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The Medicaid Crisis Is Here: How Congressional Handcuffs Are Causing Medicaid to Implode

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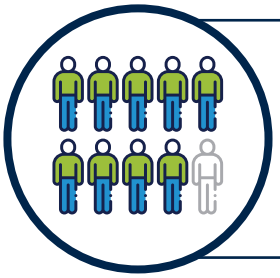
KEY FINDINGS

MEDICAID ENROLLMENT HAS REACHED **NEARLY 90 MILLION**—A RECORD HIGH.

ENROLLMENT IS BEING **DRIVEN BY MEDICAID LOCK-INS**.



MEDICAID LOCK-INS ACCOUNT FOR **90 PERCENT OF NEW ENROLLMENT**.

FEDERAL HANDCUFFS COME AT A COST OF **MORE THAN $14 BILLION PER MONTH**.

THE BOTTOM LINE:

POLICYMAKERS MUST ROLL BACK MEDICAID HANDCUFFS.

Overview

Medicaid is at a tipping point. In the spring of 2020, Congress passed a set of bills that set the stage for a tidal wave of increased Medicaid costs and enrollment. The biggest problem: a little-known provision that severely restricted states' ability to manage their Medicaid programs.[1-2]

As part of the Families First Coronavirus Response Act (FFCRA), Congress offered states an additional 6.2 percentage point increase in funding for their traditional Medicaid costs.[3] While this was portrayed as pandemic-related relief, there was an insidious catch: In exchange for the increase in funding, states had to relinquish control over significant aspects of their Medicaid programs.[4]

As long as states accept the funding boost, they cannot change Medicaid eligibility standards, adjust enrollment processes, or remove individuals from their Medicaid rolls—even if they have become ineligible or were never eligible in the first place.[5] Individuals can only be removed from the program if they voluntarily disenroll or leave the state.[6]

As long as states accept the funding boost, they cannot change Medicaid eligibility standards, adjust enrollment processes, or remove individuals from their Medicaid rolls—even if they have become ineligible or were never eligible in the first place.

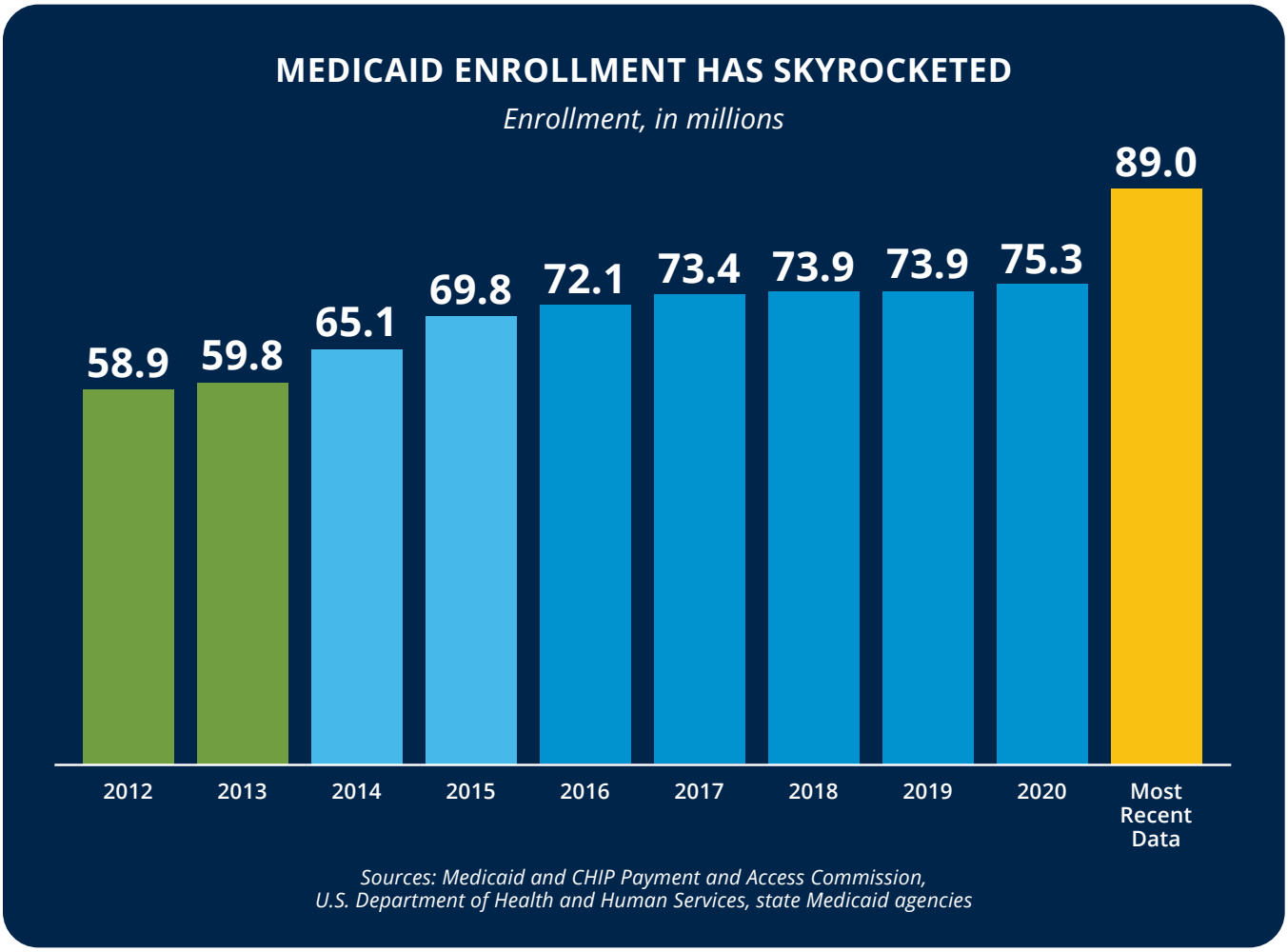
Unsurprisingly, these federal handcuffs caused Medicaid enrollment to spike to record-high levels, including individuals who were only briefly eligible during the pandemic and individuals who were enrolled into the program improperly. States are powerless to remove any of these ineligible enrollees from the program—unless they take action to unlock the Medicaid handcuffs.

Medicaid enrollment has reached nearly 90 million—a record high

In February 2020—before the COVID-19 pandemic hit—Medicaid enrollment sat at more than 74 million people.[7] This figure was already astonishingly high after years of expansions and lax program integrity. However, it was no match for what was to come.

IN JUST TWO SHORT YEARS, MEDICAID ENROLLMENT HAS INCREASED BY NEARLY 16 MILLION.

Since then, Medicaid enrollment has spiked to 89 million—a nearly 16 million person increase in less than two years.[8] This is the largest increase in the history of the Medicaid program—even greater than when states first expanded Medicaid to a new class of able-bodied adults under ObamaCare.[9] Since the pandemic hit, Medicaid enrollment has grown by nearly 17 percent annually.[10-11] At this level, **more than one in every four Americans is on Medicaid.**[12]



In reality, the true enrollment figure is likely even higher. Numerous states have severely lagged enrollment data, with many states' data out of date by more than six months. Trending these states through December 2021 indicates that total enrollment is likely above 91 million.[13]

Enrollment is being driven by Medicaid lock-ins

Based on the number of Medicaid "lock-ins"—those who have remained on the program due to Medicaid handcuffs despite being ineligible—**roughly 90 percent of all new Medicaid enrollees during the pandemic are no longer eligible**, based on available data from 17 states.[14] Nationwide, that means up to 17 million Medicaid enrollees were ineligible by December 2021.[15]

MEDICAID LOCK-INS ACCOUNT FOR 90 PERCENT OF NEW ENROLLMENT

State	Enrollment Increase	Reported Ineligible Enrollment	Share of Enrollment Increase Caused by Handcuffs
Arizona	382,909	300,000	78%
California	1,652,604	1,652,604	100%
Idaho	39,023	83,000	213%
Kentucky	298,918	90,000	30%
Maine	27,337	51,000	187%
Maryland	132,533	120,000	91%
Massachusetts	101,362	196,047	193%
Minnesota	188,335	60,000	32%
New Hampshire	21,508	19,560	91%
New Mexico	89,224	67,000	75%
Oklahoma	151,828	214,214	141%
Oregon	331,883	220,000	66%
Pennsylvania	449,705	379,877	84%
Rhode Island	34,410	16,080	47%
South Carolina	152,080	150,000	99%
Texas	1,155,496	1,166,000	101%
Washington	185,870	62,124	33%
TOTAL	**5,395,025**	**4,847,506**	**90%**

Sources: State Medicaid agencies, U.S. Department of Health and Human Services

These individuals will remain on Medicaid for as long as states continue to accept the FFCRA's Medicaid funding boost. Unfortunately, for taxpayers and the truly needy alike, this is a bad deal all around.

Federal handcuffs come at a cost of more than $14 billion per month

Keeping these ineligible enrollees on Medicaid costs taxpayers billions. By December 2021, taxpayers were paying an estimated $11.3 billion per month for ineligible Medicaid enrollees who were locked in due to the handcuffs.[16] States are picking up roughly one-third of these expenses, with the federal government financing the rest with new debt.[17]

In addition, **federal taxpayers are on the hook for another $2.9 billion per month in enhanced Medicaid funds to states**—for as long as they keep the handcuffs on—via the increased funding from the FFCRA.[18]

In total, state and federal taxpayers are footing the bill for more than $14 billion per month under these provisions.[19] The longer these handcuffs are in effect, the more costs will continue to add up as new individuals become "locked in" to coverage—leaving few resources available for the truly needy.

STATE AND FEDERAL TAXPAYERS ARE FOOTING THE BILL FOR MORE THAN $14 BILLION PER MONTH.

BOTTOM LINE: Policymakers must roll back Medicaid handcuffs

Not only must Congress resist efforts to renew or extend these Medicaid handcuffs—which are set to expire at the end of the public health emergency—but they must also resist new attempts to expand these handcuffs. For example, President Biden's Build Back Better legislation would extend the handcuffs to at least September 2022, gradually reduce the enhanced Medicaid funds provided to states to zero, and limit states' ability to remove all ineligible individuals in a timely fashion even once the handcuffs are off.[20]

In the absence of federal action, states can take the lead by opting out of the handcuffs now. This decision by state policymakers would preserve resources for the most vulnerable and save taxpayers billions of dollars. It would also allow states to reassert control over their Medicaid programs for the first time since the pandemic began.

PRESIDENT BIDEN'S BUILD BACK BETTER LEGISLATION WOULD:

- **EXTEND THE HANDCUFFS TO AT LEAST SEPTEMBER 2022**
- **GRADUALLY REDUCE THE ENHANCED MEDICAID FUNDS PROVIDED TO STATES TO ZERO**
- **LIMIT STATES' ABILITY TO REMOVE ALL INELIGIBLE INDIVIDUALS IN A TIMELY FASHION**

In order to truly return to normal, policymakers must act to restore common sense to Medicaid and unshackle the handcuffs states have been forced to wear.

APPENDIX 1: MEDICAID ENROLLMENT BY STATE

Total enrollment as of the most recent date reported

State	Most Recent Enrollment Report	Enrollment
Alabama	May 2021	1,034,994
Alaska	Nov 2021	252,499
Arizona	Dec 2021	2,325,713
Arkansas	Oct 2021	1,070,161
California	Jun 2021	13,981,096
Colorado	Nov 2021	1,544,921
Connecticut	Nov 2021	1,203,189
Delaware	Nov 2021	283,986
District of Columbia	Oct 2021	285,646
Florida	Nov 2021	5,035,950
Georgia	May 2021	2,159,944
Hawaii	Sep 2021	449,129
Idaho	May 2021	394,436
Illinois	May 2021	3,331,614
Indiana	Nov 2021	1,958,933
Iowa	Dec 2021	812,898
Kansas	Nov 2021	496,958
Kentucky	Dec 2021	1,597,882
Louisiana	Oct 2021	1,919,714
Maine	Oct 2021	366,695
Maryland	Oct 2021	1,646,097
Massachusetts	Oct 2021	2,123,520
Michigan	Oct 2021	2,185,498
Minnesota	Dec 2021	1,207,996
Mississippi	Nov 2021	792,555
Missouri	Oct 2021	1,132,481
Montana	Sep 2021	280,925
Nebraska	May 2021	324,200
Nevada	Sep 2021	845,153
New Hampshire	Nov 2021	232,474
New Jersey	Nov 2021	2,066,560
New Mexico	Oct 2021	947,075
New York	Nov 2021	7,281,297
North Carolina	Dec 2021	2,686,400
North Dakota	May 2021	111,357
Ohio	Nov 2021	3,314,620
Oklahoma	Oct 2021	1,135,844
Oregon	Dec 2021	1,361,735
Pennsylvania	Oct 2021	3,387,014
Rhode Island	May 2021	334,556
South Carolina	Nov 2021	1,457,250
South Dakota	Oct 2021	138,630
Tennessee	Nov 2021	1,632,337
Texas	Oct 2021	5,081,025
Utah	Oct 2021	440,675
Vermont	Sep 2021	206,238
Virginia	Dec 2021	1,768,520
Washington	Nov 2021	2,144,822
West Virginia	Dec 2021	618,691
Wisconsin	Nov 2021	1,518,009
Wyoming	May 2021	67,838
TOTAL		**88,977,750**

Sources: State Medicaid agencies, U.S. Department of Health and Human Services

APPENDIX 2: ANNUALIZED MEDICAID ENROLLMENT GROWTH SINCE MARCH 2020 BY STATE

State	Annualized Growth Rate
Alabama	9.6%
Alaska	8.0%
Arizona	12.4%
Arkansas	9.3%
California	8.4%
Colorado	15.9%
Connecticut	8.9%
Delaware	11.4%
District of Columbia	7.7%
Florida	17.9%
Georgia	14.0%
Hawaii	18.2%
Idaho	18.3%
Illinois	14.0%
Indiana	18.9%
Iowa	11.0%
Kansas	12.3%
Kentucky	11.2%
Louisiana	11.3%
Maine	13.1%
Maryland	9.1%
Massachusetts	12.0%
Michigan	14.1%
Minnesota	17.0%
Mississippi	10.0%
Missouri	19.0%

State	Annualized Growth Rate
Montana	11.3%
Nebraska	23.7%
Nevada	18.8%
New Hampshire	16.1%
New Jersey	12.5%
New Mexico	8.2%
New York	10.8%
North Carolina	11.9%
North Dakota	18.6%
Ohio	10.5%
Oklahoma	24.8%
Oregon	14.0%
Pennsylvania	11.3%
Rhode Island	12.1%
South Carolina	20.7%
South Dakota	11.8%
Tennessee	8.2%
Texas	17.9%
Utah	27.8%
Vermont	10.9%
Virginia	15.5%
Washington	9.8%
West Virginia	11.4%
Wisconsin	15.1%
Wyoming	16.4%
TOTAL	**16.9%**

Source: Authors' calculations

APPENDIX 3: ESTIMATED MEDICAID ENROLLMENT IN DECEMBER 2021 BY STATE

State	Estimated Medicaid Enrollment
Alabama	1,091,636
Alaska	254,127
Arizona	2,325,713
Arkansas	1,086,093
California	14,555,318
Colorado	1,564,029
Connecticut	1,211,759
Delaware	286,552
District of Columbia	289,207
Florida	5,105,611
Georgia	2,331,431
Hawaii	468,272
Idaho	435,169
Illinois	3,595,451
Indiana	1,987,344
Iowa	812,898
Kansas	501,782
Kentucky	1,597,882
Louisiana	1,954,402
Maine	374,288
Maryland	1,670,257
Massachusetts	2,164,110
Michigan	2,234,162
Minnesota	1,207,996
Mississippi	798,849
Missouri	1,165,714

State	Estimated Medicaid Enrollment
Montana	291,130
Nebraska	366,943
Nevada	882,285
New Hampshire	235,390
New Jersey	2,086,885
New Mexico	959,636
New York	7,343,854
North Carolina	2,686,400
North Dakota	122,997
Ohio	3,342,275
Oklahoma	1,178,537
Oregon	1,361,735
Pennsylvania	3,448,229
Rhode Island	357,663
South Carolina	1,480,309
South Dakota	141,231
Tennessee	1,643,101
Texas	5,222,467
Utah	459,040
Vermont	213,500
Virginia	1,768,520
Washington	2,161,571
West Virginia	618,691
Wisconsin	1,535,910
Wyoming	74,138
TOTAL	**91,052,486**

Source: Authors' calculations

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14. Authors' calculations based upon data provided by the U.S. Department of Health and Human Services and state Medicaid agencies on total change in Medicaid enrollment since February 2020 and reported lock-ins.
15. Authors' calculations based upon data provided by the U.S. Department of Health and Human Services and state Medicaid agencies on total change in each state's Medicaid enrollment since February 2020 and the share of new enrollment attributable to reported lock-ins in the 17 states with available data.
16. Authors' calculations based upon data provided by a proprietary microsimulation model that incorporates data on monthly Medicaid enrollment disaggregated by state, per capita monthly costs disaggregated by state and eligibility group, the distribution of ineligible enrollees at annual redetermination disaggregated by eligibility group, states' blended FMAP rate based on the distribution of expected ineligibles due to lock-ins, and the share of new enrollment attributable to reported lock-ins disaggregated by state.
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