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## Preserving Medicaid Before It's Too Late

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*Pennsylvania's Medicaid program is a national leader in all the wrong ways. Evidence of sub-standard access to care is widespread, and enrollment and costs continue to soar. The current eligibility process creates opportunities for fraud while decreasing services for people with intellectual disabilities and low-income senior citizens.*

### **Key Findings:**

1. Pennsylvania's Medicaid program has grown to record levels. From 2010 to 2019, Medicaid enrollment grew from 2.3 million to 2.8 million, a 26% increase.
2. Medicaid growth has far outpaced population growth in Pennsylvania, with more than 6 individuals added to Medicaid for every new resident between 2010 and 2019.
3. For every additional worker that Pennsylvania added to its workforce, it added more than three people to Medicaid.
4. State-only Medicaid spending grew by 83% since 2010, reaching nearly \$14 billion in 2019.<sup>1</sup>

### **The Problem**

Medicaid bloat has not meaningfully improved physical health outcomes. More than 15,000 Pennsylvanians remain on Medicaid waiting lists, and at least 154 individuals on state waiting lists have died since the state expanded Medicaid to able-bodied adults through Obamacare.<sup>2</sup>

Medicaid enrollment numbers have been stable since 2017, but between April and July 2020, the Department of Human Services reported an uptick of more than 200,000 in Medicaid enrollment.<sup>3</sup> The Foundation for Government Accountability estimates Pennsylvania could see

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<sup>1</sup> Nic Horton, "Preserving Medicaid: How to Stop Shortchanging Patients and Bankrupting Taxpayers," Commonwealth Foundation, <https://www.commonwealthfoundation.org/policyblog/detail/preserving-medicaid-how-to-stop-shortchanging-patients-and-bankrupting-taxpayers>.

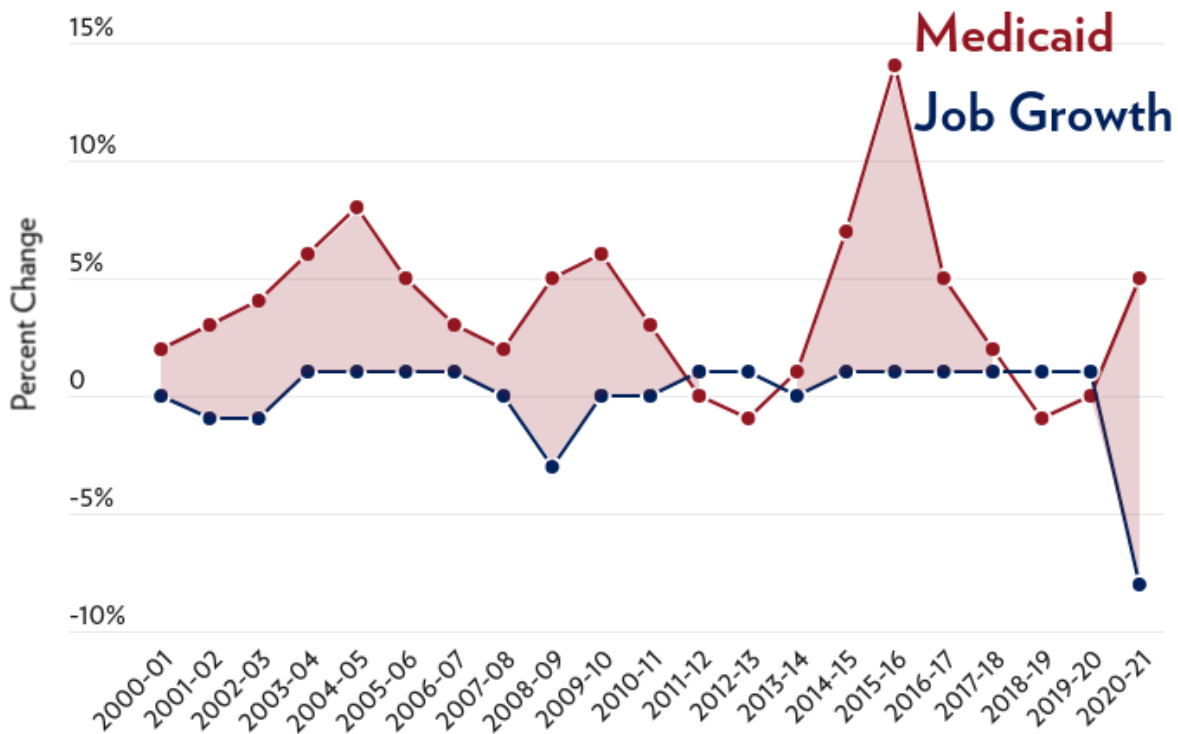
<sup>2</sup> The PA Waiting List Campaign, "Prioritization of Urgency of Need for Services March 31, 2020 (PUNS)," (2020), <https://pawaitinglistcampaign.org/puns-as-of-3-31-2020/>. According to the Pennsylvania Department of Human Services, 154 individuals on state waiting lists died from January 2015 through early June 2017. See, e.g., Nicholas Horton, "Waiting for help: the Medicaid waiting list crisis," Foundation for Government Accountability (2018), <https://thefga.org/research/medicaid-waiting-list/>.

<sup>3</sup> Monthly Data Report August 2020, "Medical Assistance Eligible Persons," Pennsylvania Department of Human Services (2020), <http://listserv.dpw.state.pa.us/Scripts/wa.exe?A1=ind20&L=ma-food-stamps->

up to 3.5 million additional enrollees—**more than double today’s enrollment**—due to COVID-19 economic contractions, Medicaid expansion, and Medicaid rule changes making it more difficult to remove ineligible enrollees. This will cost another \$26 billion (\$7.9 billion in state-only dollars).<sup>4</sup>

## Pa. Medicaid Enrollment vs. Job Growth

*For 20 years Medicaid outpaced job growth. Since 2010 we’ve added 3 new Medicaid patients for every 1 new worker.*



Source: Pennsylvania Department of Human Services Office of Income Maintenance Statistics Reports, <http://listserv.dpw.state.pa.us/ma-food-stamps-and-cash-stats.html>, Bureau of Labor Statistics Job Growth, link.

Medicaid’s budget is continually and deliberately underestimated, allowing officials to appropriate more money after the fact to avoid making hard decisions about raising revenue or reducing other spending. However, this shell game is not sustainable. In the most recent state budget, more than \$1 billion was used from federal CARES aid to fill in supplemental appropriations in Medicaid line items<sup>5</sup> or cover overspending by the Wolf administration. In the last three years, Governor Wolf has overspent on Medicaid (filled in by supplemental

[and-cash-stats](#).

<sup>4</sup> Jonathan Ingram and Nic Horton, “States are About to Be Hit with a Medicaid Tidal Wave,” Foundation for Government Accountability (2020), <https://thefga.org/research/covid-19-medicaid/>.

<sup>5</sup> <https://houseappropriations.com/files/Documents/2020-21%20Budget%20-%20HB%202387%20A05886%20-%20General%20Fund%20and%20Special%20Funds%20-%20State%20and%20Federal%20Appropriations%205-26-20.pdf>

appropriations) by \$400 million to \$673 million annually, indicating an intentional accounting trick.<sup>6</sup>

Lastly, Medicaid is susceptible to widespread fraud. The U.S. Department of Health and Human Services estimates that roughly 10% of all Medicaid spending is improper, mostly due to eligibility errors.<sup>7</sup> Pennsylvania must change the way it manages Medicaid to ensure the program's future and balance the state budget.

### **Recommendations:**

#### **1. Implement a commonsense work requirement for able-bodied adults on Medicaid.**

- States that have adequately enforced these requirements, including Kansas and Mississippi, have seen the doubling and tripling of incomes of former enrollees who left these programs.<sup>8</sup> Indeed, Arkansas' Medicaid work requirement was on track to save taxpayers a staggering \$300 million per year until a 2019 court ruling stalled implementation.<sup>9</sup>
- To be successful, a work requirement must have limited exemptions for health or job loss, applied broadly to able-bodied adults up to 64 years old, and mirror existing food stamp work requirements for the ease of enrollees and administrators.

#### **2. Protect services for vulnerable Medicaid recipients by strengthening eligibility verification.**

- Medicaid is an income-based entitlement program, meaning applicants must make under \$17,609 as an individual to be eligible, with higher amounts for larger households.
- Residency and household composition information can currently be accepted "on the honor system." This information should be verified by documentation and state data.<sup>10</sup>

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<sup>6</sup> House Democrat Appropriations Committee, "General Fund Tracking Print Out (HB 218)," [https://www.houseappropriations.com/files/Documents/Printout\\_2017-18\\_HB218PN2196\\_v14\\_063017.pdf](https://www.houseappropriations.com/files/Documents/Printout_2017-18_HB218PN2196_v14_063017.pdf). Andrew Abramczyk, "A \$673 Million Mistake Isn't a Mistake," Commonwealth Foundation, <https://www.commonwealthfoundation.org/policyblog/detail/a-673-million-mistakeisnt-a-mistake>. House Democrat Appropriations Committee, "20-21 General Fund Stop-Gap Budget State & Federal Appropriations."

<sup>7</sup> Victoria Eardley and Jonathan Ingram, "How the Trump administration can crack down on Medicaid fraud," Foundation for Government Accountability (2018), <https://thefga.org/research/medicaid-fraud-reform-trump-administration/>.

<sup>8</sup> Jonathan Ingram and Nic Horton, "The power of work: How Kansas' welfare reform is lifting Americans out of poverty," Foundation for Government Accountability (2016), <https://thefga.org/research/report-the-power-of-work-how-kansas-welfare-reform-is-lifting-americans-out-of-poverty/>. Nicholas Horton and Jonathan Ingram, "Welfare reform is moving Mississippians back to work," Foundation for Government Accountability (2019), <https://thefga.org/wp-content/uploads/2019/11/Welfare-reform-is-moving-Mississippians-back-to-work.pdf>.

<sup>9</sup> Nicholas Horton and Victoria Eardley, "Checking in: Arkansas' Medicaid work requirement was working," Foundation for Government Accountability (2019), <https://thefga.org/research/arkansas-medicaid-work-requirement/>.

<sup>10</sup> CMS confirmed this was the most recent verification plan they have on file for the state of Pennsylvania. See, e.g., Centers for Medicare and Medicaid Services, "MAGI-based eligibility verification plan: Pennsylvania," U.S. Health and Human Services (2020), <http://www.medicaid.gov/sites/default/files/2019-12/pennsylvania-verification-plan-template-final.pdf>.

- In Pennsylvania, Medicaid is administered by managed care companies. The state pays these companies a monthly premium for each enrollee. When ineligible individuals are enrolled, the state pays the monthly premium regardless of how much health care enrollees consume. The key to stewarding Medicaid dollars is a good eligibility process.
- 3. Utilize more data to conduct regular, ongoing monitoring.**
- Even in ideal circumstances where the state ensures every applicant is eligible on day one—what happens on day two? The state of Arkansas, utilizing already available data to ensure eligibility, removed roughly 80,000 ineligible enrollees, nearly 10% of their enrollment.<sup>11</sup>
  - Specifically, death records and residency should be reviewed monthly and wage records quarterly.
- 4. Implement accountability for reporting life changes.**
- While Medicaid enrollees are responsible for reporting life changes that may impact their eligibility, too often these go unreported.<sup>12</sup>
  - In Kentucky’s “Kentucky HEALTH” waiver, the state received federal approval to make individuals ineligible for Medicaid for six months when they fail to report important life changes that result in the loss of eligibility.<sup>13</sup>
- 5. Reinvest savings from eligibility protections to reduce waiting lists.**
- Pennsylvania maintains a waiting list for those with intellectual disabilities that want to be served in the community or at home. The commonwealth currently appropriates \$15 to \$25 million annually to reduce the waiting list.<sup>14</sup>
  - As noted, the U.S. Department of Health and Human Services estimates that 10% of all Medicaid spending is improper.<sup>15</sup> In the commonwealth, that amounts to more than \$3 billion in wasteful spending that could be redirected to provide community care for the truly needy.

Pennsylvania’s Medicaid program is a vital safety net for millions of individuals who truly have nowhere else to turn, but the program’s growth threatens its and Pennsylvania’s long-term prosperity. To avoid much tougher choices in the future, such as cutting Medicaid benefits or raising taxes, lawmakers should pursue these five recommendations.

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<sup>11</sup> Foundation for Government Accountability, “FGA applauds Hutchinson administration for commitment to reducing welfare fraud,” (2017), <https://thefga.org/news/fga-applauds-hutchinson-administration-commitment-reducing-welfare-fraud/>.

<sup>12</sup> Victoria Eardley and Jonathan Ingram, “How the Trump administration can crack down on Medicaid fraud,” Foundation for Government Accountability (2018), <https://thefga.org/research/medicaid-fraud-reform-trump-administration/>.

<sup>13</sup> Nic Horton, “Three things to know about Kentucky’s new Medicaid waiver,” The American Spectator (2018), <https://spectator.org/three-things-to-know-about-kentuckys-new-medicaid-waiver/>.

<sup>14</sup> Governor’s Budget Office, “2018-19 Pennsylvania Executive Budget in Brief” (2018), <https://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2018-19%20Proposed%20Budget/2018-19%20Budget%20In%20Brief%20-%20Web.pdf>; “2019-20 Pennsylvania Executive Budget in Brief” (2019), [https://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2019-20%20Proposed%20Budget/2019-20\\_Budget\\_in\\_Brief\\_Web.pdf](https://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2019-20%20Proposed%20Budget/2019-20_Budget_in_Brief_Web.pdf).

<sup>15</sup> Victoria Eardley and Jonathan Ingram, “How the Trump administration can crack down on Medicaid fraud,” Foundation for Government Accountability (2018), <https://thefga.org/research/medicaid-fraud-reform-trump-administration/>.