Ineligible Medicaid Enrollees Are Costing Taxpayers Billions

Hayden Dublois  
Senior Research Analyst

Jonathan Ingram  
Vice President of Policy and Research

JANUARY 23, 2022
KEY FINDINGS

MORE THAN ONE IN FIVE DOLLARS SPENT ON MEDICAID IS IMPROPER.

MEDICAID EXPANSION IS DRIVING IMPROPER PAYMENTS.

THE TRUE IMPROPER PAYMENT RATE IS STILL HIDDEN.

THE BOTTOM LINE:

POLICYMAKERS SHOULD WORK TO REDUCE IMPROPER PAYMENT RATES AND IMPROVE TRANSPARENCY.
Overview

While initially meant as a program for the truly needy, Medicaid has bloated into a massive welfare program for millions of able-bodied adults dependent upon the government.\textsuperscript{1-2} Medicaid has rapidly become the largest line item in state budgets, reaching more than $700 billion per year.\textsuperscript{3-4} More than 89 million people are now dependent on the program, nearly two and a half times as many as in 2000.\textsuperscript{5-7} Unfortunately, as Medicaid has grown, so has its mismanagement.

Today, \textbf{more than one in five dollars spent on Medicaid is improper}.\textsuperscript{8} Virtually all improper payments are due to eligibility errors, administrative oversights, or outright fraud.\textsuperscript{9} And because eligibility errors make up more than 80 percent of improper payments, countless individuals are receiving Medicaid benefits for which they are not eligible.\textsuperscript{10}

However, never-before-released data shows the improper payment crisis is even worse in several states. Improper payment rates have reached staggering proportions that threaten the sustainability of the Medicaid program.

\begin{center}
MORE THAN 89 MILLION PEOPLE ARE NOW DEPENDENT ON MEDICAID
\end{center}

While the national improper payment rate for Medicaid is nearly 22 percent, in some states the situation is far more dire.\textsuperscript{11} Never-before-released data from state Medicaid agencies reveals that improper payment rates have reached as high as nearly 50 cents for every Medicaid dollar spent in some states.

Equally concerning is that an overwhelming number of improper payments are due to eligibility errors, signaling that these are not simply administrative blunders—but rather serious situations of countless enrollees receiving resources for which they are not eligible.

\textbf{Ohio}

Ohio’s Medicaid program is nearing insolvency. The program now costs taxpayers nearly $32 billion per year—almost double what it cost a decade ago and more than four times what it cost in 2000.\textsuperscript{12-15} These skyrocketing costs have crowded out funds for all other state priorities, as Medicaid now consumes more than half of Ohio’s entire general revenue budget.\textsuperscript{16}

The pandemic has only made these problems worse, with enrollment spiking by more than half a million people since February 2020.\textsuperscript{17} As a result, Ohio’s Medicaid program has been plagued by major budget shortfalls, leading to further cuts.\textsuperscript{18-19}

Coupled with Ohio’s Medicaid enrollment and spending crisis is an equally pernicious improper payment crisis. Ohio’s Medicaid improper payment rate is an astonishing 44 percent, more than twice the national average.\textsuperscript{20} Virtually all of that improper spending—98 percent of it—was
caused by eligibility errors. At this pace, Ohio’s Medicaid program is on a clear trajectory towards calamity.

**Illinois**

Illinois has also struggled with a rapidly growing Medicaid program. The program now costs taxpayers nearly $29 billion per year—more than double what it cost a decade ago and nearly four times what it cost in 2000. Enrollment has swelled to nearly 3.9 million people—growing by more than 750,000 new enrollees in just one year. As a result, Illinois’s Medicaid program now consumes nearly one in every three dollars in the state budget.

But much of this spending is improper. The state’s official improper payment rate sits at more than 37 percent—far above the national average. A whopping 95 percent of these improper payments are due to eligibility errors.

**Missouri**

As the Show-Me State gears up to implement ObamaCare’s Medicaid expansion, the state’s Medicaid program is already on fragile footing. Before expansion, Missouri’s Medicaid program cost taxpayers nearly $11 billion—nearly three times what it cost in 2000. The program already consumed nearly 40 percent of total expenditures—the highest level of any non-expansion state in the country. With Missouri implementing ObamaCare expansion effective October 1, 2021, these budget issues are only going to worsen, as expansion could add nearly 600,000 more enrollees to the program.

Much of this spending growth has been driven by waste, fraud, and abuse. Nearly one in three dollars Missouri spends on Medicaid is improper, with roughly 70 percent of those improper payments driven by eligibility errors. As Missouri implements ObamaCare expansion over the coming months and years, it can only look forward to even greater improper payments in the future.

**Kansas**

By rejecting ObamaCare’s Medicaid expansion, Kansas has seen lower enrollment and spending growth than many states, helping it better weather the COVID-19 pandemic. But even without expansion, the cost of Kansas’s Medicaid program has more than tripled since 2000, reaching nearly $4.4 billion in 2021. Medicaid now consumes nearly one-fifth of the state’s total expenditures.

But nearly 28 percent of Kansas’s Medicaid spending is improper—with an eye-popping 99 percent of these payments attributable to eligibility errors. Democrat Governor Laura Kelly has repeatedly lobbied to expand Medicaid under ObamaCare, which would add at least 262,000 more able-bodied adults to the program and undoubtedly drive this improper payment rate even higher.
NEARLY 28 PERCENT OF KANSAS’S MEDICAID SPENDING IS IMPROPER.

It is no coincidence that the two states with the highest publicly available improper payment rates have expanded Medicaid under ObamaCare. In fact, the national improper payment rate in Medicaid has nearly quadrupled since ObamaCare expansion was first implemented.  

**IMPROPER PAYMENT RATE**

2013 VS 2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>5.8%</td>
</tr>
<tr>
<td>2021</td>
<td>21.7%</td>
</tr>
</tbody>
</table>

*Source: Centers for Medicare & Medicaid Services*

Federal Medicaid spending has grown by more than $200 billion since 2013—an increase of 80 percent. Improper payments make up more than 40 percent of that growth. Medicaid expansion not only coincided with the spike in improper payments, but were a key cause of it. The Obama administration paused annual reports auditing Medicaid spending during the rollout years of Medicaid expansion, both delaying and concealing critical information regarding improper payment rates.

State and federal audits have likewise confirmed ObamaCare expansion’s role in improper spending.

In California, auditors found nearly 450,000 Medicaid expansion enrollees who were ineligible or potentially ineligible. In Ohio, federal auditors found that nearly 300,000 of the state’s then-481,000 expansion enrollees were potentially ineligible, undoubtedly explaining why Ohio has one of the highest improper payment rates in the nation. Similar audits and reports in other expansion states—such as Colorado, Kentucky, Louisiana, Minnesota, New Jersey, and New York—have reached equally alarming conclusions.

But as bad as Medicaid expansion’s effect on improper payment rates is, we still do not know the full scope of this out-of-control crisis.
The True Extent of Improper Payments Is Still Hidden.

In 2021, improper Medicaid spending hit a record high. But official reports may only scratch at the surface of waste, fraud, and abuse in the Medicaid program, as the true extent of improper payments remains hidden.

In 2020, the U.S. Department of Health and Human Services suspended the annual reports auditing Medicaid spending for 17 states, including large expansion states like California, Massachusetts, and New Jersey.

Worse yet, Congress imposed federal Medicaid handcuffs on states in 2020 that provided a temporary boost in federal Medicaid funding in exchange for states agreeing not to remove ineligible enrollees from their Medicaid programs. As a result, millions of individuals are now locked into coverage for which they are no longer eligible.

Medicaid enrollment has grown by an estimated 18 million people since February 2020. State data reveals that more than 90 percent of that growth has been caused by states’ inability to remove ineligible enrollees. This disastrous arrangement has further muddied the waters of determining accurate improper payment estimates.

**BOTTOM LINE:** Policymakers should work to reduce improper payment rates and improve transparency.

States do not need to wait for the Biden administration to act in order to get improper Medicaid spending under control. State policymakers have a wide variety of tools at their disposal to reduce improper payments and improve transparency.

**FIRST,** states should remove the Medicaid handcuffs imposed by Congress. By rejecting the temporary extra funding, states can regain control over their Medicaid programs, conduct redeterminations and renewals, and remove ineligible individuals from their programs.

**SECOND,** states can implement Medicaid program integrity measures, such as cross-checking Medicaid enrollees against death, employment, wage, and residency records. States can also verify Medicaid applications received through the ObamaCare exchange and prohibit individuals from self-attesting to eligibility without verification. In 2021, Arkansas and Texas enacted several of these commonsense program integrity reforms to reduce Medicaid improper payments and preserve Medicaid resources for the most vulnerable.

**FINALLY,** states can require their Medicaid agencies to submit annual reports on improper payment amounts and causes in order to better monitor and address the issue.

It is long past time for policymakers to ensure that Medicaid is preserved for truly needy Americans—not for waste, fraud, and abuse.
## APPENDIX: STATES’ MOST RECENT IMPROPER PAYMENT RATES (2019)

<table>
<thead>
<tr>
<th>State</th>
<th>Overall Improper Payment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>34.0%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>43.8%</td>
</tr>
<tr>
<td>Delaware</td>
<td>31.3%</td>
</tr>
<tr>
<td>Idaho</td>
<td>39.8%</td>
</tr>
<tr>
<td>Illinois</td>
<td>37.3%</td>
</tr>
<tr>
<td>Kansas</td>
<td>27.8%</td>
</tr>
<tr>
<td>Michigan</td>
<td>14.0%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>18.2%</td>
</tr>
<tr>
<td>Missouri</td>
<td>31.7%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>10.6%</td>
</tr>
<tr>
<td>North Dakota</td>
<td>28.3%</td>
</tr>
<tr>
<td>Ohio</td>
<td>44.3%</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>14.7%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>14.2%</td>
</tr>
<tr>
<td>Virginia</td>
<td>11.8%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>21.4%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

*Source: State Medicaid agencies*
REFERENCES


11. Ibid.

12. Author’s calculations based upon data provided by the National Association of State Budget Officers and the Ohio Legislative Service Commission on total Medicaid expenditures between fiscal years 2000 and 2021.


17. Authors’ calculations based upon data provided by the Ohio Department of Medicaid on total Medicaid enrollment between February 2020 and November 2021. See, e.g., Ohio Department of Medicaid, “Caseload reports,” Ohio Department of Medicaid (2021), https://medicaid.ohio.gov/wps/portal/gov/medicaid/stakeholders-and-partners/reports-and-research/caseload-reports/caseload-reports.


20. Data provided by the Ohio Department of Medicaid on Ohio’s most recent results for the payment error rate measurement program.
INELIGIBLE MEDICAID ENROLLEES ARE COSTING TAXPAYERS BILLIONS

21. Ibid.

22. Author's calculations based upon data provided by the National Association of State Budget Officers and the Illinois Department of Healthcare and Family Services on total Medicaid expenditures between fiscal years 2000 and 2021.


26. Authors' calculations based on the change in total Medicaid enrollment between fiscal years 2020 and 2021. See, e.g., Division of Medical Programs, “Number of persons enrolled in the entire state,” Illinois Department of Healthcare and Family Services (2021), https://www2.illinois.gov/hfs/info/factsfigures/Program%20Enrollment/Pages/Statewide.aspx.


28. Data provided by the Illinois Department of Healthcare and Family Services on Illinois's most recent results for the payment error rate measurement program.

29. Ibid.

30. Author's calculations based upon data provided by the National Association of State Budget Officers on total Medicaid expenditures between fiscal years 2000 and 2021.


34. Ibid.


36. Data provided by the Missouri Department of Social Services on Missouri's most recent results for the payment error rate measurement program.

37. Author's calculations based upon data provided by the National Association of State Budget Officers and Kansas Department of Health and Environment on total Medicaid expenditures between fiscal years 2000 and 2021.


41. Data provided by the Kansas Department of Health and Environment on Kansas's most recent results for the payment error rate measurement program.


44. Authors' calculations based upon data provided by the U.S. Department of Health and Human Services on federal Medicaid expenditures between fiscal years 2013 and 2021.

INELIGIBLE MEDICAID ENROLLEES ARE COSTING TAXPAYERS BILLIONS | JANUARY 23, 2022 | TheFGA.org


47. Authors’ calculations based upon data provided by the U.S. Department of Health and Human Services on federal Medicaid expenditures and federal Medicaid improper payments between fiscal years 2013 and 2021.

48. Federal Medicaid spending grew by approximately $202 billion between fiscal years 2013 and 2021, while federal Medicaid improper payments grew by approximately $84 billion.


67. Ibid.


69. Ibid.

