

WAR ON FRAUD

*How Cracking Down on Fraud
Will Save Taxpayers Billions*

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Key Findings

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- 1 The federal government loses more than **\$500 BILLION TO FRAUD EACH YEAR.**

- 2 Welfare programs like Medicaid and food stamps are **PARTICULARLY SUSCEPTIBLE TO FRAUD.**

- 3 President Trump's crackdown on fraud has **ALREADY YIELDED RESULTS.**

- 4 Federal and state governments **CAN WORK TOGETHER TO STOP FRAUD.**

The Bottom Line

Congress and states should build on President Trump's efforts to crack down on fraud and corruption and save taxpayers billions.

Overview

Last year, the federal government spent \$7 trillion, running the national debt up to more than \$38 trillion.¹⁻² President Trump and Congress are working to restore fiscal discipline and undo the damage caused by years of excessive spending during the Biden administration.³ A significant part of this effort is cracking down on fraud and corruption in federal programs.

A lack of program integrity and weak internal controls have allowed improper payments and fraud to run rampant across federal agencies and programs for years.⁴ **New estimates show that there is as much as \$521 billion in fraud across all federal programs each year.**⁵

Welfare programs like Medicaid and food stamps are particularly susceptible to fraud due to poor program administration in some states.⁶ This steals resources from the truly needy, pushing children and people with disabilities to waitlists while criminals live lives of luxury.

President Trump has investigated and stopped instances of fraud in states like Minnesota and California, and his efforts have already been successful in uncovering years-long scams against federal taxpayers.⁷

Congress, federal agencies, and states should continue to work together to prevent, prosecute, and eliminate fraud across the federal government.

Fraud costs taxpayers more than \$500 billion each year

Improper payments, defined by the federal government as payments in the incorrect amount, payments to the wrong person or someone who is not eligible to receive the payment, or payments that lack documentation confirming their accuracy, have been a longstanding concern in federal programs.⁸ **Since 2003, about \$3 trillion in improper payments have occurred.**⁹

This is a significant undercounting of payment errors, and the true figure is certainly much higher. Programs that share characteristics with those that have a high rate of error such as cash welfare and rental assistance programs do not report data and are not examined.¹⁰

Not every agency collects and reports data on improper payments and the \$3 trillion in improper payments since 2003 only includes reports from selected programs at 15 of the 24 major federal agencies.¹¹ Of the more than 2,200 federal programs that disburse payments, only 64 are included in annual reviews of improper payments.¹²⁻¹³

Fraud occurs when an individual or entity willfully collects benefits or payments that they know they are not eligible for through misrepresentation or deception, including through identity theft, falsely claiming eligibility for a program, or billing for services not provided.¹⁴



Source: Government Accountability Office

New estimates find that direct **fraud against government programs costs as much as \$521 billion each year.**¹⁵ This means that seven percent of all federal spending during this time was fraudulent.¹⁶ To put it in perspective, only the largest five federal agencies have budgets that exceed the cost of this fraud.¹⁷ Eliminating fraud could put a significant dent in the deficit and would ensure that resources are preserved for the truly needy.

Not all federal programs have the same rates of fraud.¹⁸ Certain programs, including welfare programs like Medicaid and food stamps, have all the features that create a ripe environment for fraud to thrive.¹⁹

Welfare programs have high rates of fraud

All federal programs are at risk of fraud. Some, however, are far more susceptible than others.²⁰ Just five federal programs account for 72 percent of improper payments: Medicaid, food stamps, Medicare, the Earned Income Tax Credit, and the pandemic-era shuttered venue operators grant.²¹

Factors that make fraud in a federal program more likely include relying on self-attestation for eligibility, rapid expansion of the program, state or local government involvement in eligibility determinations, lack of verification of eligibility criteria, and large volumes of payments made.²² All of these factors apply to welfare programs like Medicaid and food stamps, and therefore it comes as no surprise that these programs are targets for criminal fraud.²³

VULNERABILITIES THAT MAKE FRAUD MORE LIKELY ARE COMMON IN WELFARE PROGRAMS

-  **Using self-attestation for eligibility**
-  **Rapid program expansions**
-  **High volumes of payments**
-  **State or local governments administer benefits and determine eligibility**
-  **Lack of verification for eligibility criteria**

One of the most prominent examples of President Trump's War on Fraud comes from the myriad cases in Minnesota, which federal prosecutors estimate could total \$9 billion in fraudulent payments. In March 2025, the founder of Feeding Our Future was convicted in a fraud scheme that cost more than \$250 million. The organization Feeding Our Future claimed to be participating in a meals distribution program but was actually submitting false invoices and pocketing millions of taxpayer dollars intended for needy children.²⁴

Further probing in Minnesota uncovered rampant fraud in a housing support program that used Medicaid funding.²⁵ This program was projected to cost just \$2.5 million annually, but payouts ballooned to more than \$104 million in 2025, most of which are believed to be fraudulent.²⁶ Additionally, another group was charged in a \$14 million scheme to falsely diagnose children with autism and bill the federal government for autism services that were not necessary and not provided.²⁷

There are countless other examples of confirmed fraud in welfare programs.

- Food stamp trafficking, which occurs when a retailer allows food stamp benefits to be exchanged for cash or non-food items, **is estimated to cost between \$960 million and \$4.7 billion annually.**²⁸ In New York, a group of criminals has been charged with obtaining retailer license numbers from a corrupt U.S. Department of Agriculture (USDA) employee, and using this information to steal more than \$66 million in food stamp benefits through falsified transactions.²⁹
- **The food stamp program has an estimated payment error rate of 11 percent, with some states reporting payment errors as high as 25 percent.**³⁰ To put a stop to this waste and fraud, USDA requested data from states on food stamp enrollees.³¹ The data from just 29 states that were responsive to the request revealed 186,000 enrollees who were deceased and 500,000 people accepting benefits in more than one state at a time.³²
- Theft of food stamp benefits from card skimming and other schemes may cost as much as **\$12 billion each year.**³³
- Data analysis has revealed markers of potential fraud across several Medicaid programs in multiple states. For example, in New York, there has been a **121 percent increase in non-medical transportation services spending.**³⁴ Additionally, criminal fraud totaling more than \$68 million in adult daycare services has been uncovered.³⁵
- In California, there are serious concerns about fraud among hospice providers. **Since 2010, there has been a 1,500 percent increase in the number of hospice companies operating in Los Angeles County alone.**³⁶ A review of these companies has revealed suspicious activity, including 89 hospice companies registered at a single address while the building's landlord reports only 12 tenants.³⁷ In total, 700 of the 1,800 hospice agencies in Los Angeles County have multiple red flags for fraud.³⁸
- An audit in Arkansas found more than **20,000 Medicaid enrollees with high-risk identities, including those with fraudulent Social Security numbers.**³⁹ In New Jersey, more than 18,000 enrollees used a false or duplicate Social Security number.⁴⁰
- A review of Medicaid-funded autism support services in Maine found **\$45.6 million in improper payments for autism services.**⁴¹ In Colorado, 99 percent of payments related to autism services were flagged as improper or likely improper by a recent audit, totaling \$285 million.⁴²



Source: CBS News

Fraud is a persistent issue that has stolen billions from welfare programs that are designed to help the truly needy. Fortunately, the federal government is finally taking notice.

President Trump is waging war on fraud

From Day One, President Trump has made it a priority to stop fraud.⁴³ Under his direction, executive agencies have been working to identify and stop fraud within their program areas.

USDA is continuing its efforts to collect data from states on food stamp recipients to identify and stop fraudulent enrollment, despite Democrat-run states stonewalling their requests.⁴⁴ In 2025, USDA engaged in the largest operation to combat food stamp fraud in history, surveilling more than 100 locations in southern California for suspected retailer fraud.⁴⁵ In the first year of the Trump administration, 118 individuals were arrested for food stamps fraud.⁴⁶ In April 2026, USDA initiated Operation Cold SNAP, which served criminal search warrants and administrative charging letters related to dozens of retailers suspected of food stamp trafficking in Minneapolis.⁴⁷

The Centers for Medicare & Medicaid Services (CMS) announced that \$259 million in Medicaid funds are being withheld from Minnesota, and notified the state that an additional \$2 billion may be withheld if Minnesota does not address fraud in the Medicaid program.⁴⁸⁻⁴⁹ CMS has flagged multiple other states including Colorado, New York, California, Illinois, and Maine for suspicious Medicaid and Medicare payments that may indicate widespread fraud and has put state leadership on notice that Medicaid funds will be withheld unless action is taken.⁵⁰⁻⁵²

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Due to concerns about welfare program fraud in Minnesota, California, Illinois, Colorado, and New York, the U.S. Department of Health and Human Services (HHS) temporarily froze federal funding for programs like cash welfare and childcare assistance until state administration of these programs are compliant with federal anti-fraud regulations.⁵³ HHS also issued a regulation to only allow childcare assistance funding to be distributed for children actually in attendance in a childcare facility, and after services have been provided.⁵⁴ Previously, childcare assistance was distributed based on enrollment, before services were provided.⁵⁵

In March 2026, President Trump established the Task Force to Eliminate Fraud, headed by Vice President JD Vance.⁵⁶ As part of this effort, a new division at the Department of Justice was established that is dedicated to national fraud enforcement.⁵⁷ Every U.S. Attorney's Office is joining the effort, and the task force will add 93 more prosecutors across the country devoted to combating fraud.⁵⁸ **Already, there are more than 8,000 fraud cases underway with attorneys general across the country.**⁵⁹ However, these cases are just a small fraction of the fraud that is being perpetrated. To find the cases of fraud that are yet to be uncovered, the National Fraud Detection Center has been established as a permanent, multi-agency data analytics team dedicated to finding fraud in federal programs.⁶⁰

The Trump administration has made serious headway in the fight against fraud, but federal agencies, Congress, and states can all do more to eliminate the theft of taxpayer-funded benefits.

Congress, agencies, and states should work together to stop fraud before it can happen

While prosecuting crimes after they occur is a crucial element of eliminating fraud, federal agencies, Congress, and states should do more to stop fraud in its tracks before taxpayer-funded programs can be drained of resources.

The Office of Management and Budget (OMB) should encourage agencies to monitor for fraud by requiring more programs to collect and report data related to improper payments and fraud. OMB should also work with the Department of Treasury to use data analytics to identify and stop fraud. The Treasury Department's Do Not Pay system has been an effective tool to stop payments to bad actors, and more programs should integrate with it.⁶¹

Congress should require the IRS to issue 1099s to welfare beneficiaries to allow for faster identification of stolen Social Security numbers. The IRS should also share data with state programs to cross-check eligibility information. Congress should also require mandatory exclusion from all federal programs if a service provider is convicted of defrauding any federal program.

The One, Big, Beautiful Bill penalizes states for improper payments in welfare programs, incentivizing them to eliminate fraud in these programs.⁶² **Congress and agencies should build on this success by promoting states commonsense program integrity measures.**

MEDICAID

For Medicaid, CMS should require more frequent eligibility redeterminations, prohibit the use of self-attestation for eligibility criteria, eliminate ex-parte redetermination requirements, and strengthen hospital presumptive eligibility standards. HHS should conduct yearly reviews of improper payments in each state, rather than every three years. Additionally, HHS should suspend Medicaid payments to providers when there are credible allegations of fraud and require more frequent revalidations of providers.

Even without federal requirements, states should implement program integrity measures like verifying eligibility before enrollment, and cross-checking wage, hiring, tax records, and vital statistics data monthly to ensure that any changes to eligibility are caught.⁶³

FOOD STAMPS

For food stamps, federal requirements should be updated to require photo ID for EBT cards, which would reduce benefits theft and trafficking. Additionally, states should be required to check EBT transaction data for out-of-state use, as well as conduct household composition audits, and require out-of-state moves to be reported. USDA should prohibit liquor stores and smoke shops from participating in food stamps, as these stores stock very few items that are eligible for food stamps.⁶⁴ Additionally, USDA should require more frequent and robust recertifications of food stamp retailers and issue geographic moratoriums in areas that are fraud hotspots.

States can reduce food stamp improper payments and fraud by closing the broad-based categorical eligibility loophole, requiring the administering agency to conduct more frequent redeterminations and verify eligibility and compliance with work requirements, and cross-checking applications and redeterminations against wage, hiring, and tax records, out-of-state EBT transaction data, and lottery, incarceration, vital statistics, and change-of-address data.⁶⁵

The Bottom Line:

Congress and states should continue President Trump's efforts to crack down on fraud and corruption and save taxpayers billions.

Fraud is a crime against taxpayers and those who rely on federal assistance programs for support. Every dollar that is sent to criminals who defraud the government is a dollar stolen from the truly needy. In any program that distributes benefits, there will be those who seek to take advantage and commit fraud. However, much more can be done to stem the tide of fraudulent payments and stop taxpayer dollars from flowing freely to criminals. President Trump has taken action against fraudsters and has cracked down on states that have allowed fraud to persist unchecked. Federal agencies, states, and Congress all have a role to play to continue these efforts to investigate, prosecute, and prevent fraud going forward.

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