

PRESERVING MEDICAID:

**How to Stop Shortchanging
Patients and Bankrupting
Taxpayers**



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Preserving Medicaid: How to Stop Shortchanging Patients and Bankrupting Taxpayers

August 2020

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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 six 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.
5. Nearly 40% of Pennsylvania's budget now goes to Medicaid, the fourth highest of all the states and more than New York and California.

Recommendations:

1. Pennsylvania can make Medicaid sustainable by implementing a commonsense work requirement for able-bodied adults on Medicaid.
2. Pennsylvania can protect services for vulnerable Medicaid recipients by strengthening front-end eligibility verification and more frequently utilizing data the state already collects to ensure enrollees are eligible.
3. Pennsylvania can use savings from these commonsense reforms to reduce the waiting list for community-based services for those with intellectual disabilities.

Background

Across the country, states are grappling with unprecedented growth in their Medicaid programs. Enrollment has spiraled out of control, fueled further by Obamacare's Medicaid expansion for able-bodied adults.¹ This enrollment surge has led to skyrocketing costs for taxpayers and is threatening services for truly needy Medicaid populations. Indeed, states now spend nearly one out of every three dollars in their budgets on Medicaid.²

¹ Jonathan Ingram and Nicholas Horton, "ObamaCare expansion enrollment is shattering projections," Foundation for Government Accountability (2016), <https://thefga.org/research/obamacare-expansion-enrollment-is-shattering-projections-2/>.

² Nicholas Horton, "The Medicaid Pac-man: How Medicaid is consuming state budgets," Foundation for Government Accountability (2019), <https://thefga.org/research/medicaid-pac-man/>.

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To make matters worse, state Medicaid programs are susceptible to widespread fraud: The U.S. Department of Health and Human Services estimates that roughly 10% of all Medicaid spending is improper, and the vast majority of this improper spending is due to eligibility errors.³

Unfortunately, the Commonwealth of Pennsylvania is a Medicaid leader in all the wrong ways. Medicaid enrollment has skyrocketed over the last decade, far outpacing population growth, and the state ranks fourth in the share of the state budget consumed by Medicaid. In July, Medicaid enrollment reached an all-time high crossing the 3 million mark⁴ Yet despite this unprecedented growth, Medicaid remains a sub-par program, to put it mildly. Medicaid has not meaningfully improved physical health outcomes. More than 15,000 Pennsylvanians remain on Medicaid waiting lists, and, tragically, at least 154 individuals on those lists have died since the state expanded Medicaid to able-bodied adults through Obamacare.^{5,6,7}

Without an immediate course correction, Pennsylvania's Medicaid program is headed off the tracks, if it is not already.

With unemployment surging from 4.7% to 16% in April 2020, it will be increasingly important that the state use every tool at its disposal to shore up the foundation of its Medicaid program.⁸

Failure to act now could easily turn Pennsylvania into New York, a state that was facing a \$6 billion budget shortfall well before the COVID-19 economic downturn, driven by years of Medicaid eligibility expansions and mismanagement.⁹

While federal rules tie the hands of the state in some ways, the state does have tools at its disposal to tackle Medicaid growth and fraud to ensure the program's future sustainability.

The State of Pennsylvania's Medicaid Program

Despite a growing economy over much of the last decade, Pennsylvania's Medicaid program has ballooned. Indeed, even when the state enjoyed record-low unemployment, Medicaid dependency continued to grow to record levels. This record dependency has brought

³ 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/>.

⁴ Pennsylvania Department of Human Services, "Medical Assistance, Food Stamps and Cash Assistance Statistics Reports," Office of Income Maintenance (2020), <http://listserv.dpw.state.pa.us/ma-food-stamps-and-cash-stats.html>.

⁵ Katherine Baicker et al., "The Oregon experiment—effects of Medicaid on clinical outcomes," New England Journal of Medicine (2013), <https://www.nejm.org/doi/full/10.1056/NEJMsa1212321>.

⁶ 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/>.

⁷ 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/>.

⁸ Bureau of Labor Statistics, "Local Area Unemployment Statistics: Pennsylvania labor force, seasonally adjusted," U.S. Department of Labor (2020), <https://data.bls.gov/timeseries/LASST420000000000003>.

⁹ Nolan Hicks et al., "Cuomo targets Medicaid spending at local level to close \$6 billion budget deficit," New York Post (2020), <https://nypost.com/2020/01/08/cuomo-targets-medicaid-spending-at-local-level-to-close-6b-budget-deficit/>.

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unprecedented levels of Medicaid spending, further straining taxpayers and leaving fewer dollars on the table for other budget items like education, infrastructure, and public safety.

Pennsylvania's Medicaid Enrollment Has Reached Record Levels

Pennsylvania has been fortunate to enjoy a growing economy for most of the last decade, but despite this progress, Medicaid growth has continued at an alarming rate. This growth was exacerbated when the state opted to accept Obamacare's Medicaid expansion for able-bodied, working-age adults in 2015, but that expansion is not solely to blame.

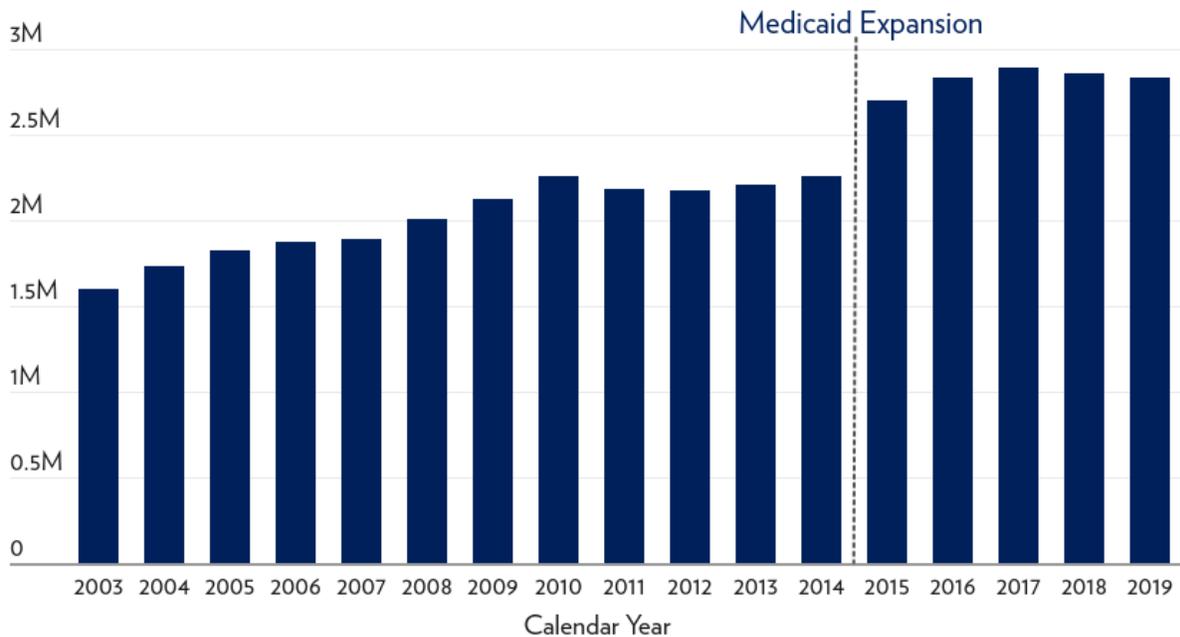
In 2003, there were 1.6 million Pennsylvanians dependent on Medicaid. By 2010, enrollment reached more than 2.26 million.¹⁰ Over the next few years, enrollment was relatively stable, although it never returned to pre–Great Recession levels.

Then, in 2015, Pennsylvania opted to expand Medicaid through Obamacare to able-bodied, working-age adults. This triggered another enrollment surge, with year-end enrollment ultimately hitting 2.7 million. Enrollment would continue to climb over the next couple of years.

By 2019, more than 2.8 million Pennsylvanians were dependent on Medicaid.

Pennsylvania Medicaid Enrollment

Pennsylvania Medicaid enrollment has grown to record levels.



Source: OpenData PA, "Medical assistance enrollment July 2003-current monthly county & state totals," Commonwealth of Pennsylvania (2020), <https://data.pa.gov/Human-Services/Medical-Assistance-Enrollment-July-2003-Current-Mo/2ght-hfn9/data>.

¹⁰ OpenData PA, "Medical assistance enrollment July 2003-current monthly county & state totals," Commonwealth of Pennsylvania (2020), <https://data.pa.gov/Human-Services/Medical-Assistance-Enrollment-July-2003-Current-Mo/2ght-hfn9/data>.

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Enrollment growth has far outpaced population growth in the state. Over a 10-year window, from 2010–2019, Pennsylvania’s Medicaid enrollment grew by 26%, but over that same time, the state’s population grew by just 0.7%.¹¹

Pennsylvania Population and Medicaid Enrollment Changes Over Ten-Year Window				
	2010	2019	Percent Change	Number Change
Population	12,711,160	12,801,989	0.7%	90,829
Medicaid Enrollment	2,255,181	2,835,163	26%	579,982

Shockingly, for every new Pennsylvanian, the state has added more than six people to Medicaid.¹²

Naturally, the share of Pennsylvanians dependent on Medicaid has also soared. As of 2019, just over 22% of Pennsylvanians were dependent on Medicaid—or nearly one out of four residents.¹³ This a significant spike from 2010, when just under 18% of state residents were dependent on Medicaid.¹⁴

Year	Percent of Pennsylvanians on Medicaid
2003	13%
2010	17.8%
2019	22.1%

During the past decade, the state’s labor force participation rate was stagnant, dipping slightly from 63.8% in December 2010 to 63.6% in December 2019.¹⁵

For every person the state added to its workforce, it added more than three people to Medicaid.¹⁶

In short, record Medicaid enrollment—which is far outpacing labor force and population growth—is a recipe for disaster for Pennsylvania taxpayers and truly needy Pennsylvanians who depend on Medicaid services.

¹¹ Author’s calculations based on 2010 and 2019 Pennsylvania population data from the U.S. Census Bureau and 2010 and 2019 Medicaid enrollment data from the state of Pennsylvania via OpenData PA.

¹² Author’s calculations based on the number of new residents and new Medicaid enrollees in Pennsylvania from 2010 through 2019.

¹³ Author’s calculations based on 2019 Pennsylvania population data from the U.S. Census Bureau and 2019 Medicaid enrollment data from the state of Pennsylvania.

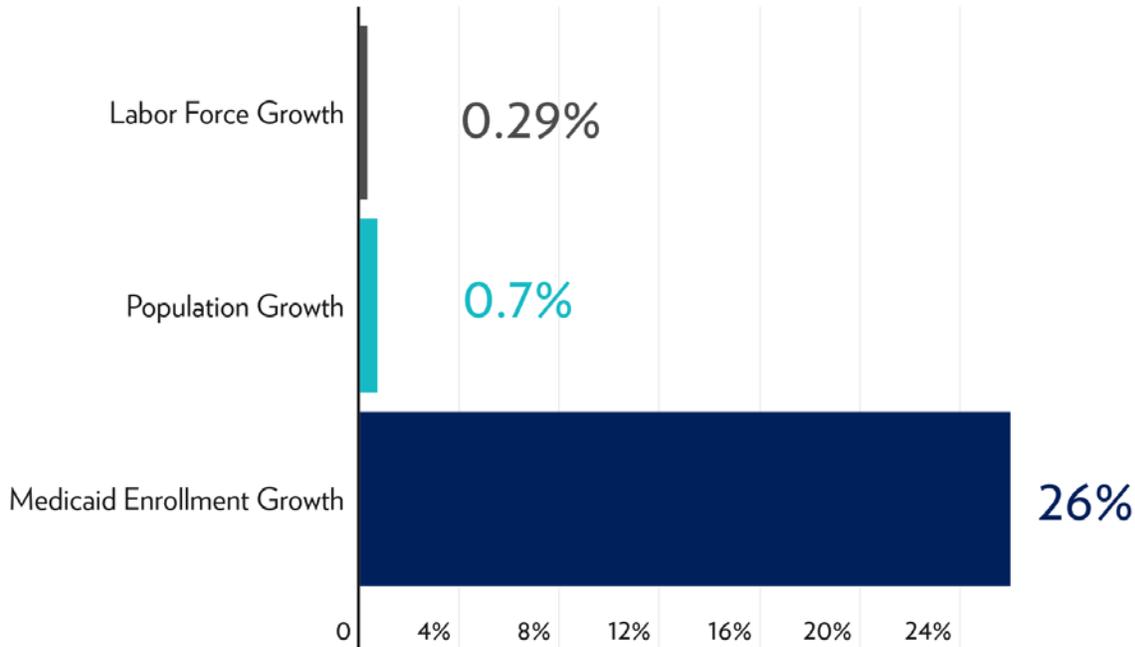
¹⁴ Author’s calculations based on 2010 Pennsylvania population data from the U.S. Census Bureau and 2010 Medicaid enrollment data from the state of Pennsylvania.

¹⁵ Bureau of Labor Statistics, “Local Area Unemployment Statistics: Pennsylvania labor force participation rate, seasonally adjusted,” U.S. Department of Labor (2020), <https://data.bls.gov/cgi-bin/dsrv?la>.

¹⁶ Author’s calculations. From 2010 through 2019, Pennsylvania added 579,982 new Medicaid enrollees compared to just 183,832 new workers, according to data from the Pennsylvania Department of Human Services and the U.S. Bureau of Labor Statistics.

Growth of Pennsylvanians on Medicaid

Between 2010 and 2019 Medicaid growth has far surpassed other economic indicators.



Sources:

Medicaid Enrollment Rate 2019: Author's calculations based on 2019 Pennsylvania population data from the U.S. Census Bureau and 2019 Medicaid enrollment data from the state of Pennsylvania. 2010: Author's calculations based on 2010 Pennsylvania population data from the U.S. Census Bureau and 2010 Medicaid enrollment data from the state of Pennsylvania.

Population Author's calculations based on 2010 and 2019 Pennsylvania population data from the U.S. Census Bureau.

Labor Force Participation Bureau of Labor Statistics, "Local Area Unemployment Statistics: Pennsylvania labor force participation rate, seasonally adjusted," U.S. Department of Labor (2020), <https://data.bls.gov/cgi-bin/dsrv?la>.

Pennsylvania's Medicaid Budget Has Reached Record Levels

Over the past decade alone, total Medicaid spending in Pennsylvania has skyrocketed, rising by more than 60%, with state-only spending increasing at an even higher rate.

Looking back just ten years, Pennsylvania's Medicaid program cost state and federal taxpayers \$20.2 billion per year.¹⁷ But by 2019, total Medicaid spending had ballooned to more than \$32 billion per year, an increase of 60%.¹⁸ This is nearly triple Pennsylvania's total Medicaid spending in 2000.¹⁹

¹⁷ Brian Sigriz et al., "2010 state expenditure report," National Association of State Budget Officers (2010), <https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-Ofca152d64c2/UploadedImages/SER%20Archive/2010%20State%20Expenditure%20Report.pdf>.

¹⁸ Brian Sigriz et al., "2019 state expenditure report," National Association of State Budget Officers (2019), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-Ofca152d64c2/UploadedImages/SER%20Archive/2019_State_Expenditure_Report-S.pdf.

¹⁹ Author's calculations based on total Medicaid spending in 2000 and 2018, according to the National Association of State Budget Officers.

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One of the more significant upticks occurred post-2015 after the state accepted Obamacare's Medicaid expansion for able-bodied, childless adults: In 2014, the last year before expansion, Pennsylvania's total Medicaid budget sat just below \$25 billion,²⁰ but by 2019, after several years of expansion, the Medicaid budget surged past \$32 billion.²¹

In other words, Medicaid spending growth is accelerating. Since the expansion of Obamacare alone, Pennsylvania's Medicaid budget has grown by more than \$8.2 billion.²² That means **Medicaid spending growth during the past four years has surpassed the growth during the entire previous decade.**²³

²⁰ Brian Sigriz et al., "2014 state expenditure report," National Association of State Budget Officers (2014), [https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/State%20Expenditure%20Report%20\(Fiscal%202013-2015\)S.pdf](https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/State%20Expenditure%20Report%20(Fiscal%202013-2015)S.pdf).

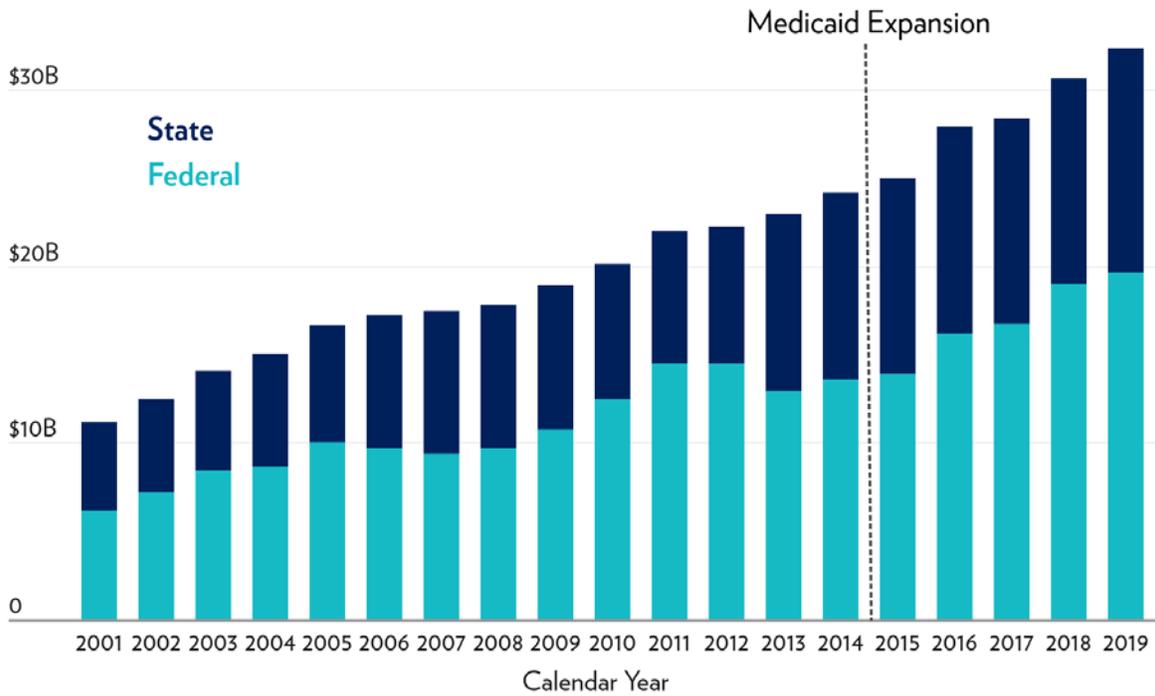
²¹ Brian Sigriz et al., "2019 state expenditure report," National Association of State Budget Officers (2019), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2019_State_Expenditure_Report-S.pdf.

²² Author's calculations based on Pennsylvania Medicaid spending data from the National Association of Budget Officers.

²³ From 2004 to 2013, Pennsylvania's Medicaid budget grew by roughly \$7.9 billion, according to data provided by the National Association of State Budget Officers. From 2014 to 2019, Pennsylvania's Medicaid budget grew by \$8.2 billion. See, e.g., National Association of State Budget Officers, "Archive of state expenditure report," (2020), <https://www.nasbo.org/reports-data/state-expenditure-report/state-expenditure-archives>.

Total Pennsylvania Medicaid Spending, State and Federal

Pennsylvania's Medicaid spending has surpassed \$32 billion.



Source: Brian Sigritz et al., "2019 state expenditure report," National Association of State Budget Officers (2019), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2019_State_Expenditure_Report-S.pdf; National Association of State Budget Officers, "Archive of state expenditure report," (2020), <https://www.nasbo.org/reports-data/state-expenditure-report/state-expenditure-archives>.

But it is not just total Medicaid spending that is skyrocketing—the *state's* portion of Medicaid costs has also grown exponentially, rising at an even faster rate. As of 2019, Pennsylvania spent \$13.7 billion of state dollars to pay for its ever-expanding Medicaid program—an **increase of 83% since 2010**.²⁴

As the full impact of COVID-19 comes into focus, this trend is likely to continue. Between April and May 2020, the Department of Human Services reported an uptick of 50,000 in Medicaid enrollment.²⁵ The Foundation for Government Accountability estimates Pennsylvania could see

²⁴ Brian Sigritz et al., "2019 state expenditure report," National Association of State Budget Officers (2019), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2019_State_Expenditure_Report-S.pdf.

²⁵ Monthly Data Report April 2020, "Medical Assistance Eligible Persons," Pennsylvania Department of Human Services (2020), <https://www.dhs.pa.gov/about/Documents/April%202020%20Data%20Report.pdf>.

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up to 3.5 million additional enrollees, costing another \$26 billion.²⁶ **If these projections hold true, it would mean a more than a doubling of Pennsylvania’s current Medicaid enrollment and a near doubling of the overall Medicaid budget.**

This all means more strain on state and federal taxpayers—but it also means fewer dollars available for truly needy Pennsylvanians, as well as less funding for infrastructure, education, and public safety.

Despite Record Spending, Medicaid Continues to Deliver Low-Quality Care

Medicaid provides broad access to an array of services and specialists, but in practice, accessing those services is not easy.

More than 15,000 Pennsylvanians remain on Medicaid waiting lists for home or community-based care, and, tragically, at least 154 individuals on state waiting lists have died since the state expanded Medicaid to able-bodied adults through Obamacare.²⁷

A 2017 survey from Merritt Hawkins found the wait times for specialist appointments in Philadelphia and across the nation have increased significantly. The average wait time for a physician appointment for the 15 largest metro areas surveyed is 24.1 days, up 30% from 2014. In Philadelphia, the survey found the average wait for a dermatologist appointment was 78 days, and only 40% accepted Medicaid. According to the survey, Medicaid patients wait, on average, 51 days to see an OBGYN.²⁸ Long wait times are not surprising, given Pennsylvania hospitals estimate Medicaid reimburses providers about 80% of the cost of care.²⁹

Apart from objective measures like waiting times or improper emergency room usage, interacting with the Medicaid bureaucracy can make patients feel like second-class citizens. For example, one Pennsylvania family enrolled in Medicaid was unusually lucky to keep its doctor because of a personal relationship. While the primary care physician treated the family with respect, the program did not. Sarah, the mother, described constant calls in the middle of her workday from Medicaid officials to see if she helped her kids brush their teeth or to push long surveys about her family hygiene practices.³⁰

²⁶ 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/>.

²⁷ Katherine Baicker et al., “The Oregon experiment—effects of Medicaid on clinical outcomes,” *New England Journal of Medicine* (2013), <https://www.nejm.org/doi/full/10.1056/NEJMsa1212321>; 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/>.

²⁸ “Survey of Physician Appointment Wait Times,” Merritt Hawkins (2018), <https://www.aristamd.com/wp-content/uploads/2018/11/mha2017waittimesurveyPDF-1.pdf>.

²⁹ Allen Dobson et al., “The Adequacy of Medicaid Program Payments to Hospitals in the Commonwealth of Pennsylvania,” D and Associates (2019), Pennsylvania Hospital Association, <https://haponlinecontent.azureedge.net/resourcelibrary/Medicaid-Program-Adequacy-Final-Report-Dobson-DaVanzo-April2019.pdf>.

³⁰ Elizabeth Stelle, “Affordable Care Act Struggles Continue Sarah’s Healthcare Story,” Interview with the Author (2018), <https://www.commonwealthfoundation.org/policyblog/detail/affordable-care-act-struggles-continue-sarahs-health-care-story>.

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“I tried to explain to them that I am at work, but they just ignore you. Should my boss just give me a 15-minute break whenever a state bureaucrat calls? Health education is important, but there has to be a better way to do it.”

The red tape continued at her family dentist. For one cavity, they were forced to schedule three appointments: one for a checkup, one to “confirm” the cavity, and another to fill it. “We do it this way to maximize billing,” the secretary told Sarah.³¹

Clearly, despite record spending on the program, Pennsylvania Medicaid is failing to deliver quality care for patients.

Pennsylvania’s Medicaid Growth Is Crowding Out Other State Priorities

As a result of the ongoing growth in Pennsylvania’s Medicaid program, the state has fewer dollars available to allocate to other vital line items. Indeed, as Medicaid has continued to grow over the past decade, it has consumed more and more of the state budget. Restoring the state’s rainy-day fund, saving family-sustaining jobs, and avoiding new taxes on Pennsylvanians recovering from COVID-19 shutdowns will be more difficult as Medicaid spending grows.

In 2010, 29.6% of Pennsylvania’s entire operating budget (including state and federal funds) was devoted to Medicaid.³² This was well above the national average at the time of just 22% and put the state in the top tier of states whose budgets were consumed by Medicaid.³³ The state spent just under 20% of its budget on K-12 education, 10% on transportation, and just over 3% on corrections.³⁴

Over the next decade, Medicaid spending continued to climb as a percent of state spending—but other line-items remained relatively constant or even declined slightly. By 2018, a staggering 39% of the state operating budget was dedicated to Medicaid, before leveling off slightly at 36% in 2019.³⁵ Meanwhile, K-12 education has dropped to just over 17% as a share of the operating budget.³⁶

³¹ Ibid.

³² Brian Sigriz et al., “2010 state expenditure report,” National Association of State Budget Officers (2010), <https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2010%20State%20Expenditure%20Report.pdf>.

³³ Ibid.

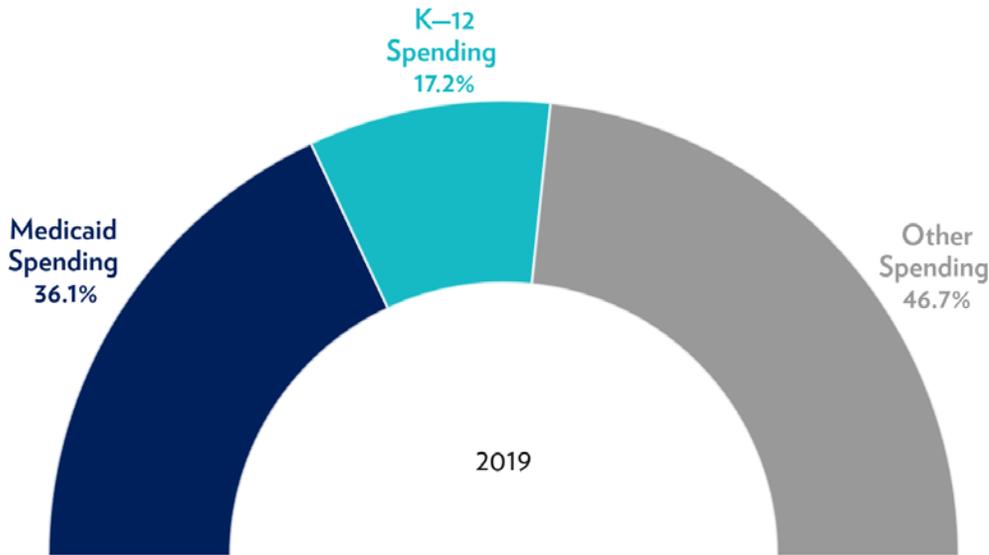
³⁴ Ibid.

³⁵ Brian Sigriz et al., “2018 state expenditure report,” National Association of State Budget Officers (2018), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2018_State_Expenditure_Report_S.pdf; Brian Sigriz et al., “2019 state expenditure report,” National Association of State Budget Officers (2019), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2019_State_Expenditure_Report-S.pdf.

³⁶ Ibid.

Pennsylvania Medicaid Spending as a Share of the Operating Budget

Medicaid spending was almost 40% of the operating budget in 2019.



Source: Brian Sigritz et al., "2019 state expenditure report," National Association of State Budget Officers (2019), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2019_State_Expenditure_Report-S.pdf.

For every five dollars the state of Pennsylvania now spends, nearly two dollars must go to Medicaid.³⁷

While Medicaid spending as a share of state budgets has been steadily increasing across the country, Pennsylvania once again remains a significant outlier: On average, states are spending about 29% of their budgets on Medicaid compared to the commonwealth's 36%.³⁸

Pennsylvania ranks fourth highest amongst all states for the slice of its budget that is consumed by Medicaid—outpacing more fiscally unsound states like New York and California.³⁹

³⁷ Author's calculations based on total Medicaid spending for the state of Pennsylvania in 2019, according to the National Association of State Budget Officers.

³⁸ Brian Sigritz et al., "2019 state expenditure report," National Association of State Budget Officers (2019), https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/2019_State_Expenditure_Report-S.pdf.

³⁹ Ibid.

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States with Highest Percentage of Budget Consumed by Medicaid	
State	Percent of state budget
1. Missouri	38.9
2. Ohio	38.0
3. Indiana	36.4
4. <i>Pennsylvania</i>	36.1
5. New York	35.3
6. Arizona	35.3
7. New Hampshire	35.2
8. Maine	33.8
9. Louisiana	33.2
10. Tennessee	32.9
Source: National Association of State Budget Officers.	

The Path to Fixing Pennsylvania’s Medicaid Crisis

Clearly, Pennsylvania’s Medicaid program is on an unsustainable path, but thankfully, there is a clear pathway for the state to course correct and protect services for the truly vulnerable. Specifically, policymakers should focus their attention on reforms that enhance the integrity of the safety net, promote work, and put enrollees on the path to increasing their incomes.

Recommendation 1: Implement a Commonsense Work Requirement for Able-Bodied Adult Beneficiaries

Pennsylvania should implement a work requirement for able-bodied adults in Medicaid. This policy has proven to be wildly successful in other welfare programs and in the state of Arkansas, where it was applied to Medicaid recipients.

Work requirements are a staple of America’s major welfare programs. In fact, in this sense, Medicaid is lagging way behind: Both cash welfare (Temporary Assistance for Needy Families, or TANF) and food stamps (Supplemental Nutrition Assistance Program, or SNAP) have strong, commonsense work requirements for able-bodied, working-age adults.⁴⁰

States that have adequately enforced these requirements have seen tremendous results, including the doubling and tripling of incomes of former enrollees who left these programs, as

⁴⁰ Nic Horton and Jonathan Ingram, “The future of Medicaid reform: Empowering individuals through work,” Foundation for Government Accountability (2017), <https://thefga.org/research/future-medicaid-reform-empowering-individuals-work/>.

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well as a reduced reliance and need for benefits.⁴¹ States have also seen these enrollees go back to work in thousands of different industries.⁴²

Until 2018, these positive outcomes benefits had been withheld from Medicaid recipients because states had not been allowed to bring work requirements into their program. But under new guidance set forth by the Trump administration, close to a dozen states have received approval to move forward with this policy.

In June of 2018, Arkansas became the first state in history to implement a work requirement for able-bodied adults in Medicaid. The requirement was wildly successful, leading to immediate reductions in dependency, an increase in work, and massive taxpayer savings. Indeed, Arkansas' Medicaid work requirement was on track to save taxpayers a staggering \$300 million per year.⁴³

The work requirement is currently on hold due to an activist judge—who took issue with the process the Centers for Medicare and Medicaid Services (CMS) used to approve the requirement, not the requirement itself—but many states have continued moving forward with the policy, and the Trump administration has continued approving them.⁴⁴ Pennsylvania can and should join this group of states. Doing so would help put Medicaid back on the path to sustainability.

Key Elements of a Medicaid Work Requirement

To implement a Medicaid work requirement, Pennsylvania will need to request a Section 1115 waiver from the federal government. As they prepare to do so, there are several key elements the state should incorporate into the design of its waiver to maximize its effectiveness and ease implementation.

⁴¹ 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/>; Nic Horton and Jonathan Ingram, “Work requirements are working in Arkansas: How commonsense welfare reform is improving Arkansans’ lives,” Foundation for Government Accountability (2019), <https://thefga.org/research/work-requirements-arkansas/>; 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>.

⁴² Nicholas Horton and Jonathan Ingram, “Commonsense welfare reform has transformed Floridians’ lives,” Foundation for Government Accountability (2019), <https://thefga.org/research/commonsense-welfare-reform-has-transformed-floridians-lives/>.

⁴³ 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/>.

⁴⁴ “February 2020 Federal Court Ruling on Arkansas’ Medicaid Work Requirements,” Foundation for Government Accountability (2020), <https://thefga.org/research/arkansas-medicaid-work-requirements-ruling/>.

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Core Elements of a Medicaid Work Requirement Waiver Request	
1. Real Enforcement	Optional work requirements have proven to be unsuccessful. Any work requirement request from Pennsylvania must include a mandatory requirement, with a mandatory lockout period for those who fail to comply (without good cause).
2. Limited Exemptions	Reasonable exemptions should exist for those with truly debilitating conditions such as cancer or individuals who are receiving unemployment benefits, but the state should exercise extreme caution and not carve out too many exemptions.
3. Universal Application	Work requirements should apply to all able-bodied adults, up to age 64, similar to the existing TANF requirement and mandatory E&T requirement for food stamps.
4. Uniform Design	The state should mirror the existing food stamp requirement of 20 hours per week. Aligning these requirements will ease implementation for the department but also create clarity for enrollees, allowing them to fulfill both requirements at once.

Recommendation 2: Strengthen Front-end Medicaid Eligibility Verification

Pennsylvania's most recent eligibility verification plan has not been updated since the Obama administration. While it appears that the state is doing a decent job verifying initial income, age, and Social Security numbers, there are many opportunities for tightening up Pennsylvania's eligibility review to ensure only eligible individuals are allowed to receive benefits.

Strengthen Residency Verification

According to Pennsylvania's verification plan on file with the Centers for Medicare and Medicaid Services (CMS), the state **does not require any paper documentation of residency** for Medicaid applicants.⁴⁵ Instead, the Pennsylvania Department of Human Services accepts "self-attestation" of residency. In essence, as long as an applicant says they live in Pennsylvania, the department takes their word for it.

The department claims that "if data source shows discrepancy when obtaining the information for other purposes or there is inconsistent information with the self-attested information and the individual cannot give a reasonable explanation for the inconsistency, then paper documentation would be required."⁴⁶ But it is difficult to imagine how the department might stumble across "inconsistent information" from "data sources" because, by their own admission, the department does not look or check any electronic records or require any paper documentation to verify residency.

⁴⁵ 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), [medicaid.gov/sites/default/files/2019-12/pennsylvania-verification-plan-template-final.pdf](https://www.medicare.gov/sites/default/files/2019-12/pennsylvania-verification-plan-template-final.pdf).

⁴⁶ Ibid.

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This is a potentially massive loophole in the system that could let anyone in the country enroll in Pennsylvania Medicaid. Case in point: Just a few years ago, a state audit revealed Arkansas had individuals residing in every state in the country—including more than 300 in Pennsylvania—enrolled in their Medicaid program.⁴⁷

These could be individuals who once lived in Arkansas and then moved away but never reported their address change. They could also be individuals who never lived in Arkansas but fraudulently enrolled anyway.

In a state like Pennsylvania that utilizes managed care, this can have a real impact: The state is paying a monthly premium on all of these enrollees, regardless of whether or not they live in Pennsylvania today or ever did. Every dollar wasted on these fraudulent enrollees is a dollar that cannot go to help truly needy Pennsylvanians who need more resources.

Pennsylvania policymakers should adjust this policy immediately by requiring paper documentation for residency and then checking it against available electronic data sources like state income tax filings, Department of Motor Vehicles registry data, other welfare programs' eligibility data, and more.

Verify Household Composition

Shockingly, under current state policy, Pennsylvania does not verify household composition for Medicaid applicants. Similar to their policy on residency, the department says they would ask for documentation of household composition “if [a] data source shows discrepancy,” but again, if the state is not looking at any data sources, it is unlikely that they will find any discrepancies.

This policy is a major loophole in Pennsylvania's Medicaid program. Household composition is a core component of Medicaid eligibility: An individual who is single but fraudulently claims to be from a household of two can raise the income threshold by nearly \$5,000, making it easier for them to enroll.⁴⁸ If they claim to be from a family of four, they can more than double the amount of income they can make under Medicaid rules.⁴⁹

Instances of fraud related to household compensation are well documented: In Maine, an individual stole more than \$250,000 in Medicaid and other welfare benefits after intentionally concealing the fact that her husband lived with her and hiding thousands of dollars in household income.⁵⁰

If this type of scheme were occurring in Pennsylvania, state officials would have no way of knowing because, it appears, they make no attempt to verify household composition. State administrators should address this immediately by revising their eligibility procedures or, if they decline, state lawmakers should require this action through legislation.

⁴⁷ The Stephen Group, “Volume I, Findings Report,” (2015), <https://www.stephengroupinc.com/images/engagements/Final-Report-Volume-I.pdf>.

⁴⁸ Author's calculations based on the federal poverty guidelines used to determine eligibility for certain federal programs, including Medicaid. See, e.g., Office of the Assistant Secretary for Planning and Evaluation, “HHS poverty guidelines for 2020,” U.S. Department of Health and Human Services (2020), <https://aspe.hhs.gov/poverty-guidelines>.

⁴⁹ *Ibid.*

⁵⁰ Don Carrigan, “Warren woman charged in biggest case of welfare fraud in state history,” News Center Maine (2016), <https://www.newscentermaine.com/article/news/local/warren-woman-charged-in-biggest-case-of-welfare-fraud-in-state-history/339308599>.

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Utilize State Income Tax Data

Pennsylvania currently uses Internal Revenue Service (IRS) data to help verify the income levels of potential Medicaid enrollees. The state also says they refresh this data monthly and utilize it at application, redetermination, and “post enrollment.” This is good policy but could be enhanced further if the state also examined its own state income tax data.

Utilizing this data may or may not uncover significant discrepancies between income reported to the state and income reported to the federal government (and, of course, it could show quite the opposite). But that is exactly the point—adding another layer of security to a Medicaid system that is already a target for fraud and triple checking as much data as possible. And in this case, it is data that the state already has on hand and should be able to easily access. It would be imprudent not to look at it.

In addition to verifying income, this data could also be useful in verifying household composition. For example, if an individual tells Medicaid that his or her household composition is five people but claims no dependents on their taxes, this could raise a yellow flag that merits further investigation.

Pennsylvania’s Medicaid Eligibility Verification Policies & Recommended Reforms	
Status Quo	Recommended Reform
Residency information accepted “on the honor system;” no paper documentation required	Require applicants to provide paper documentation of their residency status & verify using electronic data such as tax records or DMV records
Household composition accepted “on the honor system;” no paper documentation required	Require applicants to provide paper documentation of household composition & verify using electronic data such as tax records
State income tax data not utilized to verify income	Utilize state income tax data that is already on hand to provide an extra layer of security

Recommendation 3: Utilize More Data to Conduct Regular, Ongoing Monitoring of Eligibility

Even in ideal circumstances where the state’s front-end verification ensures every single applicant who comes through the door is eligible on Day 1—what happens on Day 2? What happens when their income changes, their household composition changes, or they move?

Under federal law, enrollees are supposed to self-report these types of changes to the state. But these changes often go unreported, and enrollees face eligibility redeterminations only once per year. So quite literally, an enrollee could qualify on Day 1, increase his or her income beyond the income limit on Day 2, and keep those Medicaid benefits for 363 more days, despite being ineligible.

Pennsylvania has an opportunity—and an obligation—to do more to try to capture these changes on an ongoing basis to protect the integrity of Medicaid.

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The state of Arkansas has implemented many of these measures, utilizing already-available data to ensure enrollees maintain their eligibility. Thanks to these efforts, the state was able to remove roughly 80,000 ineligible enrollees, nearly 10% of their overall Medicaid enrollment.⁵¹ Arkansas is now in a better position to manage its Medicaid program and ensure resources are available for those who truly need help.

Wage Records

The department already uses quarterly wage data to verify the income of Medicaid applicants. This is a great first step. According to the department, this information is updated regularly and is used at application and at renewal for Medicaid enrollees. Again, this is a good policy.

But the possession of this data provides the department with an even better opportunity: To look at this data regularly—at least once per quarter—and crosscheck it against Medicaid enrollment, rather than just utilizing it at application and renewal. This will allow the department to flag any spikes in income that enrollees fail to report throughout the year and might necessitate further investigation to ensure enrollees still qualify for benefits.

In short, if the agency is looking at this data only once per year, it will find any potential income-related fraud only once per year. Utilizing this regularly updated, easily accessible data more frequently will strengthen the integrity of the program even more.

Death Records

Pennsylvania's Medicaid program currently has access to vital statistics data, but the state utilizes it only "as needed" and as a "backup" to verify citizenship.⁵² This is a big problem, as it reduces the likelihood that Medicaid will find out if an individual has died, allowing them to close out the individual's case. Leaving the case open also increases the potential for someone to assume this individual's identity and fraudulently access benefits, which has been a big problem in other states.⁵³

Instead of passively accessing this data, Pennsylvania should use it monthly and crosscheck its existing Medicaid rolls against new death records. Enrollees who have died should have their cases quickly closed, freeing up resources for other Pennsylvanians and reducing the potential for fraud.

Residency Records

As noted, Pennsylvania has much room for improvement in residency verification. Regular analysis of electronic benefit transfers (EBT) associated with Medicaid enrollees who are also enrolled in cash welfare (TANF) and/or food stamps (SNAP) can help.

⁵¹ 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/>.

⁵² Centers for Medicare and Medicaid Services, "MAGI-based eligibility verification plan: Pennsylvania," U.S. Health and Human Services (2020), <https://www.medicaid.gov/sites/default/files/2019-12/pennsylvania-verification-plan-template-final.pdf>.

⁵³ The Stephen Group, "Volume I, Findings Report," (2015), <https://www.stephengroupinc.com/images/engagements/Final-Report-Volume-I.pdf>.

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The department should pay particular attention to patterns of out-of-state transactions, which could indicate a change in residency (or outright fraud) and trigger the need for further investigation to ensure the enrollees reside in Pennsylvania.

Recommended Ongoing Monitoring for Pennsylvania Medicaid Enrollees		
Data type	Data source	Frequency
Death records	Department of Health	Monthly
Wage records	Department of Labor & Industry	At least quarterly
Residency	Department of Human Services	Monthly

These important program integrity reforms do not require federal approval or waivers, only a simple update to the agency's existing processes and procedures.

Recommendation 4: Implement Accountability for Failing to Report Eligibility Changes

While Medicaid enrollees are responsible for reporting life changes that may impact their eligibility, too often these changes go unreported.⁵⁴ As noted, this leads to waste, fraud, and abuse at the expense of truly needy Pennsylvanians and taxpayers. This is why some states are establishing accountability for individuals who fail to report changes and fraudulently take benefits.

The state of Kentucky pioneered this concept. In their "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.⁵⁵

Pennsylvania can and should replicate this via an 1115 waiver request, preventing nondisabled, nonpregnant adults, ages 19 to 64, from reenrolling in Medicaid immediately. This will serve as an important incentive for enrollees to take reporting requirements seriously while also discouraging fraud.

Recommendation 5: Reinvest Savings from Eligibility Protections to Reduce Waiting Lists

Pennsylvania maintains a waiting list for those with intellectual disabilities who want to be served in the community or at home. Medicaid entitles these individuals to receive care in an institution or nursing facility, but community-based care is restricted to available funding.⁵⁶ Since 2016, officials have budgeted more than \$100 million in taxpayer dollars to reduce the

⁵⁴ 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/>.

⁵⁵ 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/>.

⁵⁶ "Medicaid Waivers for People with Intellectual Disabilities or Autism," Fact Sheet Disability Rights Pennsylvania, <https://www.disabilityrightspa.org/wp-content/uploads/2018/03/MedicaidWaiversForIDorAutism.pdf>.

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waiting list for these services,⁵⁷ but more individuals are in need of services every year as their parents age or they graduate from high school.

As noted, the U.S. Department of Health and Human Services estimates that 10% of all Medicaid spending is improper.⁵⁸ In the commonwealth, that amounts to more than \$3 billion in waste. If this wasteful spending were reined in, it would amount to hundreds of millions of dollars in freed-up state resources that could be used for the truly needy, including reducing the waiting list or investing in infrastructure or education.

In comparison, the commonwealth currently appropriates \$15 to \$25 million annually to reduce the waiting list.⁵⁹

The Time to Save Pennsylvania's Medicaid Program Is Now

Pennsylvania's Medicaid program is a vital safety net for millions of individuals who truly have nowhere else to turn, such as individuals with disabilities, seniors, and low-income children. But the program's out-of-control growth threatens its viability and Pennsylvania's long-term prosperity. To avoid much tougher choices in the future, policymakers should make commonsense choices now to make the program sustainable. By promoting work, protecting Medicaid from fraud, and ensuring those guilty of fraud face real penalties, Pennsylvania policymakers can free up resources for the truly needy and other important budget priorities.

⁵⁷ Governor's Budget Office, "2016-17 Pennsylvania Executive Budget In Brief" (2016), <https://www.budget.pa.gov/PublicationsAndReports/CommonwealthBudget/Documents/2016-17%20Proposed%20Budget/2016-17%20Budget%20in%20Brief.pdf>; "2017-18 Pennsylvania Executive Budget in Brief" (2017), <https://www.governor.pa.gov/wp-content/uploads/2017/02/2017-18-budget-in-brief.pdf>; "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.

⁵⁸ 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/>.

⁵⁹ 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.

About the Author

Nicholas Horton has provided policy analysis, legislative testimony, and policy briefings on Medicaid expansion and welfare reform in more than 20 states and Washington, D.C. His commentary and analysis have been featured in *Forbes*, *The Hill*, *National Review Online*, *Washington Examiner*, and *Townhall.com*, among other national outlets. Nic is the research director at the Foundation for Government Accountability. Before joining FGA, he served as editor of *TheArkansasProject.com* and as policy analyst for the Advance Arkansas Institute. He holds a Bachelor of Science in Public Administration and a Master of Business Administration from Harding University.

