Debunking the Myths of the One Big Beautiful Bill

Myth: There is little waste, fraud, abuse in Medicaid.

Key Facts

- Proponents of the bloated, bureaucratic status quo claim that there is little waste, fraud, and abuse in the nearly $1 trillion Medicaid program.
- Paragon research estimates nearly $1.2 trillion in improper federal Medicaid payments—a 25 percent improper payment rate—over the past decade.
- The OBBB contains significant Medicaid reforms—addressing Medicaid money-laundering schemes and requiring able-bodied, working-age adults to perform community-engagement requirements.
- In addition, OBBB further addresses the rampant Medicaid waste, fraud, and abuse in a myriad of ways, including more frequent eligibility reviews of able-bodied, working-age ACA expansion enrollees, requiring states to reduce the improper payment rates, no longer paying health plans for individuals enrolled in multiple states, and making sure taxpayers are not paying for Medicaid coverage for the deceased.
- The OBBB institutes systems to prevent individuals from being enrolled in Medicaid in multiple states at one time.
    - A recent *Wall Street Journal* report indicated that insurers received $4.3 billion for Medicaid enrollees simultaneously enrolled in multiple states from 2019 to 2021.
    - On July 17, the Centers for Medicare and Medicaid Services (CMS) announced it found 1.2 million people enrolled in multiple state Medicaid programs and 1.6 million people doubly covered by Medicaid and a subsidized exchange plan. CMS estimates that its corrective actions will save $14 billion annually—a massive victory for taxpayers.
- The OBBB requires states to check the Death Master File quarterly to remove deceased Medicaid enrollees and deceased providers.

Background

Under current law, states are supposed to be penalized for improper payment rates above three percent. But this policy has never been enforced; states can receive waivers, permitting waste to continue unabated. The OBBB would limit the ability of the HHS Secretary to waive commonsense, good governance requirements to combat improper payments.

Under the OBBB, there will now be an enforceable budget-neutrality requirement for Medicaid demonstration projects or waivers. States run much of their programs through waivers. Theoretically, this allows states to tailor their programs to the unique needs of their enrollees and test new approaches for the delivery of Medicaid services.

Demonstration projects are supposed to be budget neutral (i.e., not result in more federal spending than would occur absent the waiver). However, lax enforcement and inflated baseline projections often result in demonstrations imposing steep costs on the federal government. The OBBB requires CMS to certify the demonstration's budget-neutrality requirements for a waiver to be granted.