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Millions of Ineligible Medicaid Enrollees Come at a High Cost to States

Trevor Carlsen
Senior Research Fellow

Hayden Dublois
Deputy Research Director

Jonathan Ingram
Vice President of Policy and Research

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KEY FINDINGS

CONGRESS HAS IMPRISONED STATES WITH MEDICAID HANDCUFFS.

KEEPING THE MEDICAID HANDCUFFS IN PLACE IS COSTING STATES NEARLY $655 MILLION PER MONTH.

THE COST OF COVERING INELIGIBLE ENROLLEES EXCEEDS THE FEDERAL FUNDING BUMP IN 32 STATES.

BY APRIL 2022, INELIGIBLE ENROLLMENT COULD COST STATES MORE THAN $1.4 BILLION PER MONTH AFTER ACCOUNTING FOR THE MEDICAID FUNDING BUMP.

THE BOTTOM LINE:

STATES MUST FREE THEMSELVES FROM THE DISASTROUS FEDERAL MEDICAID HANDCUFFS.

Overview

Facing the COVID-19 pandemic and government-imposed lockdowns, states experienced major fiscal uncertainty in the spring of 2020.[1] In response, Congress offered states a 6.2 percent bump to their traditional Medicaid funding in the Families First Coronavirus Response Act (FFCRA).[2] But that extra funding came with strings attached—strings woven around states' Medicaid programs to form restrictive handcuffs.[3] In order to receive the extra funding, states cannot change eligibility standards, adjust enrollment processes, or remove individuals from their Medicaid rolls—even those who are ineligible for the program.[4]

The policy has made Medicaid enrollment a one-way door. As expected, it has caused enrollment to spike with "lock-ins"—enrollees who are no longer eligible for the program but still enrolled because of Washington, D.C.'s restrictions—driving the way.[5] These lock-ins are costing taxpayers billions of dollars every month.[6]

But beyond the cost to taxpayers, locking in ineligible enrollees takes away resources from the truly needy and crowds out funding for other core priorities.

LOCKING IN INELIGIBLE ENROLLEES TAKES AWAY RESOURCES FROM THE TRULY NEEDY.

Ineligible enrollees are costing states billions every month, and taxpayers are left to foot the bill.

Medicaid enrollment has soared to new record highs, reaching an estimated 91 million by December 2021.[7] But nearly 90 percent of Medicaid enrollment growth has been driven by individuals who are ineligible for the program—yet continue to receive benefits because of the congressional handcuffs.[8] Already, there are an estimated 17 million ineligible Medicaid enrollees receiving benefits.[9] And as these handcuffs remain in place, more and more ineligible enrollees are being added to state Medicaid rolls with no end in sight.[10] The result has been a fiscal disaster for states.

NEARLY 90 PERCENT OF MEDICAID ENROLLMENT GROWTH HAS BEEN DRIVEN BY INDIVIDUALS WHO ARE INELIGIBLE FOR THE PROGRAM.

Taxpayers are paying an estimated $11 billion per month to cover ineligible enrollees, with states picking up roughly $3.5 billion of those costs and federal taxpayers covering the rest.[11] In exchange for keeping these ineligible enrollees on the program, states receive a small bump in federal funding for their traditional Medicaid costs.[12] But that funding bump does not even cover the states' costs for keeping ineligible enrollees on the program.[13] **Keeping the Medicaid handcuffs in place is costing states nearly $655 million per month.**[14]

KEEPING THE MEDICAID HANDCUFFS IN PLACE IS COSTING STATES NEARLY $655 MILLION PER MONTH.

For many states, the bump is not cost-effective, and covering ineligible enrollees has pushed these states into the red.

The bump in federal Medicaid support was presented as a way to make states financially better off amid declines in revenues.[15] But across 32 states, the state share of spending on ineligible enrollees exceeds the benefit of the federal bump.[16]

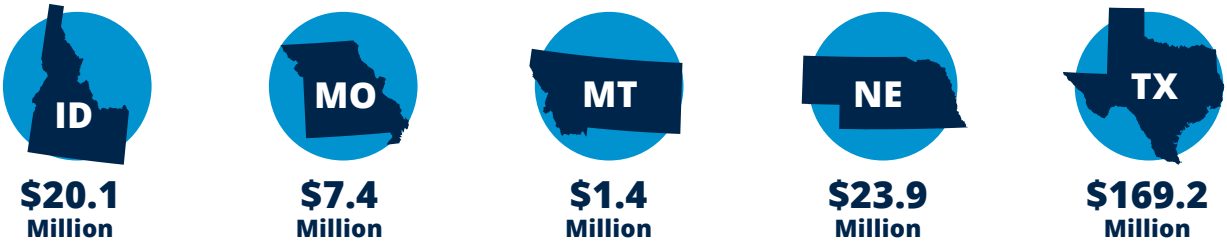
Federal Medicaid Handcuffs Create a Net Loss in 32 States.

State	Estimated Number of Ineligible Enrollees (December 2021)	Monthly Net Cost to the State (December 2021)
Alaska	30,101	$0.9 Million
Arkansas	254,418	$2.6 Million
Colorado	332,984	$42.3 Million
Delaware	46,220	$1.5 Million
Florida	1,196,568	$43.9 Million
Hawaii	110,941	$10.7 Million
Idaho	245,949	$20.1 Million
Indiana	484,819	$39.2 Million
Iowa	127,283	$1.2 Million
Kansas	86,316	$0.5 Million
Louisiana	407,964	$0.5 Million
Maine	140,937	$17.3 Million
Maryland	223,961	$13.6million
Massachusetts	786,975	$175.6 Million
Missouri	285,427	$7.4 Million
Montana	48,047	$1.4 Million
Nebraska	106,303	$23.9 Million
Nevada	214,389	$13 Million

(continued)

New Hampshire	51,346	$8.8 Million
New Jersey	363,237	$30.7 Million
New York	1,248,864	$140 Million
North Dakota	29,656	$7.3 Million
Oklahoma	554,725	$41.2 Million
Oregon	192,244	$13.0 Million
Pennsylvania	520,913	$23.9 Million
South Carolina	426,430	$4.7 Million
South Dakota	23,470	$0.7 Million
Texas	1,373,777	$169.2 Million
Utah	149,232	$0.7 Million
Virginia	369,592	$13.5 Million
Wisconsin	313,732	$51 Million
Wyoming	16,224	$2.2 Million

Source: Authors' calculations



Combined, these 32 states are estimated to be spending nearly a billion dollars per month more than they get from the federal bump to cover ineligible enrollees.[17]

In just a few months, the situation will continue to get worse.

By April 2022, when the public health emergency is set to expire barring another extension, there could be nearly 95 million enrollees on Medicaid.[18-19] By then, all but 10 states will have passed the tipping point and will be spending more on ineligible enrollees than they receive from the bump in federal funding.[20] Indeed, states would then be spending nearly $4.3 billion per month on ineligible enrollees—a net loss of close to $1.4 billion per month after accounting for the 6.2 percent Medicaid funding bump.[21]

BY APRIL 2022, THERE COULD BE NEARLY 95 MILLION ENROLLEES ON MEDICAID, WITH STATES SPENDING NEARLY $4.3 BILLION PER MONTH ON INELIGIBLE ENROLLEES.

The Build Back Better proposal would make matters even worse by extending the handcuffs in some form to at least September 2022 while gradually increasing states' share of the burden by phasing out the enhanced federal contribution.[22] States would also be severely limited in their ability to remove ineligible enrollees, even once the enhanced funding phases out.[23] Under this scenario, states would end up back at the pre-pandemic financing arrangement, but still stuck paying for Medicaid lock-ins.

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THE BOTTOM LINE: States must free themselves from the disastrous federal Medicaid handcuffs.

Since the start of the pandemic, states have allowed Washington, D.C. undue control over their Medicaid programs. This boondoggle has left states fiscally worse off and trapped people in government dependency. Waiting on the expiration of the public health emergency that has already been renewed eight times keeps ineligible enrollees locked into welfare—all at a high cost to taxpayers.[24] Instead, states should unlock the federal handcuffs and start removing ineligible enrollees. Doing so will allow states to prioritize the truly needy while saving taxpayers billions.

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15275 Collier Boulevard | Suite 201-279
Naples, Florida 34119
(239) 244-8808

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