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MEDICAID

CMS Oversight of Provider Payments Is Hampered by Limited Data and Unclear Policy

GAO Highlights

Highlights of GAO-15-322, a report to congressional requesters

Why GAO Did This Study

Under Medicaid, a joint federal-state program, states pay health care providers and receive federal matching funds for their payments. States may have incentives to make excessive Medicaid payments to certain institutional providers such as hospitals operated by local governments. Medicaid payments are not limited to providers' costs, but federal law requires they be economical and efficient. Large payments that exceed costs raise questions as to whether the payments are for Medicaid purposes.

GAO was asked to review state Medicaid payments to government providers compared to private, that is, for-profit and non-profit providers. GAO examined (1) in selected states, how state Medicaid payments to government hospitals compare to those made to private hospitals, and, for selected hospitals, to their Medicaid costs and total hospital operating costs; and (2) CMS oversight. GAO assessed hospital payments by ownership for three states selected in part based on size and geographic diversity, reviewed laws, regulations, guidance, and other documents, and interviewed CMS and state officials.

What GAO Recommends

GAO recommends that CMS take steps to ensure states report provider-specific payment data, establish criteria for assessing payments to individual providers, develop a process to identify and review payments to individual providers, and expedite its review of the appropriateness of New York's hospital payments. HHS concurred with the recommendations.

View GAO-15-322. For more information, contact Katherine M. Iritani at (202) 512-7114 or iritanik@gao.gov.

What GAO Found

GAO's assessment of Medicaid payments to government and private hospitals in three selected states was hampered by inaccurate and incomplete data on payments. States must capture but are not required to report all payments they make to individual institutional providers, nor are states required to report ownership information. For example, large supplemental payments states often make to hospitals are not reported by hospital. GAO assessed data for hospitals in two of three selected states, Illinois and New York; the third state, California, did not have accurate or complete payment data that would allow an assessment of total payments made to individual hospitals. In the two states, GAO's estimates of average daily payments—total payments adjusted for differences in patient health, divided by patient days—made to government and private hospitals showed inconclusive trends, but also identified that a small number of government hospitals were receiving high payments that warrant oversight.

- In Illinois, average daily payments for inpatient services were comparable for government and private hospitals, but these averages masked wide variations in daily payments for both types of hospitals. Daily payments ranged from less than $600 to almost $10,000 for local government hospitals and from $750 to over $11,000 for private hospitals. For seven hospitals with high daily payments, GAO examined how payments compared to each hospital's costs of providing Medicaid services as reported by the hospital in cost reports and found that six of the seven hospitals' Medicaid payments exceeded their Medicaid costs.
- In New York, average daily payments were higher for government hospitals than private hospitals, but as with Illinois these averages masked wide variations, with daily payments ranging from about $200 to over $9,000 for local government hospitals and from less than $200 to $3,400 for private hospitals. Four of nine selected government and private hospitals with high daily payments had Medicaid payments that exceeded Medicaid costs: two were local government hospitals that, all together, received payments exceeding their costs by nearly $400 million.

One selected hospital in Illinois and two in New York had Medicaid payments that exceeded the local government hospitals' total operating costs, including costs associated with all services provided to all patients they served.

Oversight of Medicaid payments to individual hospitals and other institutional providers, which is the responsibility of the Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services (CMS), is limited in part by insufficient information on payments and also by the lack of a policy and process for assessing payments to individual providers. CMS does not collect provider-specific payment and ownership information. CMS also lacks a policy and standard process for determining whether Medicaid payments to individual providers are economical and efficient. Excessive state payments to individual providers may not be identified or examined by CMS. For example, CMS's oversight mechanisms did not identify large overpayments to two New York hospitals until they were identified by GAO. CMS began reviewing the appropriateness of these payments during the course of GAO's review.