THE CORNER

HEALTH CARE

The Medicaid Expansion's Fraud Problem

By ROBERT VERBRUGGEN | August 16, 2019 11:22 AM

(Charlieaja/Dreamstime)

Under Obamacare, states have the option of expanding their Medicaid programs to cover residents who earn up to 138 percent of the federal poverty level, overwhelmingly at federal expense: For every $100 a state spends on its expansion, taxpayers nationwide chip in at least $90. Unsurprisingly, states seem less than enthusiastic about restricting the expansion to people who actually qualify for it, as Brian Blase and Aaron Yelowitz lay out in a *Wall Street Journal* piece.

The latest research on this issue, released earlier this week, is a paper that Yelowitz co-authored. It finds that much of the increase in Medicaid enrollment, as measured by the American Community Survey, seems to be among people above 138 percent of poverty:

> We examine 21 states where alternative routes for higher-income, abled-bodied, working-age adults to qualify for Medicaid were essentially non-existent prior to the implementation of the ACA in 2014. Of these 21 states, 9 of them implemented full Medicaid expansions to 138% of the FPL in 2014, while 12 of them never implemented expansions (as of 2019). . . .
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> We find that the 2014 Medicaid expansions led to a 3.0 percentage point increase in Medicaid enrollment among working-age adults with incomes at or above 138% of the FPL, a sizable effect from a baseline rate of 2.7%. This translates into approximately 522,000 seemingly income-ineligible enrollees across the 9 states, and 47% of the entire gain in insurance coverage for these relatively higher income adults [who are supposed to enroll on the exchanges, not through Medicaid]. . . .
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> While we cannot say with certainty why these individuals were able to participate in Medicaid, we offer several potential explanations that should be explored further in future work. One possible reason — echoed in longstanding literature on effective tax rates in welfare programs (Ziliak 2007) — is that the way ACA rules are enforced in states or localities differ from formal federal policy. In practice, issues of prospectively forecasting income for the next calendar year along with anticipating possible deductions in order to compute modified adjusted gross income (MAGI) could lead to income-ineligible individuals receiving Medicaid instead of Marketplace coverage. It is also possible that these findings are attributable to measurement error in either insurance coverage or income in the ACS.

In the study's Medicaid-expanding states, working-age Medicaid enrollment grew by 1.6 million between 2012 and 2017. If 522,000 enrollments are incorrect, that's a big problem.

It's worth stressing, as the authors do, that the data here come from surveys of individuals — who might misreport their earnings or benefit receipt. But if the estimate is even in the right ballpark, federal taxpayers are doling out a lot of money to fund benefits for people who don't qualify for them, and this problem should be addressed.

I will take issue with the *WSJ* piece on one particular, however: the claim that in a Louisiana audit, "82% of expansion enrollees were ineligible at some point during the year they were enrolled." As I laid out on Twitter earlier this year when I first became aware of this claim, it appears to be based on a misreading of a very confusingly written government report. The auditors did a quick search of the data to find people who seemed ineligible, and upon further investigation found that about 82 percent of *those pre-selected people* indeed were.

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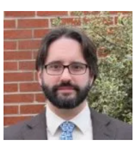

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