

New Report Highlights Period of Transformation for the Medicaid Program, Urges Greater Federal Oversight

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The U.S. Governmental Accountability Office (GAO) has issued a new [report to Congress](#) identifying key issues facing the Medicaid program and urging greater federal oversight. The report comes at a time of significant transformation for the Medicaid program, which is currently [celebrating its 50th year](#). Following its historic expansion as a result of the Affordable Care Act to provide health care coverage to approximately 70 million individuals nationwide, multiple bills are pending in Congress that would affect the scope of Medicaid program benefits and coverage, including legislation that would modify coverage of [behavioral health services](#) or [increase payments for primary care services](#). In addition, the Centers for Medicare and Medicaid Services (CMS) currently is reviewing stakeholder comments on its proposed, comprehensive [revisions to the federal Medicaid managed care regulations](#).

The GAO designated Medicaid as a “high risk” program, based on the size and diversity of the program and its concerns about gaps in federal oversight. The GAO report concludes that Medicaid’s “ongoing transformation,” including increases in enrollment and spending and the introduction of telemedicine and other new technology and services, highlights the need for increased federal oversight. The report summarizes key issues and challenges for the program identified by the GAO over the past ten years, which the GAO believes should continue to warrant attention.

Maintain and Improve Access to Care

In general, most Medicaid enrollees report having access to care that is comparable to that of individuals with private insurance. However, the GAO raises concerns that certain populations, such as Medicaid enrollees with more significant health needs, are more likely to experience difficulty obtaining specialty care, including mental health, dental care, obstetrical/gynecological, pediatric, and surgical specialty services. In addition, Medicaid beneficiaries are more likely to have chronic health conditions such as obesity and diabetes that can be treated through preventive services. The GAO reports that Medicaid coverage of preventive services varies greatly among the states. To assist with federal oversight, the GAO recommends better data reporting by states, particularly in the context of

managed care, to allow CMS to assess Medicaid enrollees' access to care and identify areas for improvement.

Improve Fiscal Accountability through Increased Transparency and Improved Oversight

The GAO raised several concerns related to transparency and federal oversight of the Medicaid program, and recommended more robust data collection efforts, including the following:

- More complete and reliable data to improve federal oversight of whether Medicaid payments to individual providers are appropriate. In particular, the GAO indicates that states may receive federal financial participation for supplemental Medicaid payments that are not specifically linked to individual services provided to a Medicaid enrollee, including both disproportionate share hospital (“DSH”) payments and upper payment limit (“UPL”) payments, and encourages greater federal oversight of provider supplemental payments as well as clearer standards for determining when Medicaid payments to individual providers are economical and efficient.
- More robust information on overall Medicaid program spending, including aggregate spending trends and per-enrollee spending growth, as a barrier to fiscal accountability and to efforts to manage costs and inform federal decision making.
- Additional reporting on the source of all funds used for the non-federal share of Medicaid payments, including through the imposition of taxes or fees on health care providers or through reliance on contributions from non-state public agencies.
- Improvements to federal policy, process, and criteria for approving state spending on demonstration projects, including improvements and oversight to ensure that such demonstrations are budget neutral and improvements to criteria and documentation of how demonstration spending furthers Medicaid objectives.

Improve Program Integrity

The GAO believes that the size and diversity of the Medicaid program make it particularly vulnerable to improper payments, and that more coordinated and cost-effective program integrity efforts are needed. Specific recommendations highlighted by the report include:

- Improving coordination between federal and state oversight efforts to minimize duplication and ensure maximum program coverage. In particular, the GAO highlights a gap in oversight of expenditures on Medicaid managed care. CMS recently expanded robust program integrity measures in its [proposed Medicaid managed care regulations](#).
- Streamlining of CMS oversight efforts, including elimination of duplication between separate contractors and between oversight tools.
- Utilization of cost-effective efforts, such as enrolling providers, receiving, reviewing, and paying Medicaid claims, and auditing claims post-payment.
- Cost-effective efforts to identify improper payments including the enrollment of providers, audits, and reviewing Medicaid claims.
- Additional federal guidance and monitoring in support of state efforts to collect from liable third parties to ensure that Medicaid remains a payer of last resort.
- Improved oversight of Medicaid managed care payment rates to ensure rates are appropriate. The GAO raises as an area for concern the potential incentives created by capitation rates for Medicaid plans to underserve or deny access to needed care.

- Improvements to beneficiary and provider enrollment, citing findings in which it had identified erroneous payments for enrollees that were deceased, or to providers that had been excluded from participation in federal health care programs.

Address Variations in States' Financing Needs through Revised Federal Financing Approach

The GAO also reiterated earlier recommendations for improving the federal-state partnership by revising the federal funding formula to be more responsive to states' needs.

- During recent economic downturns, Congress has acted to provide additional federal Medicaid funding to states through temporary increases in the federal medical assistance percentage (FMAP). GAO believes that such temporary relief could more effectively help stabilize the funding of state Medicaid programs if the funding increases were automatically triggered through a prearranged mechanism and timed to commence closer to the beginning of a downturn. The GAO recommended that federal assistance during economic downturns be targeted based on each state's level of need, and that such assistance be gradually phased out to help mitigate the effects of a slower recovery.
- The GAO also recommended that the general FMAP funding formula, which currently uses the states' per capita income, be revised to more adequately address variations among the states in the demand for services, geographic cost differences, and state resources.

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