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How the Biden Administration's Plan Would Tighten the Medicaid Handcuffs

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KEY FINDINGS



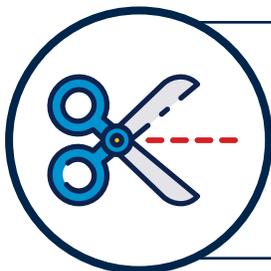
IN RESPONSE TO THE PANDEMIC, CONGRESS PASSED THE FAMILIES FIRST CORONAVIRUS RESPONSE ACT, WHICH TEMPORARILY INCREASED FEDERAL FUNDING FOR STATE MEDICAID PROGRAMS.



THE ENHANCED FUNDING CAME WITH MASSIVE STRINGS ATTACHED, AS STATES ARE PROHIBITED FROM REMOVING INELIGIBLE ENROLLEES SO LONG AS THEY ACCEPT THE EXTRA FUNDING.



AS A RESULT, MEDICAID ENROLLMENT IS AT AN ALL-TIME HIGH, AND TAXPAYERS ARE ON THE HOOK FOR AN EXTRA \$14 BILLION EACH MONTH DUE TO THE HANDCUFFS.



THE BIDEN ADMINISTRATION'S PLAN WOULD CUT THE INCREASED FEDERAL FUNDING WHILE CONTINUING TO BLOCK STATES FROM IMMEDIATELY REMOVING INELIGIBLE ENROLLEES, MAKING A BAD SITUATION EVEN WORSE.

THE BOTTOM LINE:

STATES MUST OPT OUT OF THE INCREASED FEDERAL FUNDING TO UNLOCK THE HANDCUFFS AND RESTORE INTEGRITY TO THEIR MEDICAID PROGRAMS.

Overview

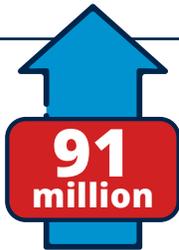
During the COVID-19 pandemic, Congress passed a series of bills meant to address the crisis and offer states fiscal assistance during a turbulent time.¹ Part of that package—the Families First Coronavirus Response Act (FFCRA)—provided a 6.2 percent federal funding increase to states to pay for traditional Medicaid costs.² But the funding came with strings attached.

In exchange for the increased funding, states had to relinquish significant control over their Medicaid programs.³ While receiving the funding, states cannot strengthen eligibility standards or remove enrollees—even if they are ineligible for benefits.⁴ Enrollees can only be removed if they voluntarily leave the program or relocate to another state.⁵

These federal handcuffs have caused Medicaid enrollment to skyrocket to unprecedented levels.⁶ And, unfortunately, recent proposals from the Biden administration and Democrats in Congress could make this already dire situation even worse.

Medicaid enrollment is at a record high

The number of people dependent on Medicaid has skyrocketed in recent years. By December 2021, enrollment sat at an estimated 91 million people—a record high.⁷ Nearly 18 million enrollees were added within the last two years—the largest increase in program history—with enrollment growing nearly 17 percent annually since the pandemic began.⁸



BY DECEMBER 2021, MEDICAID ENROLLMENT SAT AT AN ESTIMATED 91 MILLION PEOPLE—A RECORD HIGH.

Unsurprisingly, the Medicaid handcuffs are responsible for virtually all of this enrollment growth, having “locked in” ineligible enrollees to the program.⁹

Based on available state data, 90 percent of Medicaid enrollment growth during the pandemic has been driven by people who are ineligible for benefits.¹⁰ Shockingly, that means an estimated 17 million Medicaid enrollees nationwide are receiving benefits, despite not qualifying under Medicaid eligibility standards.¹¹



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This level of growth in Medicaid is not only unprecedented, but also unsustainable. A program designed for the truly needy has now increasingly become comprised of ineligible individuals that are siphoning resources from those that need them most.

The handcuffs are costing taxpayers billions per month

When millions of Medicaid enrollees are ineligible for benefits, but cannot be removed from the program, taxpayers are left holding the bag. By the end of 2021, ineligible enrollees were costing taxpayers an estimated \$11.3 billion every month.¹²



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Federal taxpayers are also on the hook for an additional \$2.9 billion per month—the funding bump provided as part of the FFCRA that states receive in exchange for not removing ineligible enrollees.¹³

In total, taxpayers are paying more than \$14 billion in Medicaid costs every month thanks to the federal handcuffs.¹⁴ The handcuffs have taken a bloated program, rife with waste, fraud, and abuse, and exacerbated the problem.¹⁵ While the handcuffs remain on, enrollment will continue to spike. As enrollment continues to grow, so will Medicaid costs, as states are trapped without options to remove ineligible enrollees.

Increasingly, the cost of covering ineligible enrollees exceeds the funding boost provided as part of the FFCRA.¹⁶ In fact, the costs associated with providing benefits to ineligible enrollees has already created a net loss for 32 states.¹⁷

If the Biden administration’s plan is enacted, states will be left with an even larger bill as the plan would slash the enhanced federal funding in the coming months.¹⁸



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The Biden administration’s plan will make a bad situation even worse

The FFCRA created the Medicaid handcuffs, which led to millions of ineligible enrollees locked into the program, crowding out resources for the truly needy and other state priorities. But if President Biden and Democrats in Congress have their way, states could soon face the prospect of having the enhanced federal funding slashed and then eliminated, while still being unable to immediately remove all ineligible enrollees from the program.¹⁹

Under the Biden’s administration’s plan, the 6.2 percent federal funding increase would sunset in March 2022.²⁰ Over the following three months, the funding boost would sit at three percent—less than half of the current boost.²¹ The Biden administration would then cut that boost in half again, lowering it to a 1.5 percent bump from July through September.²² At the end of September, the plan would eliminate the extra funding entirely.²³

| ENHANCED FEDERAL MEDICAID FUNDING WOULD BE SLASHED UNDER BIDEN’S PLAN | |
|--|-------------|
| March | 6.2% |
| April-June | 3.0% |
| July-September | 1.5% |
| October onward | 0.0% |

Source: Senate Finance mark-up of H.R. 5376

Despite the plan to slash the extra federal funding, states would still be unable to quickly remove all ineligible enrollees from the program. Indeed, the handcuffs will remain firmly locked in place until at least September 2022, with an inefficient and unworkable process to remove only a portion of ineligible enrollees.

Under the Biden administration’s plan, states could start removing some ineligible enrollees from their Medicaid rolls when the extra funding is first cut.²⁴ But the conditions in which they would be able to do so are impractical.

First, states could only remove ineligible enrollees if they have been on the program for at least a year.²⁵

Second, states would not be allowed to remove enrollees who have moved to other states, based on returned mail, unless bureaucrats have attempted to repeatedly contact them through multiple methods and given them notice they are being removed.²⁶

Finally, states would only be allowed to perform eligibility redeterminations on, at most, one out of every nine enrollees in a given month—with House Democrats wanting that reduced even

further to just one out of every 12 enrollees.²⁷⁻²⁸ The Biden administration’s plan would leave states holding the bag for months, prohibiting them from quickly removing all ineligible enrollees while simultaneously slashing the extra federal funding.

The result will be much higher Medicaid costs for states. **If the Biden administration’s plan were to take effect, taxpayers will be forced to pay an estimated \$100 billion in 2022 for ineligible enrollees locked into state Medicaid rolls due to the handcuffs.**²⁹ In 46 states, the price tag for these ineligible enrollees will far outweigh the increased federal funding states would receive.³⁰ Altogether, states will be left paying \$16 billion more for ineligible enrollees this year under the Biden administration’s plan than the extra federal funding will cover.³¹



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The Biden administration’s plan simply further locks state policymakers into the spiral of Medicaid uncertainty. As the increased federal funding gets cut, states will be left with few options to quickly remove ineligible enrollees. With each passing quarter, states will be left with higher and higher Medicaid costs, and enrollment that is still bloated with ineligible individuals.

Ineligible enrollees are costing state taxpayers

While the national outlook is bleak, individual states are faring no better. Ineligible enrollees are siphoning resources from the truly needy, overcrowding state Medicaid programs, and leaving a massive bill for taxpayers.

MEDICAID MAYHEM IN THE TREASURE STATE



Montana’s Medicaid program is growing rapidly, reaching nearly 290,000 enrollees by the end of 2021—a record high.³² Ineligible enrollees are driving the vast majority of this growth, with an estimated 48,000 ineligible enrollees sitting on the state’s Medicaid rolls by December 2021, costing taxpayers more than \$6.4 million per month.³³ The state’s cost to cover ineligible enrollees already exceeds the additional federal funding provided under FFCRA, but would get even worse under the Biden administration’s latest plan.³⁴ If the Biden administration’s plan were enacted, Montana taxpayers would be on the hook for an estimated \$30 million more in additional state costs to cover ineligible enrollees than the extra federal funding would cover for the rest of 2022.³⁵

MISSOURI'S MEDICAID MISHAPS



Missouri's Medicaid program reached nearly 1.2 million enrollees by the end of 2021.³⁶ That enrollment is expected to soar even higher as the state expands eligibility to a new class of able-bodied adults under ObamaCare.³⁷ Even before expansion, Medicaid consumed nearly 40 percent of the state budget.³⁸ Those costs are set to skyrocket in the coming months.

By December 2021, an estimated 285,000 ineligible enrollees sat on Missouri's Medicaid program, costing taxpayers more than \$64 million each month.³⁹ Those costs far outstripped the extra federal funding provided by FFCRA, leaving state taxpayers holding the bag.⁴⁰

But the Biden administration's plan would shift even more costs onto the state. Under President Biden's plan, Missouri taxpayers would be on the hook for nearly \$300 million in additional state costs in 2022 to cover ineligible enrollees above and beyond the extra federal funding provided.⁴¹



WEST VIRGINIA'S WHOPPING COSTS

Enrollment in West Virginia's Medicaid program has exploded in recent years, reaching nearly 620,000 by December 2021—a record high.⁴² But the vast majority of this growth has been driven by those who are no longer eligible for the program or may have never been eligible in the first place. By the end of 2021, an estimated 110,000 ineligible individuals were enrolled in West Virginia's Medicaid program due to the handcuffs.⁴³

The Biden administration's plan would hit West Virginia taxpayers particularly hard, forcing them to find an additional \$10 million in state funds to cover ineligible Medicaid enrollees beyond the costs covered by any additional federal funds.⁴⁴

THE BOTTOM LINE: States must opt out of the increased federal funding to unlock the handcuffs and restore integrity to their Medicaid programs.

The Biden administration's plan will only make the situation worse for states, as funding is set to be slashed over time, leaving states responsible for the cost of covering millions of ineligible enrollees. Democrats in Congress are moving in this direction quickly, and if states are to avoid disaster, they must act now.

Lawmakers should opt out of the enhanced federal funding, allowing states to retake control over their Medicaid programs. Unlocking the handcuffs would allow states to restore integrity to their programs, save taxpayers billions, and allow Medicaid to return to its original purpose—protecting the truly needy.

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