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Medicaid Citizenship Documentation Requirements Deny Coverage to Citizens and Cost Taxpayers Millions

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Summary of GAO and Staff Findings
**MEDICAID CITIZENSHIP DOCUMENTATION
REQUIREMENTS DENY COVERAGE TO CITIZENS AND
COST TAXPAYERS MILLIONS**

Majority Staff
Committee on Oversight and Government Reform
Rep. Henry A. Waxman, Chairman
July 24, 2007

Under the Deficit Reduction Act of 2005 (DRA), most U.S. citizens applying for Medicaid or seeking renewal of their existing Medicaid coverage are required to document their citizenship. These DRA requirements went into effect July 1, 2006, and affect 30 million children and 16 million parents now enrolled in Medicaid, as well as millions of new applicants.

Two new analyses – one by the Government Accountability Office and one by the majority staff of the Oversight Committee – have examined the impact of the DRA documentation requirements. They show that the documentation requirements have caused eligible U.S. citizens to lose Medicaid coverage and have not achieved the goal of saving taxpayers money. Specifically:

- The GAO report finds that the DRA documentation requirements have led to widespread declines in Medicaid enrollment and increased administrative costs.
- The staff analysis finds that the DRA documentation requirements have cost significantly more to implement than they have saved in expenditures by excluding undocumented immigrants from Medicaid coverage. For every \$100 spent by federal taxpayers to implement the new requirements in six states, only 14 cents in Medicaid savings can be documented.

GAO Findings

In March and April 2007, the GAO conducted a survey of state Medicaid offices to assess the impact of the DRA documentation requirements on states and Medicaid beneficiaries.¹ Forty-four states submitted usable responses to GAO.

The key findings of the GAO investigation are:

- **The new requirement is leading to declines in Medicaid coverage for eligible U.S. citizens.** Half the states reported declines in Medicaid coverage due to the requirement. According to a majority of these states, the individuals losing coverage appear to be eligible U.S. citizens.

¹ U.S. Government Accountability Office, *Medicaid: States Reported Citizenship Documentation Requirement Resulted in Enrollment Declines for Eligible Citizens and Posed Administrative Burdens* (July 2007) (GAO/07-889).

- **The total number of eligible U.S. citizens being turned down or losing coverage may be large.** Only a few states reporting declines were able to quantify the loss of eligible citizens. One state, in the first seven months of implementation, identified 18,000 individuals whose applications were denied or who lost coverage due to inability to provide the necessary documentation, even though the state believed them to be eligible citizens. Of the 22 states reporting a decline in enrollment, 17 expect the downward trend to continue.
- **All states reported increased administrative burdens and costs to implement the requirement.** All 44 states reported that additional administrative measures were necessary to comply with the requirement, including training of Medicaid agency staff, community agencies, and providers and expansion of staff capacity. One state reported a 60% increase in phone calls, a 1,000% increase in voice messages, and an 11% increase in the length of calls. For fiscal year 2007, ten states appropriated a total of \$28 million to cover the additional administrative costs.
- **Fiscal benefits to federal and state governments are unclear.** Only one of the 44 states reported potential savings due to reductions in coverage for individuals who were ineligible due to their citizenship status. The remaining states expected no savings or reported that it was too early to know.

Oversight Staff Findings

When Congress passed the Deficit Reduction Act of 2005, which required Medicaid applicants and beneficiaries to document their citizenship, the Republican proponents of the documentation requirements said that these provisions were necessary to reduce the fraudulent use of taxpayer resources due to "outright theft of Medicaid benefits by illegal aliens."² Democratic members opposed the new requirements. They cited statements by Mark McClellan, the former Administrator of the Centers for Medicare and Medicaid Services, who said that a report by the Inspector General "does not find particular problems regarding false allegations of citizenship, nor are we aware of any."³

The majority staff surveyed nine states to assess whether the documentation requirements have achieved the goal of saving the taxpayer money by excluding illegal immigrants from Medicaid coverage.⁴ Of the nine states surveyed, six states were able to provide data on both (1) the

² Washington Post, *Medicaid Rule Called a Threat to Millions* (Jun. 30, 2006).

³ U.S. Department of Health and Human Services, Office of Inspector General, *Self-declaration of U.S. Citizenship for Medicaid* (Jul. 2006).

⁴ The nine states surveyed were: Arizona, Colorado, Illinois, Kansas, Louisiana, Minnesota, Virginia, Washington, and Wisconsin. The nine states were selected because reports indicated that they had kept track of the administrative costs of implementing the new requirement. See, e.g., Center on Budget and Policy Priorities, *New Medicaid Citizenship Documentation Requirement is Taking a Toll: States Report Enrollment is Down and Administrative Costs Are Up* (Mar. 13, 2007) (online at <http://www.cbpp.org/2-2-07health.htm>)

additional state expenditures due to the citizenship documentation provisions and (2) the number of undocumented immigrants discovered as a result of the new requirements.⁵

The six states reported that the costs to the states and federal taxpayers to administer the program since implementation began were \$16.6 million. Since the federal matching rate on administrative costs is generally 50%, the additional federal spending on these administrative costs is estimated to be \$8.3 million.

The states reported that the total number of undocumented immigrants identified through the documentation requirements was eight. Three states (Colorado, Minnesota, and Wisconsin) reported identifying no undocumented immigrants. Two states (Kansas and Washington) reported identifying one undocumented immigrant each. And one state (Louisiana) reported identifying six undocumented immigrants.

Table 1: Federal spending and the number of undocumented immigrants found

	Additional federal spending	Number of undocumented immigrants found	Number of Medicaid enrollees⁶	Federal savings from undocumented immigrants found
Colorado	\$1,500,000	0	398,500	\$0
Kansas	\$750,000	1	253,600	\$1,816
Louisiana	\$2,000,795	6	816,700	\$8,095
Minnesota	\$650,000	0	545,000	\$0
Washington	\$2,500,000	1	953,100	\$1,138
Wisconsin	\$900,000	0	688,600	\$0
Total	\$8,300,795	8	3,655,500	\$11,048

For the six states, the administrative costs of implementing the documentation requirements far exceeded the savings to the taxpayers. The total regular Medicaid enrollment in these six states was 3,655,500 in the most recent year. The average federal cost of providing care to a non-disabled Medicaid beneficiary under 65 in the six states ranges from \$1,138 to \$1,816 per year.⁷ Assuming that the undocumented immigrants who were denied coverage had average Medicaid expenses, the total savings to the federal government from identifying these eight individuals was \$11,048. See Table 1.

⁵ The six states that were able to provide complete data were: Colorado, Kansas, Louisiana, Minnesota, Washington, and Wisconsin.

⁶ 2004 state totals for children and adult Medicaid enrollees, excluding the elderly and disabled. Statehealthfacts.org, Kaiser Family Foundation (online at www.statehealthfacts.org) (Accessed on: July 23, 2007).

⁷ 2004 CRS state-specific data on total yearly spending for a non-disabled adult under 65 was first adjusted for rate of overall growth in total Medicaid spending from 2004 to 2007. This total adjusted per capita spending figure was multiplied by the federal matching rate for each state to estimate the state-specific federal spending per beneficiary.

According to the data reported by the six states, for every \$100 spent by federal taxpayers to administer the documentation requirements, the federal government saved only 14 cents. By way of comparison, for every \$100 the Office of the Inspector General of the Department of Health and Human Services expends to investigate waste, fraud, and abuse, the federal government recovers nearly \$1,300.⁸

There are several limitations to this analysis of the costs and savings generated by the documentation requirements: (1) the six states that provided data for the analysis may not be representative; (2) their systems were not designed to track the number of undocumented immigrants denied coverage; and (3) undocumented immigrants may have been deterred from applying for coverage in the six states, which would have produced savings not captured in the analysis. Nonetheless, the lopsided ratio of high administrative costs to minimal savings reported by the states indicates that the documentation requirements are likely to cost federal taxpayers significantly more than they generate in savings.

⁸ House Committee on Ways and Means, Subcommittees on Health and Oversight, Testimony of Daniel Levinson, Inspector General, U.S. Department of Health and Human Services, *Hearing on Medicare Program Integrity* (Mar. 8, 2007).