The case for ending auto-enrollment in Medicaid
BOTTOM LINE:
The Trump Administration can—and should—end this state abuse.

KEY FINDINGS

1. Waste, fraud, and abuse in Medicaid are major problems, costing taxpayers $62 billion in 2018 alone.

2. Improper spending in Medicaid is being driven by eligibility errors.

3. States are enrolling individuals in Medicaid simply because they are enrolled in food stamps.

4. As a result, some enrollees may never have their eligibility determined at all.

5. Updating eligibility rules and rolling back faulty guidance is the first step towards reining in improper spending and protecting resources for the truly needy.
Medicaid waste, fraud, and abuse are major problems

Every year, Medicaid waste, fraud, and abuse cost taxpayers tens of billions of dollars—and the problem is getting worse. In fact, improper spending in Medicaid has more than doubled since 2013 and is on the rise.¹

In 2018 alone, improper Medicaid spending reached $62 billion, more than double the $26 billion improperly spent in 2013, the year before ObamaCare was implemented.²⁻⁴ Improper spending now accounts for nearly 10 percent of Medicaid spending overall.⁵ Every dollar that is improperly spent on individuals who are not eligible for Medicaid is a dollar that cannot fund services for the truly needy.

Improper spending in Medicaid is being driven by eligibility errors

Audits reveal that most improper spending in Medicaid is driven by eligibility errors. Between 2010 and 2014, eligibility errors were responsible for more than 62 percent of all improper payments in Medicaid.⁶ It is impossible to know how much worse this may have become since 2014, as the Obama administration suspended eligibility reviews at that time.⁷ However, recent audits have revealed major problems still exist.⁸ Audits in California, Kentucky, and New York in 2017 and 2018 revealed hundreds of thousands of ineligible enrollees on the program.⁹ One audit found up to 34 percent of randomly-selected case files had eligibility errors.¹⁰ In some states, certain types of error rates were even higher, reaching up to 46 percent.¹¹

Auditors have found individuals still enrolled in Medicaid long after their deaths, individuals enrolled with out-of-state addresses, and multiple payments made to the same organizations for cases with the same Social Security number.

A common practice that drives these kinds of eligibility errors is that states too often rely heavily on enrollees themselves to report changes that affect their eligibility. This has proven an ineffective and fruitless tactic. Audits in Illinois have found that more than 93 percent of Medicaid eligibility errors were the result of enrollees reporting incorrect or incomplete information—or not reporting information at all.¹²⁻¹³
Additional Obama-era guidance has produced a faulty eligibility pipeline

Obama-era guidance made Medicaid’s eligibility concerns worse. In 2013, the Obama administration issued guidance encouraging states to bypass important eligibility verification steps by enrolling individuals into Medicaid based on their food stamp eligibility. The Centers for Medicare and Medicaid Services (CMS) directed states to use this method to seek out and enroll ineligible individuals—all in the name of administrative efficiency. But by enrolling individuals into Medicaid based on food stamp eligibility, state agencies are bypassing important enrollment procedures including income checks and eligibility verification.

CMS was already aware that many of these individuals are “income-ineligible for Medicaid” yet guided states to “facilitate their renewal, without requiring them to complete a new application.”

This strategy was meant to be temporary due to massive enrollment surges associated with ObamaCare expansion. As part of the guidance’s direction, states were required to “define the timeframe during which it wishes to use the strategy for that purpose,” and the authority for this strategy was set to expire after 2015. But the Obama administration extended this authority, making it a permanent option for states. As a result, states are still using this faulty method to enroll ineligible individuals in Medicaid.
Obama-era guidance imports program integrity problems from food stamps

Medicaid and the food stamp program have different sets of complex rules about eligibility. While there is some overlap, there are differences in income thresholds, how income is counted, how households are categorized, and the type of benefits provided.

By allowing states to determine eligibility for Medicaid based on food stamp enrollment, the Obama administration imported program integrity problems from one program to the other. Because eligibility errors are entrenched throughout multiple welfare programs, some enrollees may never have their eligibility appropriately determined at all.

The 2013 guidance authorizing this practice was largely built on the assumption that food stamp eligibility is “rigorously verified” and is “often no more than six months old at any point.” However, the food stamp program itself has numerous program integrity problems.

In 2018, the food stamp program had an official improper payment rate of 6.8 percent, virtually all of which were overpayments. Even this error rate understates actual improper payments, as the food stamp program ignores errors valued below a certain threshold. A review by the Government Accountability Office uncovered that nearly 40 percent of cases had payment errors, but most errors were excluded from the official rate.

To make matters worse, states have made numerous attempts to bypass the food stamp program’s quality control efforts. In 2017, the U.S. Department of Agriculture notified Congress that states “were altering what information and data they reported” and “going back and hiding the errors they found.” Investigators uncovered states using consultants to manipulate results and falsely reduce error rates.
Beyond manipulating data, states also tried to bypass significant parts of the reviews altogether. Instead of verifying information as required by law, federal audits concluded that states “relied on statements from the SNAP recipients, made assumptions, or used unrelated information” instead of performing the appropriate eligibility verification. In more than 21 percent of reviewed cases, bureaucrats “inappropriately stopped their review.”

States also largely bypass quality control reviews for individuals made eligible through broad-based categorical eligibility (BBCE). Under BBCE, states deem individuals “categorically eligible” for food stamps if they are authorized to receive as little as a welfare brochure, a toll-free number providing program information, or information about other programs printed at the bottom of a food stamp application. In states that use this loophole, nearly 98 percent of households are classified as categorically eligible. Under Obama-era guidance, these individuals are exempt from “additional verification requirements” and their cases “should not be verified” by the food stamp quality control system. Indeed, federal guidance instructed states that such cases should “never [be] considered ineligible, regardless of income.”

The significant program integrity problems that are prevalent in the food stamp program should provide caution against using food stamp enrollment to determine Medicaid eligibility. The guidance allowing this process has made it increasingly difficult for states to capture changes in circumstances and verify eligibility for thousands of enrollees, likely contributing to significant eligibility errors and improper payments in the Medicaid program.
The Trump administration can end this abuse

Allowing states to determine Medicaid eligibility based on food stamp receipt encourages further fraud, eligibility errors, improper payments, and waste in the program. Worst of all, this Obama-era guidance is siphoning away limited taxpayer resources from the truly needy who actually qualify for the program.

Because this option was unilaterally adopted and expanded through sub-regulatory guidance, the Trump administration can end it through revised guidance.

CMS’s previous letter specifies that guidance allowing food stamp recipients to auto-enroll in Medicaid was meant to be for a “temporary period” and would be rolled back in the future. The Administration should pull down the old guidance and send updated instructions stating that the temporary time period for enrolling individuals into Medicaid based on food stamp eligibility has ended.

Program integrity should be a top priority, and updating eligibility rules is the first step in reining in improper spending and protecting resources for the truly needy. This would be a natural next step, as the Administration has also proposed a rule to strengthen the integrity of the Medicaid eligibility determination process through redetermination and verification processes. The Trump administration can—and should—crack down on Medicaid waste, fraud, and abuse by ending this loophole.
REFERENCES


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