



Highlights of [GAO-07-67](#), a report to congressional committees

### Why GAO Did This Study

In February 2006, the Deficit Reduction Act of 2005 (DRA) appropriated \$2 billion for certain health care costs related to Hurricane Katrina through Medicaid and the State Children’s Health Insurance Program (SCHIP). The Centers for Medicare & Medicaid Services (CMS) was charged with allocating the \$2 billion in funding to states directly affected by the hurricane or that hosted evacuees.

GAO performed this work under the Comptroller General’s statutory authority to conduct evaluations on his own initiative. In this report, GAO examined: (1) how CMS allocated the DRA funds to states, (2) the extent to which states have used DRA funds, and (3) whether selected states—Alabama, Louisiana, Mississippi, and Texas—anticipate the need for additional funds after DRA funds are expended. To conduct this review, GAO reviewed CMS’s allocations of DRA funds to all eligible states, focusing in particular on the four selected states that had the highest initial allocation (released by CMS on March 29, 2006). GAO obtained data from Medicaid offices in the four selected states regarding their experiences enrolling individuals, providing services, and submitting claims; collected state Medicaid enrollment data; and analyzed DRA expenditure data that states submitted to CMS.

[www.gao.gov/cgi-bin/getrpt?GAO-07-67](http://www.gao.gov/cgi-bin/getrpt?GAO-07-67).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Kathryn G. Allen (202) 512-7118 or [allenk@gao.gov](mailto:allenk@gao.gov).

# HURRICANE KATRINA

## Allocation and Use of \$2 Billion for Medicaid and Other Health Care Needs

### What GAO Found

As of September 30, 2006, CMS allocated \$1.9 billion of the \$2 billion in DRA funding to states. CMS allocated funds to: Category I—the nonfederal share of expenditures for time-limited Medicaid and SCHIP services for eligible individuals affected by the hurricane (32 states); Category II—expenditures for time-limited uncompensated care services for individuals without a method of payment or insurance (8 of the 32 states); and Category III—the nonfederal share of expenditures for existing Medicaid and SCHIP beneficiaries (Alabama, Louisiana, and Mississippi). CMS did not allocate funds to Category IV—for restoration of access to health care. After CMS reconciles states’ expenditures with allocations, it will determine how to allocate the unallocated \$136 million and unexpended funds from the \$1.9 billion allocated to states.

**Allocation of DRA Funds to States, as of September 30, 2006**

State	DRA allocations (in thousands) <sup>a</sup>				Percentage
	Category I	Category II	Category III	Total	
Alabama	\$2,377	\$4,660	\$241,144	\$248,181	13.3
Louisiana	24	132,091	699,529	831,644	44.6
Mississippi	1,816	75,265	518,483	595,563	32.0
Texas	76,872	65,336	<sup>b</sup>	142,208	7.6
<b>Subtotal</b>	<b>81,088</b>	<b>277,352</b>	<b>1,459,155</b>	<b>1,817,596</b>	<b>97.5</b>
Remaining states	21,315	25,002	<sup>b</sup>	46,317	2.5
<b>Total</b>	<b>\$102,404</b>	<b>\$302,354</b>	<b>\$1,459,155</b>	<b>\$1,863,913</b>	<b>100.0</b>

Source: GAO analysis of CMS data.

Note: This table accounts for the DRA funds allocated to states as of September 30, 2006.

<sup>a</sup>CMS did not allocate funds to Category IV, restoring access to health care.

<sup>b</sup>Texas and the remaining states were not eligible for funding from this category.

Of the \$1.9 billion in allocated DRA funds, almost two-thirds of the 32 states that received these funds submitted claims totaling about \$1 billion as of October 2, 2006. Claims from Alabama, Louisiana, and Mississippi for Category III accounted for about 85 percent of all claims filed. These initial results are likely to change as states continue to file claims for services.

Of the four selected states, Louisiana and Texas raised concerns about their ability to meet future health care needs once the DRA funds are expended. Louisiana’s concerns involved managing its Medicaid program across state borders as those who left the state remain eligible for the program. Texas was significantly affected by the number of evacuees seeking services, thus raising concerns among state officials about the state’s future funding needs.

CMS, Alabama, Louisiana, and Texas commented on a draft of this report. CMS suggested the report clarify the DRA funding categories, reallocation process, and communication strategy with states, especially Louisiana. Louisiana and Texas commented on their ongoing challenges, and Alabama provided technical comments. The report was revised as appropriate.