EXAMINING THE GROWTH OF THE WELFARE STATE

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Hayden Dublois, *Data and Analytics Director*
Jonathan Ingram, *Vice President of Policy and Research*

Thank you for the opportunity to submit a written statement to the Subcommittee on Health Care and Financial Services in advance of the "Examining the Growth of the Welfare State" hearing. The Foundation for Government Accountability (FGA) is a non-profit organization that has worked on welfare reform at the federal level and in more than 30 states to help millions achieve the American Dream.

Federal welfare spending has skyrocketed in recent years

The number of people dependent on welfare and the costs associated with those programs has skyrocketed in recent years. Federal taxpayers spend more than $1 trillion per year across nearly 100 different low-income programs.[1] The nation's two largest federal welfare programs—Medicaid and food stamps—account for most of this spending.[2]

Federal taxpayers spent more than $614 billion on Medicaid in 2023, on top of the $280 billion spent by state taxpayers.[3] That's more than five times the $117 billion that the program cost federal taxpayers in 2000.[4] The food stamp program has also exploded in cost, reaching $107 billion in 2023—more than seven times the $15 billion it cost in 2000.[5] **Over the next 10 years, these two programs alone are expected to cost federal taxpayers nearly $8.6 trillion.**[6-8]

Enrollment explosions are driving welfare spending higher

This massive spike in welfare spending is being driven by enrollment increases. In 2023, Medicaid enrollment hit a record-high 100 million enrollees—up from just 34 million in 2000.[9-10] While enrollment has declined somewhat following the end of the pandemic-era restrictions on removing ineligible enrollees, **there are still 10 million more people enrolled in Medicaid today than there were before the pandemic.**[11-12]

Likewise, food stamp enrollment currently sits at more than 42.6 million people—up from fewer than 17.2 million in 2000.[13] That's nearly six million more people on food stamps today than before the pandemic.[14]

In both programs, millions more people are enrolled today than at the height of the government-imposed lockdowns, which spiked the national unemployment rate to nearly 15 percent.[15]

Most of this enrollment growth is being driven by able-bodied adults. In Medicaid, for example, the number of able-bodied adults on the program spiked from 6.9 million in 2000 to a whopping 41.8 million by the end of 2022.[16-17] Much of this was driven by ObamaCare, which expanded the program to a new class of able-bodied, mostly childless adults. Expansion enrollment had reached more than 25 million by 2022.[18] Altogether, **more than 80 percent of the enrollment increase over the last decade is directly attributable to able-bodied adults**, which has crowded resources for the truly needy, including seniors and individuals with disabilities.[19]

As able-bodied adult enrollment has gone through the roof, countless truly needy Americans have languished on waiting lists for needed Medicaid services. Today, more than 700,000 individuals with developmental disabilities, intellectual disabilities, or other conditions that require special care are stuck on waiting lists.[20] From 2014 to mid-2018—the early years of ObamaCare's Medicaid expansion—**roughly 22,000 vulnerable Americans in 17 states died on these waiting lists** while millions of able-bodied adults were added to the Medicaid rolls.[21]

The War on Work has replaced the War on Poverty

In 1964, President Lyndon B. Johnson declared a "war on poverty," with the aim of preventing poverty, helping more Americans "escape … unemployment rolls where other citizens help to carry them," and replacing "despair with opportunity."[22] Unfortunately, this "war on poverty" has been replaced by a war on work, with welfare policies designed to trap millions of people in government dependency and bureaucrats promoting welfare over work at every step of the process.

In Medicaid, for example, there are no work requirements whatsoever, despite massive successes in other welfare programs and promising results in states where limited work requirements were tested within Medicaid.[23] When work requirements were implemented in the 1990s, millions of able-bodied adults moved from welfare to work, rapidly growing the economy.[24] When food stamp work requirements were implemented at the state level, able-bodied adults left welfare in record numbers.[25] Those able-bodied adults returned to work in more than 1,000 diverse industries, touching virtually every corner of the economy.[26] Their incomes more than doubled within a year and tripled within two years.[27] Better still, those higher incomes more than offset lost welfare benefits, leaving them much better off financially.[28] Likewise, when states tested similar work requirements for able-bodied adults in Medicaid demonstration projects, thousands of able-bodied adults re-entered the workforce and left the program due to higher incomes.[29]

Unfortunately, without work requirements in place, few able-bodied adults on Medicaid work at all. State Medicaid agencies report that 62 percent of able-bodied adults on the program have no earned income.[30]

Although the food stamp program has statutory work requirements, those requirements only apply to a small portion of able-bodied adults on the program. Able-bodied, childless adults between the ages of 18 and 54 are currently subject to these requirements, but this group makes up just 27 percent of all able-bodied adults on the program.[31-32] Worse yet, states have used loopholes and gimmicks to waive work requirements even for this small group of able-bodied adults.[33] As a result, nearly 75 percent of the able-bodied, childless adults who should be subject to the statutory work requirement are exempt.[34]

With no work requirement in place for the vast majority of these able-bodied adults, few actually work. In fact, more than 66 percent of all able-bodied adults on food stamps do not work at all.[35] Recent administrative actions from the Biden administration only exacerbated this, with its $250

billion unlawful food stamp expansion causing an estimated 2.4 million more enrollees to drop out of the workforce.[36]

This harsh reality has created a scenario where these so-called "anti-poverty programs" have actually facilitated poverty and government dependency.

Waste, fraud, and abuse have massively increased welfare spending

As the size and scope of federal welfare programs have grown, so have waste, fraud, and abuse. **More than one in every five dollars spent on the Medicaid program is improper.**[37] More than 80 percent of these improper payments are caused by eligibility errors, meaning individuals enter the program despite their ineligibility or remain on the program long after becoming ineligible.[38]

In New York, for example, federal auditors uncovered more than one million ineligible and potentially ineligible enrollees on the program.[39-40] In California, federal auditors found 1.2 million ineligible and another 3.2 million potentially ineligible enrollees on Medicaid.[41-42] Another federal audit concluded that nearly 300,000 of the state's 481,000 expansion enrollees were ineligible or potentially ineligible.[43] Audits in other states identified hundreds of thousands of ineligible and potentially ineligible enrollees.[44-47] A four-state review by the Office of Inspector General estimated that roughly one-third of those states' 17.5 million enrollees were ineligible or potentially ineligible.[48]

Recent state and federal audits have uncovered hundreds of millions of dollars in Medicaid funding spent on deceased individuals, including individuals who had died as early as 1981.[49-65] Audits have also uncovered millions spent on individuals who had moved out of state or who had no record of ever having lived in the state in the first place.[66-67] States have also discovered individuals enrolled in Medicaid while in state or federal prison, including prisoners not expected to be released for another five or more years.[68-69]

State and federal audits have also identified tens of thousands of individuals who enrolled multiple times in the same state.[70-82] In some cases, individuals had as many as seven different open Medicaid cases.[83] States then paid managed care companies multiple capitated premiums for the same individuals, costing taxpayers millions of dollars. Auditors have also uncovered hundreds of thousands of individuals enrolled in Medicaid programs in multiple states at once, with some enrollees enrolled in as many as seven different states at the same time.[84-92] A federal review of 47 states' Medicaid programs found every single reviewed state had enrollees who were also on other states' programs at the same time.[93]

In many cases, duplicate enrollment may result from identity fraud. In Arkansas, auditors discovered more than 20,000 enrollees with high-risk identities.[94] These included individuals with stolen or fraudulent Social Security numbers linked to multiple people.[95] A similar audit in New Jersey identified more than 18,000 enrollees with fake or duplicate Social Security numbers.[96]

Other welfare programs have similar levels of waste, fraud, and abuse. The food stamp program, for example, has an improper payment rate of nearly 12 percent, with the rate as high as 60 percent in some states.[97] But this error rate also excludes all errors less than a "tolerance threshold," currently set at $684 per year.[98] A review by the Government Accountability Office uncovered that nearly 40 percent of cases had payment errors, but most errors were excluded from the official rate.[99]

Worse yet, states have made numerous attempts to bypass the food stamp program's quality control efforts. In 2017, the U.S. Department of Agriculture notified Congress that states "were altering what information and data they reported" and "going back and hiding the errors they found."[100] Investigators uncovered states using consultants to manipulate results and falsely reduce error rates.[101]

Refundable tax credits, which simply operate as government transfer payments delivered by the Internal Revenue Service, have similar large error rates. The Earned Income Tax Credit, for example, has an error rate of 32 percent, while the refundable portion of the Child Tax Credit has an improper payment rate of 16 percent.[102] ObamaCare subsidies, which also operate as refundable tax credits that are reconciled at tax filing, have an error rate of 27 percent even after reconciliation.[103]

Other welfare programs, like the Temporary Assistance for Needy Families (TANF) program, do not track improper payments at all.[104]

Bureaucrats have created fraud by design

Unfortunately, much of this improper spending is fraud by design: welfare policies intentionally designed by bureaucrats to maximize enrollment at all costs.[105] In Medicaid, for example, many states accept applicants' attestation for a variety of information, including income, household size, household composition, and more.[106] All states accept self-attestation for household composition despite having access to tax return information and other relevant sources, 45 states accept self-attestation of residency, and at least 15 states accept self-attestation of income to some degree.[107]

Once accepting this information, states may not verify it until months later and sometimes not at all. A Louisiana audit, for example, found tens of thousands of ineligible individuals were allowed to enroll in the program because the state did not verify self-attested information on household size, composition, or certain types of income.[108] New Jersey auditors identified thousands of enrollees with unreported six-figure incomes, including some earning as much as $4.2 million per year.[109]

Although individuals are legally required to report changes in their circumstances that may affect eligibility, few do. An Illinois audit of the state's passive redetermination processes discovered that more than 93 percent of all eligibility errors resulted from enrollees reporting incorrect information or failing to report changes in their income, household composition, and more.[110] New Jersey

auditors identified a number of cases where individuals did not report changes as legally required, including one individual who had wages of nearly $250,000—nearly 15 times the eligibility threshold.[111] This is particularly worrisome, given that 69 percent of Medicaid cases recently renewed were done through this passive or "ex parte" basis, and federal regulations require states to redetermine eligibility through this process first.[112-113] Federal regulations also prohibit states from performing routine eligibility checks more frequently than once per year.[114]

Bureaucrats have also designed welfare expansions through "presumptive" eligibility determinations—a process whereby Medicaid allows hospitals to make temporary eligibility determinations before eligibility is verified by state agencies.[115] In a 2019 audit, the U.S. Department of Health and Human Services estimated that roughly 43 percent of sampled spending on presumptively eligible enrollees was improper.[116] Data from state Medicaid agencies reveals that such improper payments could be even higher, with just 30 percent of individuals that hospitals determine "presumptively eligible" ultimately determined eligible for Medicaid by the state.[117] Under federal regulations, states have no way to recoup their share of this improper spending.[118]

Bureaucrats have also created an on-ramp to federal welfare programs for illegal aliens, despite statutory restrictions. Under federal regulations, states must enroll individuals in Medicaid for a "reasonable opportunity period" of at least 90 days—but often longer—while it attempts to verify satisfactory immigration status.[119] This has allowed illegal aliens to enroll in the program, despite clear federal prohibitions, and remain on the program for months or even years at a time while states ostensibly attempt to verify their status *after* enrollment—a process that states report has taken more than 5,000 days in some cases.[120] This Medicaid on-ramp was supercharged under the Biden administration, with the number of illegal aliens enrolled in the program through this loophole skyrocketing by 500 percent—even before the Biden administration finalized new regulations to block states from limiting its use.[121]

The Biden administration also adopted regulations to prohibit states from conducting more frequent eligibility determinations, require lengthy "reconsideration" periods that will keep ineligible enrollees' cases open longer, remove statutory options states exercise to protect program integrity, and triple the length of time ineligible enrollees receive to report changes in circumstances that impact their eligibility.[122] The Congressional Budget Office estimates that this rule will cost $224 billion over the next 10 years.[123]

Bureaucrats have designed policies in other welfare programs to maximize enrollment among ineligible enrollees as well. Under federal law, an individual is considered "categorically eligible" for food stamps—exempting them from other eligibility rules—if they receive benefits from other welfare programs, including the TANF program.[124]

The purpose of categorical eligibility was to avoid administrative duplication. Because states already verify eligibility factors for individuals receiving cash welfare— which generally have more restrictive

eligibility criteria than food stamps—this eliminated the need for states to determine eligibility for each program separately.[125]

But federal bureaucrats adopted regulations that created massive new loopholes for states to exploit, expanding the scope of what is considered a "benefit" to include non-cash and in-kind benefits.[126]

States exploited this new leeway by using block-granted TANF funding to print welfare brochures, operate a toll-free telephone number providing program information, or include information about other programs on the bottom of food stamp applications.[127] States then claim that anyone who receives information from these sources is receiving a "benefit" funded by the TANF program and can be deemed categorically eligible, bypassing asset tests and the federal income eligibility limit.[128]

Worse yet, federal rules allow states to deem individuals categorically eligible for food stamps even if they never receive any TANF-funded benefit at all.[129] Although federal law requires that categorically eligible individuals actually receive benefits from a TANF-funded program, the regulations implementing this expanded version of categorical eligibility—known as broad-based categorical eligibility (BBCE)—unlawfully expanded the policy to include anyone "authorized to receive" benefits.[130]

As a result, 41 states now abuse this loophole, adding 5.4 million people to the food stamp program who don't meet federal eligibility guidelines, including millionaires.[131-132] Closing this loophole would save taxpayers $112 billion over the next decade.[133]

Program integrity is in shambles and this, coupled with anti-work provisions, enables the massive growth of the welfare state.

Congress can and should reform major welfare programs

Congress has a once-in-a-generation opportunity to tackle some of these systemic challenges in major welfare programs today. By promoting a culture of work over dependency, prioritizing the most vulnerable over able-bodied adults, and addressing waste, fraud, and abuse, **Congress can right-size the welfare state and help place millions on the path to the American Dream**.

Some options for reform include:

- Implementing work requirements in both Medicaid and food stamps for all able-bodied adults without young children;
- Closing loopholes that let states waive existing work requirements in food stamps;
- Closing loopholes that allow millions of ineligible enrollees to receive food stamps;
- Unwinding Biden's unlawful expansion of the Thrifty Food Plan to right-size food stamp benefits;
- Equalizing the federal matching rate for ObamaCare expansion with traditional Medicaid matches to ensure able-bodied adults are not given higher priority than the truly needy;

- Reducing the federal floor on Medicaid matching funds to stop the unchecked subsidy of wealthier states by poorer states;
- Eliminating Washington, D.C.'s sweetheart Medicaid matching fund bonus;
- Requiring states to conduct more frequent eligibility determinations in Medicaid, particularly for non-elderly and non-disabled populations;
- Banning the use of self-attested data and requiring more frequent data cross-checks;
- Prohibiting Medicaid funding for the administrative costs of providing illegal aliens with non-emergency Medicaid coverage;
- Ending fraudulent presumptive eligibility determinations;
- Requiring immigration status is verified before enrollment;
- And more.

Only through these commonsense welfare reforms can Congress set our nation's major welfare programs on a more sustainable trajectory and break the cycle of generational dependency for millions of Americans.

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