

Welfare Reform That Works: Reducing Waste, Fraud, and Dependency

SUMMARY

- Pennsylvania’s labor force is expanding, Medicaid enrollment is returning to pre-pandemic levels, and fewer Pennsylvanians depend on the Supplemental Nutrition Assistance Program (SNAP).
- Administering Medicaid work requirements without abusing exemptions could help even more Pennsylvanians return to work. If 300,000 healthy adults, as projected by the administration, leave Medicaid, state savings will equal \$243 million annually.
- Pennsylvania’s high welfare fraud caseload and history of eligibility errors require systematic reform. Unfortunately, Gov. Josh Shapiro refused to share SNAP data with the federal government, proposed a \$1.7 billion increase in Human Services, and is suing to expand exemptions from Medicaid work requirements.
- Lawmakers can promote work and protect services by creating more accountability in home health care, requiring regular provider and eligibility audits, reviewing compliance with work requirements quarterly, and cooperating with federal and state officials to identify erroneous enrollments.

SUCCESS OF WORK REQUIREMENTS

Congress’s July 2025 [sweeping reforms](#) added requirements for all healthy adults without young children to work, volunteer, or go to school to access SNAP and Medicaid benefits.¹ Meanwhile, Pennsylvania’s [2025–26 budget](#) deal initiated monthly crosschecks of death records and quarterly crosschecks of wage records.²

Change in Medicaid, SNAP and State Labor Force

Since SNAP restored work requirements, enrollment is down +100,000. Labor force participation is up.

Month	Labor Force	Medicaid	SNAP
November	6,571,286	2,923,573	1,850,811
December	6,570,655	2,916,018	1,853,915
January	6,582,900	2,929,450	1,805,714
February	6,587,246	2,935,520	1,765,220
March	6,592,917	2,923,062	1,761,697
April	6,607,497	2,912,844	1,752,747
May	6,626,372	2,897,539	1,743,215
Total Change	+55,086	-26,034	-107,596

Sources: [Bureau of Labor Statistics](#), [Pennsylvania Department of Human Services](#)

Work requirements help individuals and safeguard program sustainability. In [Arkansas](#), Medicaid work requirements led to increased employment, and 14,000 reported higher incomes.³ Pennsylvania is already benefiting from the restoration of SNAP work requirements. In seven months, enrollment declined by 107,596, returning to pre-COVID levels. Pennsylvania experienced [a steady increase](#) in the workforce, with 55,086 additional workers, and a labor force participation rate increase to [62.3 percent](#).⁴

Medicaid's work requirements for healthy adults begin January 1, 2027.⁵ Three states (Nebraska, Iowa, and Montana) have begun implementing work requirements ahead of this deadline to ensure a smooth rollout. Pennsylvania is not planning early implementation and will utilize all [available short-term hardship exceptions](#) and employ a one-month look-back to determine compliance with the work requirement.⁶ In fact, Shapiro, alongside Kentucky's Gov. Andy Beshear, the District of Columbia, and 18 other states, recently [sued the federal government](#) over the rule that medical conditions used to exempt an individual from the community engagement requirement must significantly impair an adult's ability to work.⁷

To promote work and ease the administrative burden, Pennsylvania should:

- **Verify Medical Frailty Exemptions:** Medical frailty should require a doctor's approval at initial application for benefits and at renewal when medical claim information is not available. Research warns against the loophole of self-attestation, which acts [to balloon the number of exemptions](#).⁸ For simplicity, the commonwealth should align Medicaid with SNAP practices and prohibit the Pennsylvania Department of Human Services (DHS) from expanding the medically frail exemption beyond the federal definition.
- **Minimize Hardship Exceptions:** The federal government has [four short-term hardship exemption categories](#): hospitalization, emergency disaster declaration, high county-wide unemployment, or traveling for a medical condition.⁹ Pennsylvania should not allow high unemployment exemptions. They have a [track record of abuse](#) and do not impact volunteering or education training programs.¹⁰

If 300,000 healthy adults, as projected by the administration, leave Medicaid due to rising incomes or a refusal to work, that's a savings of \$234 million each year, more than offsetting the high implementation costs anticipated by Val Arkoosh, the DHS secretary, of [\\$50 million](#) on technology upgrades.¹¹

WELFARE FRAUD IS SIGNIFICANT

Pennsylvania [welfare fraud cases in 2025 soared](#) by about 165 percent from the previous year, ranking in the top five with 4.55 cases per 100,000 residents.¹²

Pennsylvania, nationwide, [ranks first in Medicaid fraud criminal convictions](#) and third overall in charges, according to the Medicaid Fraud Control Units' [2025 report](#).¹³

The scope of Medicaid fraud led the Centers for Medicare and Medicaid Services (CMS) to impose a "six-month, nationwide data-driven [moratoria](#)" on new enrollments for Medicaid hospice and home health care service entities.¹⁴ Meanwhile, Shapiro says Pennsylvania "[takes fraud prevention extremely seriously](#)," yet recoveries amount to just \$41 million, or *0.08 percent of Medicaid funding*.¹⁵ Nowhere near the [\\$3 billion Shapiro estimated](#) existed in Medicaid waste, fraud, and abuse back in 2020, as then-Pennsylvania attorney general.¹⁶

MEDICAID AND SNAP PAYMENT ERRORS

Unlike outright fraud, where individuals knowingly lie, payments made in error also waste resources.

In June 2026, the U.S. Department of Agriculture (USDA) reported a Pennsylvania SNAP 2025 payment error rate of [9.21 percent](#), meaning nearly one in ten payments were too high or too low.¹⁷ To avoid [\\$900 million in federal penalties](#), Pennsylvania must reduce the error rate to under 6 percent by 2027.¹⁸

Errors prompted the [USDA to request](#) SNAP applicants' names, addresses, and social security numbers (SSNs), as well as their immigration and marital status. Twenty-eight states "promptly" shared the data, while Pennsylvania has joined a multi-state lawsuit to keep this information hidden.¹⁹ The U.S. Department of Justice, on June 26, 2026, [filed a lawsuit](#) against Pennsylvania, alongside Kentucky, Michigan, and Minnesota, after these states again refused to comply with the USDA's repeated request for the data in May.²⁰

The USDA [report](#) found more than 440,000 accounts with "dummy" SSNs and more than 100,000 duplicate accounts across states.²¹ Meanwhile, an [analysis of SNAP data](#) from one state revealed enrollees owned more than 14,000 newer luxury vehicles, including three Ferraris, 11 Lamborghinis, and 59 Maseratis.²²

Medicaid payment errors are even more common but are difficult to document. Reviews of individual state fee-for-service payments, payments to managed care companies, and eligibility determinations are once every three years. But from 2020 to 2023, COVID suspended regular eligibility determinations. In 2019, the last year the CMS's [Payment Error Rate Measurement Program](#) (PERM) reviewed Pennsylvania before COVID, [11.36 percent](#) of Medicaid eligibility determinations were in error, or more than one in ten.²³ The 2025 PERM numbers undercount eligibility errors because they include 2023. Nationally, in the two years that reviewed for eligibility determinations (i.e., 2019 and 2020), the [PERM rate exceeded 25 percent](#).²⁴

SOLUTIONS

Lawmakers can protect SNAP and Medicaid benefits and deter fraud and waste by:

1. **Improving Homecare Accountability:** [Senate Bill \(SB\) 1373](#) puts Electronic Visit Verification (EVV) in statute and takes the additional step of assigning each individual caregiver a national provider identifier number.²⁵ EVV helped the state identify [657 cases of Medicaid fraud](#), recovering \$584,000 in fiscal year (FY) 2024–25.²⁶
2. **Regular Medicaid Provider and Eligibility Audits:** Lawmakers should require the Auditor General to conduct annual provider audits and Medicaid eligibility audits, considering that most fraud and waste [stem from providers](#) and improper eligibility determinations.²⁷
3. **Quarterly Medicaid Work Requirement Checks:** Indiana and New Hampshire report they will verify eligibility quarterly.²⁸ Quarterly checks are necessary because DHS chose to look at just the previous month for work activities before each eligibility redetermination. That means, under current rules, healthy adults will need to work just two months each year.
4. **Prohibit Self-Attestation for Medical Frailty:** Medical work requirement exemptions for frailty should require a doctor's approval at initial application for benefits and at renewal when medical claim information is not available.

5. **Minimize Hardship Exceptions:** Pennsylvania should not allow a county-wide high unemployment exemption to work requirements when individuals can train or volunteer to maintain benefits.
6. **Share Information with the Federal Government:** DHS should share SNAP data and submit enrollment information to the CMS national Medicaid enrollment database every month.
7. **Expanding Cross-checks:** Pennsylvania should cross-check Medicaid enrollment with address change information from the U.S. Postal Service and Medicaid managed care companies and regularly review out-of-state electronic benefit transactions.

Today, Pennsylvania Medicaid alone consumes nearly **one-third of the General Fund spending** and nearly 40 percent of the total operating budget. Helping more Pennsylvanians raise their incomes through work requirements can return hundreds of millions to the state budget, while systematic reforms can prevent waste and abuse.

¹ Act of July 4, 2025, Pub. L. No. 119–21, § 10102 and §§ 71103–07, 71119–21, 139 Stat. 72–78, 139 Stat. 291–295, 139 Stat. 306–317.

² Nathan Benefield, “What You Need to Know About Pennsylvania’s 2025-26 State Budget,” Commonwealth Foundation, November 12, 2025, <https://commonwealthfoundation.org/research/2025-2026-pennsylvania-state-budget-analysis/>.

³ Nicholas Horton and Victoria Eardley, “Arkansas’ Medicaid Work Requirement Was Working,” Foundation for Government Accountability, May 14, 2019, <https://thefga.org/research/arkansas-medicaid-work-requirement/>.

⁴ U.S. Congress Joint Economic Committee, “Pennsylvania Employment Update,” June 23, 2026, <https://www.jec.senate.gov/public/index.cfm/republicans/pa/>; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, accessed June 29, 2026, <https://www.bls.gov/lau/>; Pennsylvania Department of Human Services, Enrollment ListServe, accessed June 29, 2026, <http://listserv.dhs.pa.gov/Scripts/WA.exe?A0=MA-FOOD-STAMPS-AND-CASH-STATS>; Frank Lill, “Medicaid Enrollment Contracts,” Independent Fiscal Office, June 2026, https://www.ifo.state.pa.us/download.cfm?file=Resources/Documents/Medicaid_Enrollment_Contraction_BB_2026_06.pdf.

⁵ Act of July 4, 2025, Pub. L. No. 119–21, §§ 71103–04.

⁶ Jennifer Tolbert et al., “An Early Look at Policy Decisions as States Get Ready to Implement Work Requirements,” KFF, April 30, 2026, <https://www.kff.org/medicaid/an-early-look-at-policy-decisions-as-states-get-ready-to-implement-work-requirements/>.

⁷ Commonwealth of Massachusetts et al. v. OZ et al., No. 1:26-cv-12962, Complaint for Declaratory and Injunctive Relief (D. Mass. June 29, 2026), <https://www.mass.gov/doc/medicaid-work-requirements-rule-complaint/download>.

⁸ Liesel Crocker, “How CMS Can Block States from Abusing Exemptions to Medicaid Work Requirements,” Foundation for Government Accountability, May 19, 2026, https://thefga.org/wp-content/uploads/2026/05/HowCMSCanBlockStatesFromAbusingExemptions_ResearchPaper_5-13-26.pdf.

⁹ Centers for Medicare and Medicaid Services, “Medicaid Community Engagement Requirement for Certain Individuals Interim Final Rule with Comment Period,” June 1, 2026, <https://www.cms.gov/newsroom/fact-sheets/medicaid-community-engagement-requirement-certain-individuals-interim-final-rule-comment-period-cms>.

¹⁰ Elizabeth Stelle, “Feds Restore Foodstamp Rules: Providing a Pathway to Independence,” Commonwealth Foundation, December 6, 2019, <https://commonwealthfoundation.org/2019/12/06/feds-restore-foodstamp-rules-providing-a-pathway-to-independence/>.

¹¹ Calculations use the cost of the expansion population in the 2026-27 Executive State Budget Proposal. Whitney Downard, “Pa. Grapples with Implementing Medicaid Work Requirements,” *Pennsylvania Capital-Star*, May 18, 2026, <https://penncapital-star.com/health-care/pa-grapples-with-implementing-medicaid-work-requirements/>.

¹² Jake Eric, “5,400+ Welfare Fraud Cases a Year: America’s Public Benefits System is Most Exploited in These States,” *Insider Paper*, March 16, 2026, <https://insiderpaper.com/5400-welfare-fraud-cases-a-year-americas-public-benefits-system-is-most-exploited-in-these-states/>.

¹³ Pennsylvania Office of the Attorney General, “Report: Pa. Attorney General’s Medicaid Fraud Control Section Had Most Convictions in the U.S. During 2025 Fiscal Year,” release, March 30, 2026, <https://www.attorneygeneral.gov/taking-action/report-pa-attorney-generals-medicaid-fraud-control-section-had-most-convictions-in-the-u-s-during-2025-fiscal-year/>; U.S. Department of Health and Human Services, “Medicaid Fraud Control Units Annual Report: Fiscal Year 2025,” Office of Inspector General, Report (OEI-09-26-000140), March 18, 2026, <https://oig.hhs.gov/reports/all/2026/medicaid-fraud-control-units-annual-report-fiscal-year-2025/>.

¹⁴ Centers for Medicare and Medicaid Services, “CMS Announces Aggressive Nationwide Crackdown on Fraud with Six-Month Hospice and Home Health Agency Enrollment Moratoria,” release, May 13, 2026, <https://www.cms.gov/newsroom/press-releases/cms-announces-aggressive-nationwide-crackdown-fraud-six-month-hospice-home-health-agency-enrollment>.

¹⁵ Whitney Downard, “Pennsylvania Scrutinizes Fraud Prevention as Feds Put Medicaid under the Microscope,” *Pennsylvania Capital-Star*, May 11, 2026, <https://penncapital-star.com/health-care/pennsylvania-scrutinizes-fraud-prevention-as-feds-put-medicaid-under-the-microscope/>.

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