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OPINION | COMMENTARY

‘Means Tested’ Welfare Means Nothing in Practice

Medicaid and SNAP rolls have swelled as standards loosen and go unenforced.

By Robert Doar

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The U.S. labor market is as healthy as it has been in a long time, especially for those with limited education and skills. Yet enrollment for the nation’s two largest means-tested safety-net programs, Medicaid and the Supplemental Nutrition Assistance Program, remains near historic highs.

In previous periods of rising employment and income, takeup rates in assistance programs dropped. This hasn’t been the case in the years following the Great Recession, even after accounting for ObamaCare’s expansion of Medicaid. What gives?

A recent report on Medicaid in Louisiana may provide some insight. It includes findings that Sen. John Kennedy has called “stunning” and “breathtaking.” To those of us who follow enrollment numbers in Medicaid and SNAP, it was hardly a surprise at all.

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The report came from Louisiana’s legislative auditor, Daryl G. Purpera, who selected 100 Medicaid recipients at random and found that 82 of them shouldn’t have qualified for all the benefits they received. Most were underreporting income, taking advantage of enrollment rules that allow people to join

Medicaid without any verification. Ten of the randomly selected Medicaid recipients even had annual incomes above the state's median household income.

In other words, "means tested" hardly means a thing.

Scandalous as it is, this is no real surprise. Federal and state program administrators have consciously and significantly loosened the verification processes that once were part of enrolling applicants in SNAP, Medicaid and other programs.

I saw the changes firsthand as commissioner of the New York City Human Resources Administration. It used to be a given that before enrolling an applicant in a means-tested program, administrators would ensure that his income was low enough to qualify. We would later verify our findings using other data sources to see if the applicant had earnings he hadn't reported on his application. And there was a required "asset test" to make sure that the public wouldn't get stuck paying for health insurance for property owners who tried to game the system.

But over the past decade the federal government has streamlined the application process in an effort to enroll as many people as possible. Regulators have told states they no longer have to run many of these checks, and have even prohibited states from requiring certain tests. As a result, people who once would have been caught underreporting their income are now slipping through, and more people receive benefits than are truly eligible.

ObamaCare's Medicaid expansion bears most of the blame. The new law made people earning up to 138% of the federal poverty line eligible to receive Medicaid. The Medicaid marketplace it created includes no mandatory verification processes, allowing people simply to declare their income and start receiving benefits. As described in a 2013 issue brief from the Centers for Medicare and Medicaid Services touting "simplified, real-time verification": "Eligibility will be verified primarily through self-attestation." Simplified indeed.

The architects of Medicaid expansion cleverly provided that "states have significant flexibility in determining their verification policies and procedures for Medicaid." Of course, states have little incentive to keep people off the rolls. Under the "federal matching" framework in Medicaid, the federal government reimburses states for their health spending in a way that encourages states to spend more and care little about the cost.

Almost equally shocking is the principle of "reasonable compatibility" in means-tested program enrollment. If someone is found to have attested to his income inaccurately, the state can overlook the difference by deeming it to be within "reasonable" range of the limit and enrolling the person anyway. Even if the discrepancy is found not to be reasonable, states have the option to request an explanation and proceed with the enrollment.

ObamaCare also eliminated asset testing in Medicaid altogether, so that in addition to minimizing verification of income, neither states nor the federal government can look into what applicants own. It doesn't matter if you have a dry-cleaning business in Scarsdale, N.Y., or rental properties in Compton, Calif. If you attest that your income is low enough, you can get Medicaid too.

The same trend of minimizing verification requirements has occurred with SNAP. Beginning during the Bush administration, mandatory face-to-face interviews with caseworkers and updates on recipients' income have been reduced or eliminated, making it much easier to continue receiving benefits.

States have little interest in verifying eligibility for programs paid for with federal dollars, so the federal government must intervene to restore some integrity to SNAP and Medicaid. Otherwise, antipoverty spending will continue to drive up federal deficits with payments to millions of Americans who shouldn't be receiving public assistance.

So far, the Trump administration has made no effort verification procedures. In fact, the farm bill the president is likely to sign would further limit states' ability to determine eligibility for SNAP with accuracy.

It all adds up to a perversion of one of Ronald Reagan's best lines: Trust, and don't verify.

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