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Stopping the Medicaid Madness: How Congress and States Can Start Salvaging Some Program Integrity

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KEY FINDINGS

FEDERAL LAWMAKERS HANDCUFFED STATES FROM REMOVING INELIGIBLE MEDICAID ENROLLEES, LOCKING MILLIONS INTO THE PROGRAM.

THE MEDICAID HANDCUFFS EXACERBATED AN EXISTING PROBLEM, DRIVING MASSIVE INCREASES IN PROGRAM ENROLLMENT.

STATES MUST BEGIN REDETERMINATION PROCESSES AND REMOVAL PROCEEDINGS FOR INELIGIBLE ENROLLEES AS SOON AS POSSIBLE.

MOST ENROLLEES CURRENTLY LOCKED INTO MEDICAID HAVE AFFORDABLE COVERAGE OPTIONS AVAILABLE TO THEM AS THEY ARE MOVED OFF WELFARE.

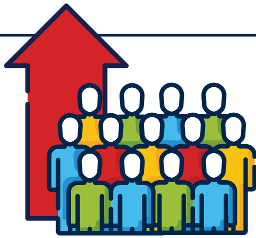
THE BOTTOM LINE:

MILLIONS OF INELIGIBLE PEOPLE ARE ON MEDICAID, COSTING TAXPAYERS BILLIONS OF DOLLARS. THE PUBLIC HEALTH EMERGENCY SHOULD END, OR CONGRESS OR STATES SHOULD REMOVE THESE HANDCUFFS. AS SOON AS POSSIBLE, STATES SHOULD AGGRESSIVELY REMOVE INELIGIBLE PEOPLE. THE VAST MAJORITY OF THESE FOLKS WILL TRANSITION FROM WELFARE INTO PRIVATE HEALTH COVERAGE.

Overview

Medicaid enrollment has reached an all-time high, with an estimated 97 million individuals on the program by October 2022.[1] The program—originally meant to serve the truly needy like seniors, low-income children, and individuals with disabilities—has grown dramatically in recent years.

Even before the COVID-19 pandemic, states' Medicaid programs were facing massive spikes in enrollment. This enrollment explosion was driven primarily by a new class of able-bodied adults added to Medicaid. The number of able-bodied adults on the program skyrocketed nearly five-fold between 2000 and 2019, largely as a result of ObamaCare expansion adding millions of childless adults to Medicaid.[2]



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Congressional actions and the Biden administration's decision to continue the public health emergency has made the enrollment surge even worse. In exchange for a slight bump in federal funding, lawmakers slapped handcuffs on states by barring them from removing anyone on Medicaid while the public health emergency remains in effect.[3-4] As a result, tens of millions of ineligible individuals are on states' Medicaid rolls, at great cost to taxpayers.[5-7]

The public health emergency is set to be renewed—again—in October and last through at least mid-January 2023.[8] It may even be renewed again in 2023—or beyond—despite President Biden having declared that "the pandemic is over" on national television.[9]

If the Biden administration refuses to let the public health emergency expire, even after admitting the pandemic is over, Congress should step in and unlock the handcuffs and other restrictions tied to the emergency. But states need not wait for Congress: **They can—and should—opt out of the handcuffs altogether by declining the extra federal funding moving forward, allowing them to remove the tens of millions of ineligible enrollees on the program today.**

These individuals are not without affordable options and virtually no one will be left without coverage as they transition off welfare.

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Medicaid handcuffs exacerbated an existing problem for states

The most recent surge in Medicaid enrollment was driven by Congress but has been exacerbated by President Biden's refusal to let the public health emergency expire. As part of the Families First Coronavirus Response Act (FFCRA), Congress provided a 6.2 percent increase in federal Medicaid matching funds for the duration of the public health emergency.[10] But the increase in taxpayer funds provided to states came with massive strings attached. In exchange for the extra funding, states were barred from removing anyone from Medicaid.[11] This includes individuals that have become ineligible since entering the program or may have never been eligible in the first place.[12] Enrollees may only be removed if they die, move to another state, or voluntarily ask to be removed.[13]

Once the public health emergency ends, states will be required to conduct regular redeterminations and begin removal proceedings for ineligible enrollees.[14] Some states chose to continue collecting enrollees' information to make redeterminations but had to stop short of removals because of the handcuffs.

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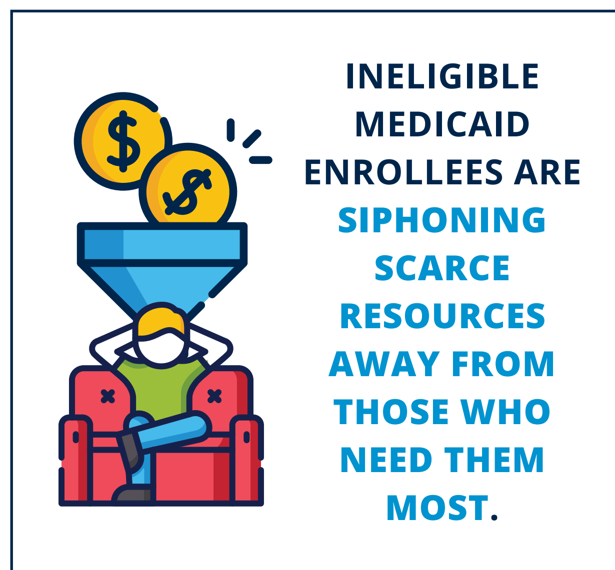
The handcuffs drove massive increases in Medicaid enrollment

Medicaid enrollment had already grown dramatically in the years prior to the pandemic. Enrollment sat at 34 million as recently as 2000.[15] By February 2020, that number had ballooned to 74 million.[16] But after the Medicaid handcuffs were slapped on states, enrollment quickly spiraled out of control.[17] Since then, Medicaid enrollment has reached a record-high nationwide—an estimated 97 million enrollees were on the program by October 2022.[18] **By January 2023, enrollment could reach as high as 100 million.[19]**

This massive enrollment increase was driven primarily by states' inability to remove ineligible enrollees. In fact, 90 percent of enrollment growth was a direct result of ineligible individuals who were locked into Medicaid because of the federal handcuffs.[20]

Overall, an estimated 21 million individuals that do not meet Medicaid eligibility standards remained on the program in October 2022.[21] These ineligible enrollees already cost state taxpayers more than the extra federal funding provides.[22-24] Altogether, state and federal taxpayers are paying more than $16 billion per month in unnecessary costs as a result of the Medicaid handcuffs.[25]

Ineligible Medicaid enrollees are siphoning scarce resources away from those who need them most. Instead of paying to cover ineligible individuals, these funds could go to the truly needy, including seniors and individuals with disabilities who are on waiting lists for services through Medicaid.[26]



States should be assertive with the redetermination process

States know that a significant portion of their current caseloads are ineligible individuals and should move quickly to remove these individuals once the public health emergency expires. States can begin this process immediately after the Centers for Medicare and Medicaid Services (CMS) alerts them that the public health emergency will end. Officials have indicated they will give states 60-days' notice for the end of the public health emergency.[27]

The Biden administration has put forth guidance that gives states up to 14 months to complete redeterminations and remove ineligible enrollees.[28] But states should not take that amount of time to conduct redeterminations—particularly those states that have been gathering up-to-date enrollee information through redetermination processes all along and know exactly who is likely ineligible.

States can and should move quickly in completing redeterminations. For example, Arkansas, Idaho, and New Hampshire have all indicated a plan to unwind the handcuffs and remove ineligible individuals within three to six months.[29] This timeline makes sense for all states. Officials can provide notice to enrollees who they believe to be ineligible and then begin removal proceedings based on current information or a lack of response to the renewal request.

States do not need to compromise on their efforts to remove ineligible individuals from Medicaid

Unsurprisingly, the Biden administration supports continued enrollment of ineligible individuals in welfare, and CMS guidance attempts to erect hurdles as states navigate unwinding the handcuffs.

For example, CMS guidance "recommends" that states do not initiate renewals on "more than 1/9 of their total caseload."[30] This is an arbitrary restriction that states simply do not need to follow.

The guidance leans heavily on states to develop a process "that minimizes beneficiary burden" instead of focusing on program integrity.[31]

States should not let this prevent them from restoring program integrity by conducting renewals and redeterminations quickly based on available information. State offices are not responsible for holding ineligible individuals' hands as they move off welfare and should not slow down the process to accommodate the Biden administration's desire for universal taxpayer-funded coverage.

The good news is that most individuals currently locked into Medicaid have affordable coverage options available as they are moved off welfare.

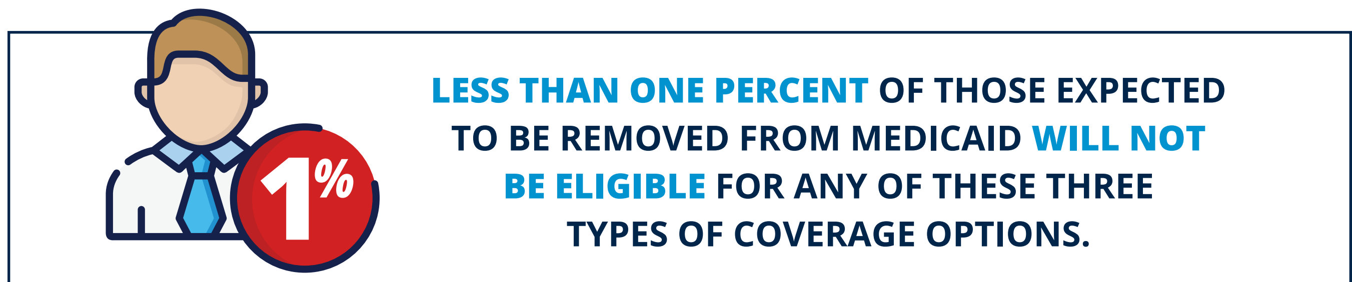
There are affordable options available for individuals moving off Medicaid

There are many options available, including health coverage through the exchange, employer-offered coverage, the Children's Health Insurance Program (CHIP), and non-traditional options such as association health plans, short-term plans, non-profit plans, health-sharing ministries, and more.

According to the far-left Urban Institute, more than a third of adults who would exit Medicaid after the public health emergency expires will qualify for taxpayer-subsidized private health coverage on the exchange, while nearly everyone else would have an offer of affordable employer-sponsored coverage.[32] This is consistent with data provided by the state Medicaid agencies, which shows that most of those locked into Medicaid as a result of the handcuffs have income more than twice the federal poverty line.[33]

Urban further estimates that there will be nearly guaranteed "continuity of coverage" among children leaving Medicaid, finding that most will qualify for taxpayer-funded CHIP coverage, more than a third would have access to affordable coverage through their parents' employers, and nearly 10 percent will have access to subsidized coverage from the exchange.[34] Altogether, just 200 children nationwide would not have one of these three types of coverage options available to them.[35]

Overall, Urban estimates that less than one percent of those expected to be removed from Medicaid will not be eligible for any of these three types of coverage options.[36]



This does not even take into account the many other available options that exist outside of the traditional health insurance structure. The simple fact is that individuals moving off Medicaid have many available options and virtually no one will go without coverage.

THE BOTTOM LINE: Millions of ineligible people are on Medicaid, costing taxpayers billions of dollars. The public health emergency should end, or Congress or states should remove these handcuffs. As soon as possible, states should aggressively remove ineligible people. The vast majority of these folks will transition from welfare into private health coverage.

The Biden administration continues to renew the public health emergency despite the president's declaration that the pandemic is over. The public health emergency is no longer for public safety but is now for political reasons and to advance progressive policies like "continuous coverage" in Medicaid.[37]

If the Biden administration refuses to let the public health emergency expire, Congress should unlock the Medicaid handcuffs and end the ban on states removing ineligible individuals from the program.

If Congress will not act to remove the Medicaid handcuffs, states should consider opting out of the handcuffs (and the small amount of funding that came with them) and start removing ineligible individuals immediately. Most states are seeing a net loss in their budget, as they continue to carry more ineligible enrollees than ever.[38]

If Congress will not act to remove the Medicaid handcuffs, states should consider opting out of the handcuffs (and the small amount of funding that came with them) and start removing ineligible individuals immediately.

At the very least, states should be aggressive in conducting redeterminations as soon as they are allowed and complete them within a few months, instead of the full year or more that CMS is encouraging states to take. **States should take interim steps right now to prepare, by collecting information and activating staffing plans so that redeterminations and removals can begin as soon as possible.**

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