Primer: Woke and Wasteful Abuses in the Medicaid Program

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Introduction

The Medicaid program was created in 1965 under Title XIX of the Social Security Act and signed into law by President Lyndon B. Johnson. It was designed to provide health-care coverage to populations in the United States that cannot access or obtain private health insurance due to age or disability or income.[1] These groups include children, pregnant women, low-income individuals and families, the elderly, and individuals with disabilities.[2] Those who exceed the income eligibility threshold, illegal aliens, and certain categories of immigrants are not eligible to receive Medicaid.

Since the program's inception, Medicaid has massively expanded in both the number of individuals it includes and the services it covers. While these expansions originally intended to address evolving health-care needs, they have also led to expenditures beyond the program's intent. Concerns have arisen regarding funds being allocated for services such as coverage for illegal aliens, gender-transitioning services, abortions, and coverage for single, able-bodied, working-age adults. There is also grave concern that the program's integrity is being threatened by massive amounts of fraud, which have resulted in billions of dollars in improper payments.[3] These concerns have fueled the ongoing debate over the efficient use of Medicaid funds and the potential for substantial savings through targeted reforms. The most recent of these are the efforts of the Department of Government Efficiency (DOGE) under the Trump administration to cut wasteful spending and fix inefficient federal performance.

The radical left has decried the efforts of the Trump administration, DOGE, and congressional Republicans to protect Medicaid by cutting waste, fraud, and inefficiencies. Leftists insist that these are attempts to take away the program from those Americans who truly need it. But it has been the left that has intentionally shifted the focus of Medicaid away from its intended purpose of serving American families in need and towards woke agendas and health-care for illegal aliens. For example, President Joe Biden used the Centers for Medicare and Medicaid Services (CMS) to massively drive up Medicaid spending from $734 billion to $871.7 billion over the

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[1] Evelyne Baumruker, Cliff Binder, Sarah Braun, Kirsten Colello, Alison Mitchell, and Angela Napili, "Medicaid: An Overview," Congressional Research Service, February 8, 2023, https://www.congress.gov/crs-product/R43357.
[2] Ibid.
[3] U.S. Government Accountability Office, "Additional Actions Needed to Enhance Program Integrity and Save Billions," GAO-24-107487, https://www.gao.gov/assets/gao-24-107487.pdf.

course of his term.[4] In June 2024, the Congressional Budget Office (CBO) projected that federal spending on Medicaid over the next ten years will increase by $817 billion.[5] This massive increase was largely due to the Biden administration's expansion of Medicaid to cover nonmedical expenses such as housing, food, and air conditioning—things the Medicaid program was never intended to cover.[6]

This is just one example of how the left has recklessly expanded the Medicaid program in both scope and population covered. This and other actions have threatened the long-term integrity of the Medicaid program, putting those Americans who are truly in need at risk. What follows is a description of some of the areas toward which Medicaid has been wrongly steered and problems that require urgent attention to prevent Medicaid from going insolvent.

Fraudulent and Improper Payments

For decades, the left has persistently accused anyone who has expressed concern about waste, fraud, and abuse within the Medicaid program of wanting to take away health-care coverage from poor Americans or of being unwilling to spend money to help the needy. But those voicing these concerns have been vindicated: According to the official federal database for tracking payment accuracy, from 2015 to 2024, Medicaid issued $543 billion in improper payments.[7] In fact, that amount represents only a small portion of this fraud because it only covers the amount the federal government audited. An analysis by the Paragon Health Institute concludes that the true amount of improper payments over the past decade is approximately $1.1 trillion.[8]

These improper payments encompass a range of illicit activities, including health-care providers billing for services not rendered and falsifying diagnoses to justify unnecessary procedures. Another massive part of these improper payments is the enrollment of ineligible individuals into the Medicaid program. Previous administrations have not properly checked the eligibility of individuals whom states and health-care providers have enrolled in Medicaid. In theory, individuals are supposed to be deemed eligible for Medicaid after a thorough check of their

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[4] Ireland Owens,, "Fraud, Child Sex Changes, Healthcare for Illegals — Dems Spent Years Expanding Medicaid Beyond Recognition," The Daily Caller News Foundation, March 6, 2025, https://dailycallernewsfoundation.org/2025/03/06/fraud-child-sex-changes-healthcare-for-illegals-dems-spent-years-expanding-medicaid-beyond-recognition/.

[5] Congressional Budget Office, "The Budget and Economic Outlook: 2025 to 2035," January 17, 2025, https://www.cbo.gov/system/files/2025-01/60870-Outlook-2025.pdf.

[6] Brandon Poulter, "Biden Admin Could Greenlight Usage of Medicaid Funds to House Migrants in Massachusetts," The Daily Caller News Foundation, February 29, 2024, https://dailycaller.com/2024/02/29/biden-admin-could-greenlight-usage-medicaid-funds-house-migrants-massachusetts/.

[7] PaymentAccuracy.gov, "Annual Improper Payments Datasets,," accessed March 21, 2025, https://www.paymentaccuracy.gov/payment-accuracy-the-numbers/.

[8] Brian Blase and Rachel Greszler, "Medicaid's True Improper Payments Double Those Reported by CMS," March 3, 2025, https://paragoninstitute.org/medicaid/medicaids-true-improper-payments-likely-double-those-reported-by-cms/.

eligibility. In practice, however, hospitals and other health-care entities are allowed to enroll individuals into the program after just a few questions using a process called "presumptive eligibility," which means that a larger number of ineligible individuals now receive Medicaid.[9] A 2020 report by the Foundation for Government Accountability found that in 2018, 70 percent of those who were presumptively eligible for Medicaid were later found to not be eligible or to have never completed the application.[10]

Expansion of Coverage for Able-Bodied Working Adults

The Patient Protection and Affordable Care Act (ACA), known colloquially as Obamacare, greatly expanded the eligibility criteria for an individual to qualify for Medicaid and radically increased the federal reimbursement rates to states that expand Medicaid coverage. The ACA allows states to expand Medicaid eligibility to include low-income adults without dependent children, encompassing single, able-bodied, working-age adults with incomes 138 percent of the Federal Poverty Level (FPL). The federal government matches 90 percent of Medicaid costs for the expanded population in a state versus the 50–83 percent federal match for the traditional Medicaid program. To date, forty states and Washington, D.C., have expanded Medicaid, leading to an explosion in Medicaid participants and costs.

In 2013, prior to the passage of the ACA, approximately 55.4 million individuals were enrolled in the Medicaid program.[11] In 2024, 72.1 million individuals were enrolled in Medicaid.[12] As of 2024, about 20.9 million adults were enrolled in the ACA Medicaid expansion group.[13] The ACA Medicaid expansion fundamentally changed the program from one that provides basic health-care coverage to the truly needy—children, the elderly, and the disabled—to covering able-bodied adults, living above the poverty line, with no dependents, who are not impeded from working in any way.

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[9] Medicaid.gov, "Presumptive Eligibility," updated August 31, 2021, https://www.medicaid.gov/medicaid/enrollment-strategies/presumptive-eligibility.

[10] Sam Adolpshen and Jonathan Bain, Eligible for Welfare Until Proven Otherwise: How Hospital Presumptive Eligibility Pours Gasoline on the Fire of Medicaid Waste, Fraud, and Abuse," The Foundation for Government Accountability, September 21, 2020, https://thefga.org/wp-content/uploads/2020/09/How-Hospital-Presumptive-Eligibility-Pours-Gasoline-Medicaid-Fraud.pdf.

[11] Laura Snyder, Robin Rudowitz, Eileen Ellis, and Dennis Roberts, "Medicaid Enrollment Snapshot: December 2013," Kaiser Family Foundation, June 3, 2014, https://www.kff.org/medicaid/issue-brief/medicaid-enrollment-snapshot-december-2013/#:~:text=As%20of%20December%202013%2C%20nearly,since%20before%20the%20Great%20Recession.

[12] "Medicaid Enrollment and Unwinding Tracker," Kaiser Family Foundation, January 31, 2025, ttps://www.kff.org/report-section/medicaid-enrollment-and-unwinding-tracker-enrollment-data/#:~:text=There%20are%2072.1%20million%20people,the%20baseline%20(Figure%202).

[13] Open Data, "Medicaid Enrollment—New Adult Group," Centers for Medicare and Medicaid Services, updated December 11, 2024, https://data.medicaid.gov/dataset/6c114b2c-cb83-559b-832f-4d8b06d6c1b9/data?conditions[0][property]=enrollment_year&conditions[0][value]=2024&conditions[0][operator]=%3D&conditions[1][property]=enrollment_month&conditions[1][value][0]=4&conditions[1][value][1]=5&conditions[1][value][2]=6&conditions[1][operator]=in.

This massive increase in adult Medicaid enrollees is a direct result of the ACA's Medicaid eligibility expansion coupled with the promise of the federal government matching 90 percent of the costs for the Medicaid expansion population.

Coverage for Illegal Aliens

By law, Medicaid is restricted to U.S. citizens and certain qualified noncitizens. Noncitizens who may qualify for Medicaid include legal permanent residents after a five-year waiting period, legal asylum seekers, and legal refugees. Some states, however, have used existing loopholes in the law, indirect measures, and state funds to provide Medicaid-like coverage to illegal aliens, and in some cases have taken federal money to do so.

Despite illegal aliens being strictly prohibited from receiving Medicaid coverage via federal funds, the state of California exploits an existing loophole to funnel billions of federal dollars to pay for their health care. California colludes with the state insurance companies that cover Medicaid beneficiaries by taxing them at an exorbitant rate. That amount is reimbursed by the federal government in matching Medicaid funds at 60 percent, and then California takes that part of the federal reimbursement to put illegal aliens on Medicaid.[14] A study by the Economic Policy Innovation Center and the Paragon Health Institute shows that the state of California used $3.9 billion of its Medicaid reimbursement funds via the state's high insurer tax to pay the full cost of illegal aliens' health care in the state.[15] California is able to circumvent the prohibition on illegal aliens' receiving Medicaid by laundering the federal funding via the high tax on insurers.

Because Medicaid is a joint federal-state program in which states have flexibility to set up their own programs, states can decide to provide Medicaid-like health-care coverage benefits to illegal aliens and other populations who are not eligible for Medicaid. This tax scheme allows the state of California to move federal money around in order to provide illegal aliens health care using federal funds. The Medi-Cal website, California's branch of Medicaid, explicitly advocates for funding expansions for illegal aliens.[16] California's Governor Gavin Newsom recently asked to

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[14] Elizabeth Elkind, "California Exploiting Medicaid 'loophole' to Pay Millions for Illegal Immigrants' Health Care, Study Says," Fox News, March 12, 2025, https://www.foxnews.com/politics/california-exploiting-medicaid-loophole-pay-millions-illegal-immigrants-health-care-study-says.

[15] Paul Winfree and Brian Blase, "California's Insurance Tax Shuffle: How Federal Money Ends Up Paying for Medicaid for Illegal Immigrants," Economic Policy Innovation Center, March 12, 2025, https://epicforamerica.org/federal-budget/californias-insurance-tax-shuffle-how-federal-money-ends-up-paying-for-medicaid-for-illegal-immigrants/.

[16] California Department of Health Care Services, "Coverage for All," accessed March 21, 2025, https://www.dhcs.ca.gov/Get-Medi-Cal/Pages/coverage-for-all.aspx.

borrow $3.44 billion in order to prop up the state's strained public health-care system, which has provided wide coverage for illegal aliens residing in the state since 2016.[17]

In another example, New York's "Green Light" law, enacted in 2019, allows illegal aliens to obtain driver's licenses, a change that indirectly facilitates access to certain state services, including health care. New York has also directly expanded Medicaid availability to certain illegal aliens using a similar tax loop hole that California employs.[18] [19]

Many more states have expanded coverage to illegal aliens in recent years. Connecticut, Maine, Massachusetts, New York, Rhode Island, Vermont, and Washington State, along with Washington D.C., have provided coverage for unauthorized persons residing in the United States. Oregon, Colorado, and New Jersey recently expanded health-care coverage to a total of around one hundred thousand people with no regard given to citizen or immigration status. Minnesota is set to make a similar move in 2025.[20]

There are other ways in which Medicaid is directly and indirectly paying for illegal aliens' health care. The Medicaid Disproportionate Share Hospital (DSH) program provides payments to hospitals that treat uninsured and low-income patients to help offset the cost of treating them. When an illegal alien shows up to the hospital to receive care and cannot pay, DSH payments are later provided to the hospital from the federal government to cover that care.[21] Taxpayers also pay for illegal aliens indirectly through Medicaid via Section 1115 waivers for uncompensated care pools, in which states are allowed additional flexibility in their Medicaid programs in order to better pay for uncompensated care.[22] States receive funding from the federal government and then distribute it to providers within the state. Depending on how a state designs its 1115 waiver, it can include paying for the uncompensated care of illegal aliens.

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[17] Thomas English, "California Begs for Emergency Loan After Showering Illegal Immigrants with Healthcare Benefits," The Daily Caller News Foundation, https://dailycaller.com/2025/03/13/california-begs-for-emergency-loan-after-showering-illegal-immigrants-with-healthcare-benefits/.

[18] Grace Ashford,, "New York Has a Budget Trick to Try on the Federal Government," *New York Times*, April 5, 2024, https://www.nytimes.com/2024/04/05/nyregion/medicaid-budget-taxes.html.

[19] New York State of Health, "Medicaid Fact Sheet for Undocumented Immigrants Age 65 and Over," February 2024, https://info.nystateofhealth.ny.gov/sites/default/files/Medicaid%20Fact%20Sheet%20for%20Undocumented%20Immigrants%20Age%2065%20and%20Over.pdf.

[20] Phil Galewitz, "Immigrants Without Legal Status Get Public Health Insurance in More States," KFF HealthNews, https://www.npr.org/sections/health-shots/2023/12/29/1221780712/more-states-extend-health-coverage-to-immigrants-even-as-issue-inflames-gop.

[21] Medicaid.gov, Medicaid Disproportionate Share Hospital (DSH) Payments

[22] Elizabeth Hinton and Amaya Diana, "Medicaid Section 1115 Waivers: The Basics," KFF.org, January 2025, https://www.kff.org/medicaid/issue-brief/medicaid-section-1115-waivers-the-basics/.

Radical Gender Transition Through Medicaid

In 2014, the Obama administration abolished a rule that had prevented the use of Medicare funding for gender-transition surgeries and severely limited federal funds from being used for so-called sex change surgeries in state Medicaid programs. This change paved the way for both Medicare and Medicaid funding to be used on such procedures through the Obama administration's interpretation of a nondiscrimination provision of the ACA in 2016.[23]

As a result, millions in federal funding began to be used for such procedures, with $165 million in sixteen states from 2018 to 2023 going to "gender transition services."[24] The inclusion of radical gender transition services and so-called affirming care under Medicaid currently varies by state. Some states have expanded their Medicaid programs to cover treatments related to gender dysphoria, including puberty blockers, cross-sex hormones, and genital mutilation, even of minors.

President Donald Trump signed an executive order in January 2025 that bans genital mutilation of minors. Whatever effect on restricting the practice that order has or will have, it calls attention to the fact that until it was issued a number of states did have provisions for Medicaid coverage of gender surgeries, puberty blockers, and crosss-sex hormones for minors. For example, in 2019, Vermont reissued regulations stating that Medicaid could cover such procedures, including for emancipated minors and minors who had parental consent.[25] These expansions not only reflect an unjustifiably broad interpretation of necessary medical services and contribute to an increase of abusive and wasteful use of Medicaid funding but also constitute an abhorrent moral failure to protect America's children from drastic and often irreparable harm.

Abortion

Federal law, through the Hyde Amendment, prohibits the use of federal funds for abortions except in cases of rape or incest or when the woman's life is in danger. Some states, however, use their own funds to cover abortions beyond these federal restrictions under their Medicaid programs. This practice leads to variability in Medicaid coverage and raises questions about the use of public funds for abortion services. Figures vary on how many states provide varying degrees of state Medicaid coverage for abortion, but a commonly cited number is nineteen.[26]

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[23] Ireland Owens, "Fraud, Child Sex Changes, Healthcare."
[24] Ibid.
[25] Christy Mallory and Will Tentindo, ""Medicaid Coverage for Gender-Affirming Care," Williams Institute, December 2022, https://williamsinstitute.law.ucla.edu/wp-content/uploads/Medicaid-Gender-Care-Dec-2022.pdf.
[26] National Network of Abortion Funds, "Will Medicaid Cover My Abortion?," accessed March 21, 2025, https://abortionfunds.org/need-an-abortion/abortion-and-medicaid/.

Many states use loopholes to abuse their Medicaid federal match funding by propping up abortion providers and subsidizing abortions. Since Medicaid is a shared program between the states and the federal government, the states provide some funding for all the services provided and the federal government matches what the state spends at a certain rate, which varies from 50–90 percent. Because money is fungible, every dollar the state spends on abortion is matched by the federal taxpayer, sometimes at 90 percent of the state's cost. This means that these states essentially use federal Medicaid infrastructure to reimburse themselves after spending their own state funds on abortions.

The Hyde Amendment is meant to restrict federal funding, including in Medicaid, for abortions performed for reasons other than rape or incest or protection of the life of the mother, but many states use state-only funds to provide abortions for other, elective reasons. Data from before 2021 indicates that about 26 percent of women who underwent abortion procedures were on Medicaid.[27]

Conclusion

Medicaid has extended health-care coverage to millions of people beyond the intended initial population of children, the elderly, the disabled, and those who are truly in need. It has instead become a benefit hammock for many who would otherwise not qualify. This expansion threatens the ability to pay for and uphold the core purpose of the program. As the program has expanded beyond its original scope and been misused, directly and indirectly, to cover populations and procedures beyond its original, legal scope—coverage for illegal aliens, gender-transitioning services, abortion services, improper payments (including fraudulent payments), and the inclusion of single, able-bodied, working-age adults—it has turned into a slush fund for promoters of radical woke agendas. Addressing these issues through targeted reforms could yield substantial savings and thus ensure that Medicaid remains sustainable and focused on its core mission of providing health care to the most vulnerable Americans.

[27] Usha Ranji, Karen Diep, and Alina Salganicoff, "Key Facts on Abortion in the United States," Kaiser Family Foundation, February 27, 2025, https://www.kff.org/womens-health-policy/issue-brief/key-facts-on-abortion-in-the-united-states/.