

Who Pays, Who Saves? How Medicaid Payment Structures Impact Fraud Enforcement

Introduction

As healthcare spending accounts for an increasingly large portion of federal expenditures, proper oversight is necessary to ensure that dollars are being spent efficiently on services that directly support patient care. Chapter 2 of the 2026 Joint Economic Report outlined how misaligned incentives and structural inefficiencies in our healthcare system have led to massive increases in healthcare spending.¹ While the *Working Families Tax Cuts*, passed in July 2025, made significant strides towards addressing fraud and other inefficiencies in the healthcare system, further action can be taken by Congress especially regarding Medicaid where there is less oversight at the federal level. An April 2026 JEC brief found that Medicaid home health spending, especially within certain states utilizing Medicaid waiver programs such as New York, grew substantially, more than quadrupling in high utilization states. As outlined in the brief, Medicaid waiver programs can be especially ripe for fraud as oversight is not uniform across states and barriers to entry for certain services such as home health may be very minimal.

Applied behavioral analysis

As Congress and the White House continue to pursue aggressive action against fraud, increased scrutiny has been placed on programs and services that have seen rapid or unusual increases in spending.² A June 2026 report from the Wall Street Journal reported on unusual billing and utilization trends regarding applied behavior analysis or autism therapy.³ Applied behavioral analysis is a broad term that is used to describe flexible assistance services provided mainly to autistic individuals that is intended to help improve learning and behavioral abilities.⁴ From 2021 to 2025, total spending on ABA services in Medicaid and CHIP grew more than 400 percent, with total spending over that time period eclipsing \$10 billion.⁵ Rapid spending growth in a specific program or billing code likely indicates a program integrity issue, as was the case with Medicaid home health spending. The investigation by the Wall Street Journal found that some providers were billing over \$300,000 per patient per year and that spending on autism therapy by certain insurers rose around 30 percent over the past two years, largely due to a massive increase in billing hours, with some providers billing for services they claim were delivered 24 hours a day seven days a week.⁶

¹ <https://www.jec.senate.gov/public/index.cfm/annual-reports?id=6F1DC3B7-2BC4-41B3-A894-E5F6E5086EF8>, p. 39

² <https://www.whitehouse.gov/presidential-actions/2026/03/establishing-the-task-force-to-eliminate-fraud/>

³ <https://www.wsj.com/health/healthcare/autism-therapy-insurance-bills-880b9dba>

⁴ <https://www.autismspeaks.org/applied-behavior-analysis>

⁵ <https://www.medicaid.gov/medicaid/downloads/autism-services-aba-toolkit.pdf>, p. 117

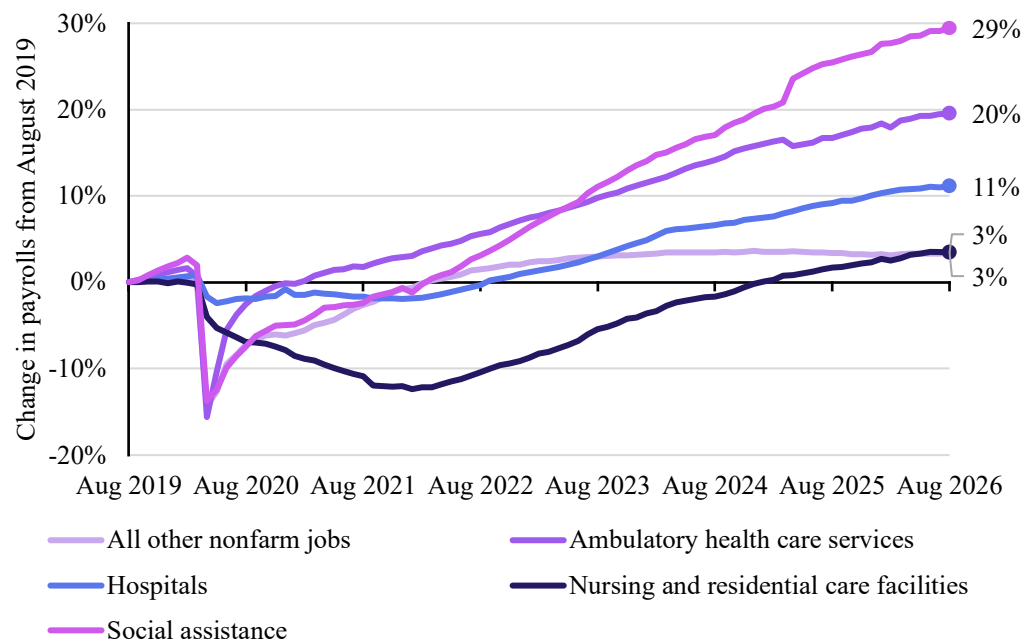
⁶ <https://www.wsj.com/health/healthcare/five-takeaways-from-the-wsjs-autism-billing-abuse-investigation-8951f46f>

Employment growth

The growth in ABA spending has subsequently led to increased employment within the behavioral therapy sector. The Wall Street Journal noted that there are now over 500,000 behavior technicians registered as healthcare providers as of the end of 2025, which represents a more than 450 percent increase since 2019.⁷ This rapid increase in employment follows a similar pattern to other cases of Medicaid fraud such as home health, where prior JEC research found that high spending states like New York had nearly triple the number of home health aides per 1,000 residents over the age of 65 than the U.S. average.⁸ Similar to home health aides, the requirements for an individual to be a behavior technician are minimal with many states only requiring a high school degree.⁹

While the recent growth in behavior technicians is certainly an outlier amongst healthcare professions, U.S. employment growth has been driven significantly by job growth in the healthcare sector. Since August 2019, nearly half of all nonfarm jobs added on net fell under the BLS category healthcare and social assistance.¹⁰

Figure 1: Change in Nonfarm Payrolls by Industry



Source: Bureau of Labor Statistics;¹¹ JEC calculations

⁷ <https://www.wsj.com/health/healthcare/five-takeaways-from-the-wsjs-autism-billing-abuse-investigation-8951f46f>

⁸ <https://www.jec.senate.gov/public/index.cfm/republicans/2026/4/jec-issues-brief-to-combat-home-health-fraud>

⁹ <https://www.wsj.com/health/healthcare/autism-therapy-insurance-bills-880b9dba>

¹⁰ <https://www.bls.gov/iag/tgs/iag62.htm>

¹¹ <https://www.bls.gov/iag/tgs/iag62.htm>

Within healthcare and social assistance, the subsector that saw the largest growth since July 2019 was social assistance which added around 1.2 million jobs over that time period.¹² This subsector captures healthcare related jobs that provide assistance that is nonmedical such as personal care aides, home health aides, social workers, and behavioral support workers such as ABA therapists. While this growth is largely due to aging demographics and expanding health coverage, it can serve as an example to highlight how state and federal incentives may be mismatched, because so many of the jobs in this subsector like home health and ABA therapists are exposed to Medicaid dollars and may be disproportionately important to certain states.

Certain states that have high Medicaid spending such as California have seen all of their job growth since August 2019 be concentrated in the healthcare sector. While total net job growth in California from August 2019 to August 2026 was around 712,000, the healthcare and social service industry in California added on net just over 754,000 jobs, meaning that net job growth over that time period for all nonfarm jobs excluding healthcare and social services was negative. This is true for a number of other states including Illinois, Louisiana, Maryland, Massachusetts, New York, Oregon, and West Virginia.

As job growth in certain states becomes increasingly dependent on healthcare and social services, states may have less incentive to rein in wasteful or unnecessary spending that may be artificially driving job growth. Since a large portion of healthcare spending is paid for by the federal government, states with economies dependent on the healthcare sector may also be more sensitive to reductions in federal healthcare spending relative to those states with more diverse economic drivers. In other words, states that rely more heavily on federally funded healthcare spending may bear a disproportionate share of the economic consequences when that spending is reduced. The federal medical assistance percentage, or FMAP, measures the share of state Medicaid funding that the federal government pays and has a floor of 50 percent, meaning that the federal government is paying for at least half of all Medicaid spending even in non-expansion states.¹³

States pay at most half for each Medicaid dollar that is injected into their state healthcare system, but are more exposed to local changes in employment, tax revenue, or service capabilities following reductions in payments relative to the federal government. In states like California where the healthcare sector drives the majority of net job growth, oversight that results in the tightening of payments carries an immediate impact that is not felt as strongly at the federal level. This is not to say that states are deliberately allowing fraud, but rather when the federal government is the main benefactor from reductions in state spending there may be underenforcement especially when healthcare is a significant part of a state's economy.

¹² <https://www.bls.gov/iag/tgs/iag624.htm>

¹³ <https://www.congress.gov/crs-product/R43847>

Policy options

Given this misalignment and the fact that the federal government pays for the majority of Medicaid spending, more oversight is necessary at the federal level. Fortunately, in the case of ABA therapy CMS has made strong efforts to improve program integrity. In August 2026, CMS launched a toolkit aimed at giving states resources to avoid improper payments while ensuring that treatment is still provided when medically necessary.¹⁴ The toolkit does not implement new federal regulations but instead is intended to give states federal analytical tools to help better understand payments to providers and identify improper payments.

That said, Congress should take stronger action to ensure that fraudulent or improper payments are flagged and prevented before money is spent. Congress can require CMS to identify and review unusual spending patterns and improper payments across Medicaid to prevent payments for unsupported or irregular claims and require states with discrepancies to strengthen oversight. CMS can be directed to look for irregularities in state programs including large or rapid increases in total spending, large increases in per beneficiary spending, unusually high provider payments or growth in providers, excessive treatment hours or duplicative services, or inadequate treatment plans or claims. If a state, provider, provider group, or category of claim is deemed to have irregular spending habits or be at a high risk of fraud, as was observed with ABA and home health therapy, CMS is then required to conduct additional review before additional payments to said party are made. If CMS identifies statewide abnormal spending patterns, states may be required to submit a plan to correct said abnormalities which may include greater provider oversight, review of treatment necessity, or stronger provider checks and verification.

Finding ways to stabilize healthcare spending is critical as Medicaid spending over the next ten years is expected to total \$8.3 trillion.¹⁵ Even modest reductions in spending growth can have massive savings, especially as federal spending continues to be debt financed. As observed in the case of ABA and home health, there is often insufficient oversight at the state level. Additional federal oversight can strengthen program integrity and ensure that payments and care are going to those who need it.

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¹⁴ <https://www.cms.gov/newsroom/press-releases/cms-launches-new-state-toolkit-protect-children-autism-strengthen-oversight-applied-behavior>

¹⁵ <https://www.cbo.gov/system/files/2026-02/61882-Outlook-2026.pdf>