IndependentWomen®

POLICY FOCUS

JULY 2025

Rightsizing Medicaid for Those Who Need It Most

By Patrice Onwuka, Independent Women Center for Economic Opportunity Director

EXECUTIVE SUMMARY

Ballooning Medicaid enrollments crowd out care for truly vulnerable populations such as pregnant women, poor children, and the disabled. Meanwhile, young, healthy, working-age adults are opting out of the workforce, knowing they can still get healthcare coverage. As Congress negotiates historic tax cuts, the moment calls for policymakers to rightsize Medicaid, reserving the safety net for those who truly need it.

INTRODUCTION

The Congress is poised to make generational reforms to Medicaid, and the timing is critical. This entitlement program was intended to provide healthcare coverage for poor children and pregnant women, disabled adults, and some elderly Americans. However, after 60 years, overcrowding within the program and deteriorating finances jeopardize Medicaid's ability to provide these services.

Thanks to the Affordable Care Act and COVID-19, Medicaid spending and enrollment have ballooned to cover populations that ordinarily would be ineligible. Perverse incentives lure

states into prioritizing able-bodied adults over pregnant women, the disabled, and poor children. Lax oversight by the federal government of states' enrollment of Medicaid recipients and providers contributes to **tens of billions** of dollars in fraudulent payments annually. Alarmingly, vulnerable populations are pitted against work-capable individuals, leading to excessive wait times for care. Medicaid's shortcomings underscore the truth that healthcare coverage is not actual health care.

The Left has sought to incite fear about Medicaid reforms included in the budget reconciliation package that Congress is currently negotiating. They claim millions of people will lose healthcare coverage without questioning whether those individuals ever qualified for benefits.

It's time for those who genuinely care about Medicaid to make it more fiscally sound and workable for the populations it was meant to serve.

It's time for those who genuinely care about Medicaid to make it more fiscally sound and workable for the populations it was meant to serve. Congress and the federal government should tighten eligibility and verification of enrollees, establish work requirements for able-bodied adults as a condition for coverage, and ramp up state audits to avoid fraud and abuse. This will prevent future administrations from expanding Medicaid beyond its intended purpose again and deter states from employing gimmicks to keep work-capable individuals on their rolls.

MEDICAID'S PURPOSE

Medicaid was created to provide for the healthcare needs of pregnant women, the disabled, low-income children, and some seniors. Medicaid is a major source of healthcare spending, representing nearly **$1 out of every $5** spent on health care in the U.S. This program also comprises **8 percent** of the federal budget and is heavily relied on by states to finance health coverage and long-term care for low-income residents.

Medicaid is organized as a federal-state partnership. The federal government sets general guidelines for Medicaid eligibility; however, each state establishes its specific requirements for eligibility. States determine the populations and services they'll cover, how to deliver care, and how much to reimburse providers. The federal government and states jointly fund Medicaid. The federal share of the spending is based on a formula called the Federal Medical Assistance Percentage (FMAP). The average FMAP for the traditional Medicare population is 50-70 percent.

Misguided policy decisions have shifted the program's mission from helping the truly needy to enabling idleness among the capable.

MEDICAID'S BALLOONING ENROLLMENT

Far more people are on Medicaid than those who would be considered truly needy under Medicaid's original mandate. In 2023, some 36.8 million (11 percent) people were living in poverty in the U.S., according to the **Census Bureau**. Yet, more than double that number were on Medicaid rolls. Some **79.3 million** people—or **23.2 percent** of the U.S. population—are currently enrolled in Medicaid, a sharp increase from 2000, when just **44.3 million** people (**15.7 percent** of the population) received Medicaid coverage.

Medicaid enrollment **varies by state**, with some states, such as New Mexico (34 percent) and Louisiana (32 percent), covering large

swaths of their populations, and others, such as Utah (11 percent), New Hampshire (13 percent), and North Dakota (13 percent), covering only a small slice of their residents.

Among vulnerable groups, **Medicaid covers**:

- Almost half of adults in poverty, but one in six adults overall.
- Over eight in ten children in poverty, but four in ten children overall.
- Nearly half of children with special healthcare needs.
- One in four working-age adults (18-64) with disabilities.
- Nearly one in three working-age adults with any mental illness.
- **42 percent** of pregnant women.

Medicaid also enrolls individuals who do not fall into any of these categories. These adults are working age, not disabled, not elderly, and childless, but choose not to work (known as ABAWDS). According to a 2025 **White House analysis**, over one in four working-age, able-bodied adults on Medicaid have no children and are not working. This group of people, numbering in the tens of millions, represents a departure from the population for which Medicaid was established to care.

For decades, Medicaid enrollment held steady, but enrollment skyrocketed by 80 percent from 2000 onward. Two federal policy changes spiked enrollment, and it has never fully receded.

First, the Affordable Care Act (ACA) broadened Medicaid eligibility to cover able-bodied adults who were not working, a previously excluded category of people. President Barack Obama's signature legislation gave many single, young, and able-bodied adults with incomes up to 138 percent of the Federal Poverty Level ($21,597 for an individual in 2025) access to coverage.

The ACA also incentivized states to enroll working-age, able-bodied, childless adults by sweetening the matching rate of federal dollars to states for enrollment of people in this group to 90 percent. In addition, some states allowed able-bodied adults to qualify solely based on their incomes without consideration of their assets.

Second, during the COVID pandemic, the federal government under President Joe Biden *temporarily* expanded healthcare coverage to those who found themselves unemployed and unable to work due to pandemic mitigation measures. Eligibility verification was restricted, and Americans were encouraged to apply. Congress also enhanced federal financing by authorizing a temporary 6.2 percentage point increase in federally matched dollars for Medicaid enrollment. Additionally, Congress required that states keep Medicaid recipients enrolled during the pandemic.

These policy changes turned temporary social safety net expansions permanent. According to the U.S. Centers for Medicare & Medicaid Services (CMS), between February 2020 and March 2023, enrollment in Medicaid increased by 22.8 million people (35.6 percent) to 93 million.

These policy changes turned temporary social safety net expansions permanent. According to the U.S. Centers for Medicare & Medicaid Services (CMS), between February 2020 and March 2023, enrollment in Medicaid increased by **22.8 million** people (35.6 percent) to 93 million. Since then, 14 million individuals have dropped off, but total enrollment remains

significantly higher than prior to the start of the pandemic.

MEDICAID'S SPENDING INEQUITIES

Total federal and state spending on Medicaid was projected to reach $661.5 billion in 2024. Understandably, spending per enrollee is highest for seniors and people with disabilities due to their complex needs, higher rates of chronic conditions, and their utilization of long-term care. However, while children comprise 34 percent of enrollees, they consume just 14 percent of Medicaid spending. Meanwhile, non-working, able-bodied adults consumed 11 percent of total Medicaid, despite representing just 9.1 percent of enrollees.

For every $1 of state spending on pregnant women and disabled children, the federal government only contributes about $1.33, but pays $9 for every $1 of state spending on work-capable adults.

Medicaid dollars are being redistributed from the poor and vulnerable to work-capable adults. Unequal federal matching rates that prioritize work-capable childless adults have created perverse incentives. Consider this scenario: For every $1 of state spending on pregnant women and disabled children, the federal government only contributes about $1.33, but pays $9 for every $1 of state spending on work-capable adults.

Consequently, care has suffered for vulnerable people. Some 700,000 people were waiting for home and community-based services across the country in 2023, with an average wait time exceeding 36 months. Dr. Mehmet Oz, administrator of the CMS, explained, "Because we pay 90 percent of the money for the able-bodied person and only, let's say, 65 percent for a traditionally Medicaid poor, young, old or disabled person, it actually moves money to the able-bodied population." States have an incentive to spend on able-bodied people first, rather than those who are truly needy.

MATERNAL CARE

A top priority for Medicaid was to cover low-income pregnant women, recognizing that a lack of healthcare services before and after childbirth can lead to devastating consequences for new mothers and their babies. While states have latitude in determining eligibility and specific services, maternity care generally includes prenatal care, labor and delivery, and postpartum care.

Bundling services helps states manage costs and coordinate comprehensive care across maternity providers. However, states vary widely in which services they pay for. For example, according to a Kaiser Family Foundation health survey, just 12 of 42 states reported covering prenatal care for their Medicaid population, but 25 cover home births, and a majority cover breast pumps.

The year after giving birth to a child is critical for women. They remain at risk for serious medical complications, including postpartum depression, hypertension, infections, and other conditions. The American Rescue Plan Act (ARPA) allowed states to extend pregnancy eligibility beyond the 60-day postpartum period allowed by federal policy so that they had the option to provide care for 12 months postpartum. While ARPA was ill-advised for many reasons, this was a positive reform. To date, 49 states (plus DC) have lengthened the postpartum coverage period beyond 60 days. Wisconsin has been the last holdout.

CASE STUDY

PREGNANT WOMEN & POST-BIRTH CARE IN WISCONSIN

In 2025, Wisconsin considered expanding maternal Medicaid coverage among other Medicaid reforms. The state introduced bipartisan legislation to extend postpartum Medicaid coverage from the current 60 days to 12 months. It is projected to require modest additional funding for Medicaid. If enacted, the Badger state would join every other state in lifting the financial hardships new mothers face from losing post-birth care, all while grappling with other challenges of childbirth and adjusting to life with an infant.

Wisconsin currently covers **79,000 able-bodied men** under Medicaid. This shows a troubling misuse of the safety net: Rather than covering low-income women who have recently given birth, they are covering healthy men who aren't even bothering to look for jobs or obtain insurance on their own.

WASTE, FRAUD & ABUSE

Beyond reckless expansions in Medicaid, this entitlement program is rife with waste, fraud, and abuse. The U.S. Government Accountability Office (GAO) estimates that taxpayers lost **$50.3 billion** to fraudulent Medicaid payments in fiscal year 2023. These are payment errors due to overpayments, inaccurate recordkeeping, fraud, and other issues.

Improper payments are a long-standing problem for Medicaid. The GAO estimated that over the last 20 fiscal years, Medicaid has made an estimated $2.7 trillion in improper payments.

Improper payments are a long-standing problem for Medicaid. The GAO estimated that over the last 20 fiscal years, Medicaid has made an estimated **$2.7 trillion** in improper payments. The Paragon Health Institute believes that improper payments are substantially more prevalent, comprising **approximately one in four Medicaid dollars**. The ACA expansion caused the rate of improper payments to quadruple from 6 percent before the ACA took effect to over 25 percent.

REFORM MEDICAID FOR THE BETTER

Congress has a mandate to not only make life more affordable for Americans but to combat waste, fraud, and abuse in the government and to rein in reckless federal spending. America's national debt is a staggering $37 trillion, or more than $323,000 per taxpayer. By reforming Medicaid, policymakers can make the program more fiscally sound and responsive to vulnerable populations.

Tighten Eligibility & Verify

First, Medicaid must focus its services on the populations it was created to serve: pregnant women, poor children, the disabled, the elderly, and the indigent. The Affordable Care Act created a new population of able-bodied, childless adults and used higher matching rates to incentivize states to prioritize their enrollment over traditional Medicaid populations. Congress should lower the higher

match rate for able-bodied, childless adults to the standard rate.

Second, Medicaid should be available only to citizens and lawful residents. By law, people who are in the country illegally or legally on a temporary basis are not eligible for comprehensive Medicaid coverage. However, some states use state-only Medicaid funds to provide full benefits to low-income people regardless of immigration status. According to the Kaiser Family Foundation, **14 states** plus the District of Columbia provide Medicaid coverage to children regardless of immigration status, and seven states plus DC cover adults regardless of immigration status. Analysis by the Congressional Budget Office found that the Biden administration spent just over **$16 billion** from 2017 to 2023 on Medicaid services for illegal immigrants.

Illegal immigrants should immediately be removed from Medicaid, and states prohibited from using Medicaid dollars on these individuals. Policymakers could consider penalties such as reducing matching rates for states breaking these restrictions.

Third, verification of income and assets should be required when enrolling individuals. Hospitals may give individuals temporary Medicaid coverage based on unverified answers to questions of income and assets. The Foundation for Government Accountability found in 2018 that **70 percent** of people deemed eligible by hospitals were eventually deemed ineligible by Medicaid. It's time to end "trust, then verify" and just verify.

Reprioritize Work

Work is critical to an individual's well-being, physical and mental health, and long life. Work was a cornerstone of past welfare reform efforts that lifted Americans out of poverty, especially single mothers. Yet, some policymakers oppose implementing or enforcing work requirements for welfare benefits, including Medicaid.

Social safety net programs, such as food stamps or cash, typically require that able-bodied adults work, train, or volunteer on a part-time basis to remain eligible for benefits. Medicaid has no work requirements. Certain able-bodied Medicaid enrollees should be required to work or look for work as a condition of receiving benefits. According to recent **polling** from the Kaiser Family Foundation, 77 percent of Americans support work requirements for work-capable individuals, especially if those requirements allow Medicaid to be reserved for traditional groups.

The first Trump administration approved state proposals (waivers) to enact work requirements, but the Biden administration rescinded those agreements. The second Trump administration should revive those efforts. Additionally, to ensure that future presidents do not rescind those agreements,

Social safety net programs, such as food stamps or cash, typically require that able-bodied adults work, train, or volunteer on a part-time basis to remain eligible for benefits. Medicaid has no work requirements. Certain able-bodied Medicaid enrollees should be required to work or look for work as a condition of receiving benefits.

Congress should provide statutory changes and guidance to not only allow but require work requirements.

Audit States' Enrollment

Expanding Medicaid enrollment during economic downturns or natural disasters is reasonable. However, both the ACA and COVID-era policies during the Biden administration hampered federal oversight of state Medicaid enrollment.

We have an incomplete picture of the true size of Medicaid fraud because both the Obama and Biden administrations excluded eligibility checks in their audits of improper payments. The federal government should require that audits assess whether states are determining eligibility before providing care to avoid improper payments.

We have an incomplete picture of the true size of Medicaid fraud because both the Obama and Biden administrations excluded eligibility checks in their audits of improper payments. The federal government should require that audits assess whether states are determining eligibility before providing care to avoid improper payments. States should also be required to prove eligibility based on income and assets more regularly, such as at least once every six months, for able-bodied enrollees and perhaps annually for the disabled or seniors.

In addition, states are also responsible for screening and enrolling healthcare providers according to federal and state rules. These rules exist to prevent providers who don't meet minimum standards from participating and to prevent fraud, waste, and abuse. Yet, the GAO found that many states haven't implemented all the rules. Better oversight by the federal government would ensure that claims aren't paid to ineligible medical providers, such as those with suspended or revoked medical licenses.

CONCLUSION

Success should not be measured by how many more individuals are on public assistance programs, but by how many move off of them into independence. Medicaid reforms can rightsize this entitlement program to serve the vulnerable populations it was created for while helping able Americans move into financial freedom.

WHAT YOU CAN DO!

Get Informed
Learn more about portable benefits. Visit:

- Foundation for Government Accountability
- Paragon Health Institute
- Kaiser Family Foundation

Talk to Your Friends:
Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

Become a Leader in the Community:
Join Independent Women's Network and get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

Remain Engaged Politically:
Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

Connect with Independent Women! Follow us on:

WE RELY ON THE SUPPORT OF PEOPLE LIKE YOU!
Please visit us on our website iwf.org to get more information and consider making a donation to Independent Women.

SUPPORT INDEPENDENT WOMEN NOW!

ABOUT INDEPENDENT WOMEN
Independent Women is dedicated to building support for free markets, limited government, and individual responsibility. Independent Women, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.