OB3-60

PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

REDUCING WASTE, FRAUD, AND ABUSE

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TOPLINE: The One Big Beautiful Bill (OBBB) drastically restricts federal taxpayers' tab for improper payments in the two largest state-administered federal welfare programs: Medicaid and Food Stamps (SNAP).

BACKGROUND: The federal government issued $1.9 trillion in improper payments over the past decade, including $184 billion—roughly $1,400 per household—in FY 2025 alone. Actual amounts are significantly higher—Medicaid, for example, may have had $541 billion more than reported over the past decade. Improper payments are especially high in state-administered programs because states are detached from the costs, shielded from the consequences, and rewarded for increasing spending rather than safeguarding taxpayers' dollars.

What OBBB Does in Medicaid:

- Requires states, by the end of 2026, to conduct eligibility redeterminations every six months instead of every 12 months for "expansion enrollees," who are able-bodied adults without dependents, and for whom the federal government pays 90% of Medicaid costs.
- Restricts states, beginning in 2030, from receiving "good faith" waivers for their eligibility-related improper payments that exceed three percent.

What OBBB Does in Food Stamps:

- Requires states, beginning in 2028, to pay for a portion of SNAP benefits when their improper payments exceed specified thresholds.
- Increases states' share of administrative costs from 25% to 50%, beginning in FY 2027.

Cost Sharing for SNAP Improper Payments	
State Share of SNAP Benefit Costs	**Improper Payment Rate**
0%	Under 6.0%
5%	6.0% - 7.99%
10%	8.0% - 9.99%
15%	10% and over

Why It Matters?

- Improper payments are enormous, incentives are misaligned, and taxpayers should not have to pay for fraud, abuse, and reckless errors.
- CBO estimated 10-year savings of $62.6 billion from Medicaid redeterminations, $7.6 billion from waiver restrictions, and $68.6 billion from SNAP cost sharing.

Where Can I Find the Changes? OBBB Sections 10105, 71106, and 71107; 7 U.S.C. § 2025 and 42 U.S.C. § 1396a-b.

BOTTOMLINE: By requiring states to have skin in the game, these provisions will reduce incentives that invite waste, fraud, and abuse of taxpayer dollars.

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