



# Legislative Post Audit Performance Audit Report Highlights

## Medicaid and Medicare Services: Comparing Program Services and Costs in Kansas to Other States

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**QUESTION 1:** *How do Medicaid and Medicare Services and Costs in Kansas Compare to Other States for a Select Sample of Services?*

### **Background Information on the Medicaid Program**

Established in 1965 as part of the Social Security Act, Medicaid is an insurance plan for low-income children, families, the elderly, and individuals with intellectual or physical disabilities. Medicaid is jointly funded by states and the federal government. In fiscal year 2016, total Kansas Medicaid expenditures were about \$3.4 billion for 426,000 Kansans.

In 2013, Kansas transitioned to an entirely managed-care model for Medicaid called KanCare. Under KanCare, the state contracts with three Managed Care Organizations (MCOs) to administer the state's Medicaid program. As a form of managed care, the MCO's, not the state, are responsible for paying providers for service delivered to beneficiaries.

States can also participate in Home and Community Based Service Waivers, which allow them to deliver long-term care services to individuals with disabilities in their homes and communities rather than an institutional setting.

### **FINDINGS RELATED TO MEDICAID SERVICES AND COSTS**

- Kansas' Medicaid services were similar to the Medicaid services offered in a sample of five other states. (p. 7)
  - We compared Medicaid plans in Kansas to those in five comparable states: Colorado, Idaho, Iowa, Nebraska, and Oklahoma.
  - All states are required to offer 15 mandatory Medicaid services, but can choose to provide up to 28 other optional services.
  - Kansas' Medicaid program offered 23 of 28 optional services, which was similar to the number and type of services offered in the five comparison states.
  - Kansas' Medicaid program also covered similar Home and Community Based Service (HCBS) populations as the five comparison states.
  - Iowa was the only state in our sample that administered HCBS waivers through a managed-care model, like Kansas.
- State and federal costs for Medicaid services varied from state to state due to differences in provider reimbursement rates and federal cost sharing percentages. (p. 10)
  - Each state establishes its own Medicaid provider fee schedule, which determines how much a state's Medicaid plan will reimburse providers for services delivered to beneficiaries.
  - States have a significant amount of discretion in how they set these reimbursement rates, which causes Medicaid costs to vary from state to state.
  - Additionally, the federal government's share of Medicaid costs is based on a state's per-capita income, and thus also varies by state.
  - In 2017, the federal government's share of Medicaid costs in Kansas was 56%—similar to the national average of 59%.

### **FINDINGS RELATED TO MEDICARE SERVICES AND COSTS**

- Medicare consists of four parts, each offering different services to beneficiaries. (p.11)
  - Original Medicare (Parts A and B) covers hospital and medical services for Medicare beneficiaries, and operates under a fee-for-service model. As a fee-for-service program, the federal government is responsible for paying Medicare claims for these plans.
  - Medicare Advantage plans (Part C) are a managed-care alternative to Original Medicare. As a managed-care program, private insurance companies are responsible for paying Medicare claims for these plans.
  - Medicare Part D provides additional prescription drug insurance to beneficiaries.

- Medicare-covered services varied from plan to plan, but not necessarily from state to state. (p. 13)
  - *We compared services covered under Original Medicare (Parts A and B) to services covered under a non-projectable sample of 11 Medicare Advantage (Part C) plans in Kansas, Colorado, Idaho, Iowa, Nebraska, and Oklahoma.*
  - *Services covered under Original Medicare are the same for all beneficiaries and did not vary by state.*
  - *However, nine of the 11 Advantage plans we reviewed offered expanded dental, hearing, or vision services not covered under Original Medicare.*
  - *Insurance companies offer different types of Medicare Advantage plans across the country.*
  - *Any geographic differences in Medicare-covered services are the result of the type of Advantage plans insurance companies make available, not state policy decisions.*
- Out-of-pocket costs for Medicare beneficiaries also varied from plan to plan, but not necessarily from state to state. (p.14)
  - *We compared beneficiaries' costs for a sample of five services across original Medicare and a sample of 11 Medicare Advantage plans.*
  - *Beneficiaries' costs for the same service varied between Original Medicare and the Medicare Advantage plans we reviewed.*
    - *Deductibles varied from \$0 to \$1,499 between plans.*
    - *Co-insurance rates varied by as much as 25% for the five services we reviewed.*
    - *Co-Payments varied by as much as \$225 for the five services we reviewed.*
    - *Out-of-Pocket maximums were only offered under Medicare Advantage plans and varied between \$3,000 and \$6,700.*
  - *Beneficiaries' costs under Medicare Advantage plans can vary depending on where they live.*
  - *Any geographic costs differences are the result of the type of Advantage plans insurance companies make available, not state policy decisions.*

## **Background Information on the Medicare Program**

*Also established as part of the 1965 Social Security Act, Medicare is an insurance plan for the elderly and individuals with certain disabilities. Made up of four parts (A, B, C, and D), Medicare insurance helps pay for beneficiaries' hospital, medical, and prescription drug costs. However, unlike Medicaid, Medicare beneficiaries are responsible for paying a share of their medical expenses.*

*Medicare is funded through a combination of federal payroll taxes, beneficiary premiums, and general federal revenue. Total Medicare expenditures in Kansas were about \$4.8 billion and enrollment was about 477,000 in 2014.*

*Because Medicare is strictly a federal program, states have no discretion over how the program is structured.*

## **SUMMARY OF RECOMMENDATIONS**

This audit did not have any recommendations.

## **AGENCY RESPONSE**

This audit did not have an agency response.

### **HOW DO I REQUEST AN AUDIT?**

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

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