to address these challenges, including tradeoffs and considerations related to the following:

- **Targeting oversight to critical areas.** GAO, state officials, and others noted the importance of targeting federal oversight to ensure beneficiary access and quality of care. In addition, GAO's prior work identified the need to target oversight to reduce improper payments and manage other program risks.
- **Leveraging Medicaid data.** Accurate and complete data on key measures—such as beneficiary access, service use, and related costs—are critical for informing any potential change to Medicaid policies.
- **Balancing federal oversight with state flexibility.** Balancing states' ongoing efforts to waive statutory requirements with an appropriate level of oversight is another consideration. GAO's prior work has identified multiple instances where improved oversight of such efforts was warranted.