

GAO Highlights

Highlights of [GAO-19-315](#), a report to congressional requesters

Why GAO Did This Study

Section 1115 demonstrations are a significant component of Medicaid spending and affect the care of millions of beneficiaries. The Patient Protection and Affordable Care Act required the Department of Health and Human Services (HHS) to establish procedures to ensure transparency in approvals of new demonstrations and extensions to existing demonstrations. The act did not address amendments, which are subject to long-standing guidance on public input.

GAO was asked to examine the transparency of demonstration approvals. Among other things, this report examines CMS's transparency policies and procedures for new demonstrations and extensions, and amendments to existing demonstrations. To review a variety of approval types across a large number of states, GAO examined all approvals of new demonstrations and extensions of and amendments to existing demonstrations granted from January 2017 through May 2018. GAO also conducted in-depth reviews of one approval in each of seven states, selected to include at least two approvals of each type. GAO reviewed demonstration documentation for these states, and interviewed state and federal Medicaid officials. GAO also assessed CMS's procedures against federal internal control standards.

What GAO Recommends

CMS should develop policies for ensuring transparency when states (1) submit major changes to pending demonstration applications and (2) propose amendments to existing demonstrations. HHS concurred with these recommendations.

View [GAO-19-315](#). For more information, contact Carolyn L. Yocom at (202) 512-7114 or yocomc@gao.gov.

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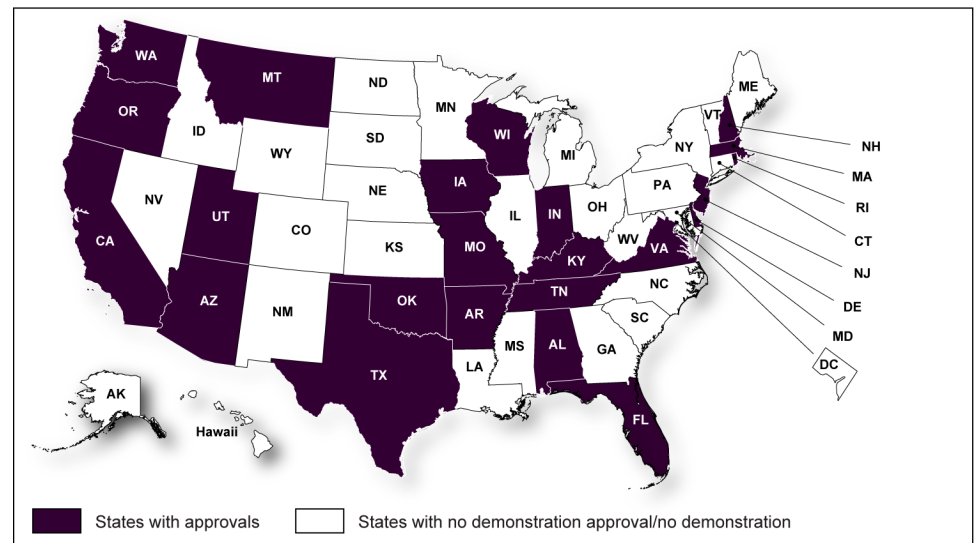
MEDICAID DEMONSTRATIONS

Approvals of Major Changes Need Increased Transparency

What GAO Found

Medicaid demonstrations allow states flexibility to test new approaches for providing coverage and delivering Medicaid services. Since 2012, the Centers for Medicare & Medicaid Services (CMS), which oversees demonstrations, has developed procedures to improve the transparency of the approval process. For example, CMS reviews demonstration applications (including for new demonstrations, extensions, and amendments to existing demonstrations) for their compliance with applicable transparency requirements, including that states seek public input on their applications.

States that Received Demonstration Approvals, January 2017–May 2018



Sources: GAO analysis of Centers for Medicare & Medicaid Services information (data); Map Resources (map). | GAO-19-315

However, GAO found weaknesses in CMS's policies for ensuring transparency.

- **Changes to pending applications for new demonstrations or extensions.** CMS lacks policies for ensuring transparency when states submit major changes to pending applications. For two of the four approvals of new demonstrations or extensions GAO reviewed in-depth, states submitted changes to their applications that could have significant effects on beneficiaries (such as disenrollment or other penalties) without first obtaining public comment on these changes at the state level.
- **Amendments to existing demonstrations.** CMS's transparency requirements for amendments are limited. For example, CMS does not require amendment applications to include how the changes may affect beneficiary enrollment or report on concerns raised in state public comments. However, states have proposed major changes—such as work and community engagement requirements—through amendments, raising concerns that major changes to states' demonstrations are being approved without a complete understanding of their impact.