



# Testimony in Support of H.B. 5461

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February 8, 2022

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Members of the Committee,

Federal law requires that able-bodied adults who are 18 to 49 years old and have no dependents (ABAWDs) work, train, or volunteer for at least 20 hours per week to receive food stamps.<sup>1</sup> This should apply to more than 115,000 Michiganders.<sup>2</sup>

Unfortunately, even before the COVID-19 pandemic, Michigan used waivers that exempted most of these able-bodied adults from commonsense work requirements across large swaths of the state.<sup>3</sup> This practice has held back families and entire communities in Michigan for years.

H.B. 5461 ends this backwards practice.

Before the federal government temporarily suspended the work requirement, Wisconsin did not use these waivers anywhere in the state before 2020.<sup>4</sup> Neither did Indiana.<sup>5</sup> And Ohio's use of waivers was much more limited than Michigan's use.<sup>6</sup>

Michigan can do this. Eliminating the unilateral use of these waivers and closing these loopholes will help get more workers off the sidelines, build stronger economies in rural areas, and increase incomes.<sup>7</sup>

And, because training and volunteering count toward compliance, the work requirement is flexible enough to accommodate individuals in any region, including areas with fewer open jobs.<sup>8</sup>

This shouldn't wait until after the federal government ends its suspension of the work requirement. Michigan should get ready now so that, once federal rules allow, these waivers will end, and the work requirement will be restored immediately across the state.

But Michigan's current worker shortage is just the tip of the iceberg. The state's labor force participation rate—a paltry 59.5 percent and lower than all three of its neighboring states—is in a long-term decline.<sup>9</sup> Just 20 years ago, the rate was almost 70 percent.<sup>10</sup>

For the sake of its economy, Michigan needs workers. And for the sake of their self-sufficiency and dignity, able-bodied Michiganders on the sidelines need work, too.

With work requirements off the table in Medicaid for the foreseeable future, Michigan's best opportunity to change the trajectory of its workforce participation rate is implementing a real state-wide work requirement for able-bodied adults in food stamps.

H.B. 5461 is the first step to getting Michigan back to work.

The Opportunity Solutions Project is pleased to offer our support for this legislation.

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<sup>1</sup> 7 USCS § 2015(o)(2), <https://www.govinfo.gov/app/details/USCODE-2010-title7/USCODE-2010-title7-chap51-sec2015>.

<sup>2</sup> State E&T Plans obtained through public information requests.

<sup>3</sup> Jonathan Bain, Jonathan Ingram, et al., "Waivers gone wild: How states are still fostering dependency," Foundation for Government Accountability (2019), <https://thefga.org/wp-content/uploads/2019/04/WGW2.pdf>.

<sup>4</sup> Jonathan Bain, Jonathan Ingram, et al., "Waivers gone wild: How states are still fostering dependency," Foundation for Government Accountability (2019), <https://thefga.org/wp-content/uploads/2019/04/WGW2.pdf>.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

<sup>7</sup> Nicholas Horton and Jonathan Ingram, "Work requirements are working in Arkansas: How commonsense welfare reform is improving Arkansans' lives," Foundation for Government Accountability (2019), <https://thefga.org/research/workrequirements-arkansas/>.

<sup>8</sup> Scott Centorino, "States in control: ten opportunities for welfare reform states can pursue no matter who is in the White House," Foundation for Government Accountability (April 2021) <https://thefga.org/paper/ten-opportunities-welfare-reform/>.

<sup>9</sup> "Labor force participation rate by state" St. Louis Federal Reserve Bank (2022), <https://fred.stlouisfed.org/release?rid=446>.

<sup>10</sup> Ibid.



# Testimony in Support of H.B. 5462

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Members of the Committee,

The story of Michigan's Medicaid program for the last 20 years is a story of losing control.

As a percent of your state budget, Medicaid consumed less than 20 percent just 20 years ago.<sup>1</sup> Now it's about 32 percent—and it went over 30 percent before the pandemic, before your program was handcuffed by the federal government.<sup>2</sup>

Why? Expanding the program to able-bodied adults is a big reason.<sup>3</sup> But it's not the only reason. Another reason is how wasteful Medicaid has become. The program has a shocking national improper payment rate of 21 percent, totaling \$86 billion in waste.<sup>4</sup>

That means the federal government *wastes* almost twice as much money on Medicaid than Michigan spends on *everything*.

H.B. 5462 does not solve the entire problem because, unfortunately, Michigan cannot solve the entire problem. The state is handcuffed by the federal government in more than one way.

However, H.B. 5462 is a big step in the right direction to preserve the program for the truly needy and put it on stable and sustainable financial footing for the future by doing one simple thing: making sure folks on Medicaid are actually eligible for Medicaid.

That is why I encourage you to support this bill.

This bill's provisions require more robust data cross-checks to ensure that the right benefits are going to the right people. Until Michigan does these cross-checks, it's impossible to know exactly how much waste is occurring in your program.

But I can tell you what happened before the pandemic in nearby states. Federal auditors have conducted reviews of state Medicaid programs in Wisconsin, Minnesota, and Ohio looking for only one kind of improper payment—capitation payments made on behalf of deceased enrollees.

Here's what they've found. In Wisconsin, over five years, Medicaid spent over half-a-million dollars sending benefits to deceased people.<sup>5</sup> In Minnesota, Medicaid spent \$3.7 million dollars on dead enrollees over the course of three years.<sup>6</sup> And in Ohio, Medicaid spent over \$90 million in just two years.<sup>7</sup>

Again, those numbers predate the pandemic.

But H.B. 5462 does more than just cross-check data more frequently. It closes obvious loopholes which exist in Michigan's eligibility system. Today, at the critical point of initial application, Michigan's Medicaid program accepts the so-called "self-attestation" of an applicant for the applicant's residency, household composition, and status as a caretaker of another Medicaid beneficiary.<sup>8</sup>

What is “self-attestation”? It’s the honor system. It means a man who doesn’t work, but lives with a girlfriend who works full-time and supports him, can apply for benefits and say he lives alone and qualify for Medicaid without the state verifying the full income of his household.

It is loopholes like this which drive eligibility errors on the scale necessary to cause a 21 percent improper payment rate.

This bill closes those loopholes by simply requiring the department to verify critical conditions of eligibility rather than rely on an honor system for taxpayer-funded benefits.

There is no doubt that this bill provides better policies for Michigan. Of course, in any debate about welfare, policymakers ask more than what is right for policy. Policymakers want to know what is right for people.

H.B. 5462 is a powerful set of reforms not only because it will save the state money in an out-of-control program, but also because it will protect the truly needy—the folks who are and will remain eligible for Medicaid. These individuals depend on Medicaid to work and prioritize their health care needs.

This bill puts Michigan in a better position to keep those promises.

The Opportunity Solutions Project is pleased to offer our support for this legislation.

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<sup>1</sup> Nicholas Horton, “The Medicaid Pac-man: How Medicaid is consuming state budgets,” Foundation for Government Accountability (October, 2019) <https://thefga.org/research/medicaid-pac-man/>.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Centers for Medicare & Medicaid Services, “2020 Estimated Improper Payment Rates for Centers for Medicare & Medicaid Services (CMS) Programs,” U.S. Department of Health & Human Services (2020), <https://www.cms.gov/newsroom/fact-sheets/2020-estimated-improper-payment-rates-centers-medicare-medicicaid-services-cms-programs>.

<sup>5</sup> Office of Inspector General, “Wisconsin Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries’ Deaths Audit” US Department of Health and Human Services (2018), <https://oig.hhs.gov/oas/reports/region5/51700006.asp#:~:text=Wisconsin%20Medicaid%20Managed%20Care%20Organizations%20Received%20Capitation%20Payments%20After%20Beneficiaries%20Deaths,-09%2D27%2D2018&text=Wisconsin%20made%201%2C654%20capitation%20payments,these%20capitation%20payments%20were%20deceased>.

<sup>6</sup> Office of Inspector General, “Minnesota Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries’ Deaths Audit” US Department of Health and Human Services (2018), <https://oig.hhs.gov/oas/reports/region5/51700049.asp>.

<sup>7</sup> Office of Inspector General, “Ohio Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries’ Deaths Audit” US Department of Health and Human Services (2018), <https://oig.hhs.gov/oas/reports/region5/51700008.asp>.

<sup>8</sup> “Michigan MAGI-Based Eligibility Verification Plan,” US Department of Health and Human Services (2022), <https://www.medicaid.gov/sites/default/files/2019-12/michigan-medicaid-and-chip-verification-plan.pdf>.



# Testimony in Support of H.B. 5463

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Together, the reforms in H.B. 5463 have one simple goal: Get the right benefits to the right people in food stamps.

Michigan isn't doing that simple task very well today. The state has an error rate in food stamps of 12.4 percent.<sup>1</sup>

This isn't by accident. This is the result of deliberate policy choices. For example, Michigan doesn't require households to report changes between recertifications unless the change makes them fully ineligible.<sup>2</sup> You can imagine what kind of compliance you get with such an honor-system standard.

And Michigan only recertifies households once a year.<sup>3</sup> That's true for everyone. This means that if an enrollee is disabled or elderly, and income or household composition isn't likely to change, Michigan certifies that household's eligibility just once a year. And if an individual is 23 years old and is in and out of the labor force with a girlfriend who works, who is in and out of the house, Michigan would still certify this person's eligibility just once a year.

A 12.4 percent error rate doesn't happen by accident. And there are only five states in the country with a higher error rate than Michigan's.<sup>4</sup>

H.B. 5463 gets to the heart of this issue. It requires the agency to conduct more regular and thorough data cross-checks with existing state data sets.

This is common sense. Michigan already has records like death records and records on out-of-state EBT card spending. This bill simply says: Check those lists against the list of food stamp beneficiaries and make sure folks are still eligible.

This will do more than save tax dollars and move able-bodied Michiganders back to work. When it comes to program integrity in welfare, removing the ineligible protects the eligible—the truly needy who rely on programs like food stamps to prioritize them.

The Opportunity Solutions Project is pleased to offer our support for this legislation.

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<sup>1</sup> Food and Nutrition Service, "Fiscal Year 2019 SNAP Quality Control Payment Error Rates" US Department of Agriculture (2019), <https://fnsprod.azureedge.net/sites/default/files/resourcefiles/FY2019SNAPQCPaymentErrorRateChartGeneric.pdf>.

<sup>2</sup> Food and Nutrition Service, "State Options Report," U.S. Department of Agriculture (October 1, 2017) <https://fnsprod.azureedge.net/sites/default/files/snap/14-State-Options.pdf>.

<sup>3</sup> Ibid.

<sup>4</sup> Food and Nutrition Service, "Fiscal Year 2019 SNAP Quality Control Payment Error Rates" US Department of Agriculture (2019), <https://fnsprod.azureedge.net/sites/default/files/resourcefiles/FY2019SNAPQCPaymentErrorRateChartGeneric.pdf>.





# Testimony in Support of H.B. 5464

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February 8, 2022

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Members of the Committee,

It's my pleasure to offer testimony in support of H.B. 5464. The bill solidifies Michigan's success in getting child support payments to single-parent families in need. And it doubles down on that success.

Under federal law, states have options when it comes to requiring enrollees in food stamps to cooperate with child support enforcement efforts. Michigan has been one of the leaders in this since this became a state option, along with Florida.

H.B. 5464 codifies what Michigan has already done in practice—requiring custodial parents to cooperate with child support enforcement efforts as a condition of eligibility for food stamps.

Unfortunately, other states have not used this option. In Ohio, for example, there are about 250,000 single-parent families on food stamps and fewer than 30 percent of them receive any child support.<sup>1</sup> In Wisconsin, of the 115,000 single-parent families on food stamps, fewer than 40 percent receive any child support.<sup>2</sup>

Michigan, on the other hand, by exercising the option to require child support cooperation, prioritizes such support, which averages nearly \$5,700 per year.<sup>3</sup> In doing so, Michigan has led a growing number of states, especially in the Midwest.

However, Michigan has not taken full advantage of its options under federal law. And the other provisions of H.B. 5464 do just that.

This bill expands the cooperation requirement in food stamps to *non-custodial* parents—mostly deadbeat dads not cooperating or failing to make their child support payments despite the obligation to do so under the law.

There is no reason these deadbeat dads—who fail to meet their legal, familial, or moral obligations to support their children on one hand—should receive taxpayer-funded benefits in the other hand.

Other states like Virginia and Mississippi already do this.<sup>4</sup>

Because Michigan has already implemented this reform for custodial parents, implementation is just a matter of expanding the applicable population rather than building a whole new system.

Michigan's kids deserve parental support. Michigan's child support system is designed to ensure that support. This bill recognizes that goal and connects some of the last remaining dots.

The Opportunity Solutions Project is pleased to offer our support for this legislation.

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<sup>1</sup> Jonathan Ingram, "Child Support Cooperation: Ending the Cycle of Dependency," Foundation for Government Accountability (2018), <https://thefga.org/wp-content/uploads/2018/03/Child-Support-Cooperation-Ending-the-Cycle-of-Dependency-3-20-18.pdf>.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Food and Nutrition Service, "State Options Report," U.S. Department of Agriculture (October 1, 2017) <https://fns-prod.azureedge.net/sites/default/files/snap/14-State-Options.pdf>.