IndependentWomen®

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Reforming Welfare to Fight Fraud and Promote Independence

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HIGHLIGHT

Over time, the commitment to moving Americans from public assistance to independence has eroded. Despite spending trillions annually on social safety net programs, millions of Americans remain in poverty and dependent on government. These programs are also rife with waste, fraud, and abuse. The time has come to codify new welfare reforms to ensure programs serve the truly needy while preserving federal monies for their intended purpose.

INTRODUCTION

On August 1, 1996, President Bill Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act. This bipartisan federal welfare reform law transformed social safety programs to encourage work and pathways to independence. At the time, Clinton **noted** that this legislation would "make welfare what it was meant to be: a second chance, not a way of life."

It worked. The law block-granted major anti-poverty programs to states and instituted work requirements as a condition for benefits. Poverty levels plummeted. Single mothers joined the labor force en masse. Millions of people left a lifestyle of government dependency.

In the decades since, public policy has slowly eroded work requirements, loosened eligibility rules, and crafted exemptions for states from federal requirements, effectively boosting program enrollments. Policymakers shed their commitment to moving Americans from dependency; expanding access to welfare programs became a metric of success. State and federal policymakers have also neglected their oversight of public programs and accepted that waste, fraud, and abuse are unavoidable costs of solving poverty.

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Washington is motivated again to rightsize our social safety net by reprioritizing work as a path for economic mobility. Efforts are also underway to combat the fraud and corruption in our social programs that allow precious public resources to be pillaged, reducing the funds available for the truly indigent in our society. Federal policymakers must codify these reforms to ensure future administrations will not abandon them.

30 YEARS OF WELFARE EXPANSIONS AND REFORMS

Welfare reform in the 1990s was an undeniable success. According to Census **data**, from 1995 to 2001, the poverty rate fell from 13.8 percent to 11.7 percent, and child poverty fell from 20.8 percent to 16.3 percent. Over two million people exited direct cash programs. From 1996 to 2000, employment among single mothers **rose** dramatically while their participation in welfare programs was nearly cut in half from nearly 50 percent to just above 20 percent.

Unfortunately, until recently, there has not been a concerted national effort to continue reforming our social safety net to prioritize independence. Enrollment in the dozens of social assistance programs—that are often overlapping, duplicative, and susceptible to fraud—has risen precipitously in response to economic turmoil and political agendas.

During economic downturns such as the Great Recession, Americans understandably wanted policymakers to support those who lost their jobs and faced financial ruin due to no fault of their own. However, individuals were disincentivized from returning to work, and welfare rolls remained inflated long after the economy rebounded.

Over the past twenty years, two things, in particular, spawned massive welfare expansions. President Barack Obama's signature healthcare bill, the Affordable Care Act (ACA), **expanded Medicaid healthcare coverage** to millions of young, healthy people who would not typically qualify for public aid (which was generally meant for vulnerable elderly and disabled Americans). Second, the COVID-19 pandemic created an opportunity to move tens of millions of people into the social safety net, without off-ramps after the health emergency ended.

In the second term of the Trump presidency, the federal government has pursued the most meaningful efforts to rein in our social safety net programs since welfare reform in the 1990s. In early 2025, the Department of

Government Efficiency exposed the sweeping abuses and fraud endemic across programs. Conservatives in Congress then passed the 2025 Working Families Tax Cuts (the One Big, Beautiful Bill Act or OBBBA) that imposed new work requirements on able-bodied childless adults on Medicaid through the ACA, and implemented aggressive anti-fraud measures. Consequently, enrollments in some programs have receded. In 2026, President Trump also established the **White House Task Force to Eliminate Fraud**, an administration-wide effort to combat fraud through investigations, arrests, prosecutions, and the retrieval of stolen taxpayer dollars.

WELFARE PROGRAMS OVERVIEW

Welfare programs come in many different types: from direct cash payments to food assistance or medical care programs. For most welfare programs, the Federal Poverty Level is the measure of low income. Across all of these programs, eligibility is based on the Federal Poverty Line, and resources are targeted to serve low-income individuals over the broader population.

The U.S. spends over **$1 trillion** annually on over 80 anti-poverty programs: 15 different agencies provide food aid, 13 housing, 12 health care, and five cash aid. While there are over 80 programs, four programs comprised 67% of spending in FY2020: Medicaid, Supplemental Nutrition Assistance Program (SNAP), Supplemental Security Income (SSI), and the Earned Income Tax Credit (EITC). In FY2025, major healthcare and income security programs comprised **$2.2 trillion** in mandatory spending. Only 15 percent of these programs are managed by Congress through appropriations or are classified as discretionary spending. The remaining 85 percent of federal welfare program spending is automatic funding through entitlement programs and is continuous unless laws are changed. Each year, mandatory spending increases as the eligible populations for these programs increase.

Medicaid

Medicaid is the largest welfare program, providing free or low-cost health care to low-income individuals in each state. Total Medicaid spending was **$957 billion** in FY2024, with 65 percent coming from federal dollars. This is a **92 percent** increase since FY 2014, when total Medicaid spending was $498 billion, with 60 percent federally funded. Over the same time period, **enrollment** has increased from 65 million to 88.2 million, a 35 percent increase.

Beyond Medicaid spending, health care is the largest federal expenditure category. **In FY2025**, spending on major health programs reached $1.8 trillion out of $4.2 trillion in mandatory outlays. Healthcare **spending** has accounted for over half of all spending since FY2015 and has seen a 134 percent increase in nominal spending from FY2008 to FY2020. Various eligibility expansions, benefit increases, and improper payments have all contributed to increased healthcare spending. However, Medicare and health insurance tax credits from the ACA, which account for a large portion of healthcare spending, are susceptible to improper payments and eligibility expansions to populations who may take advantage of government benefits without truly needing them.

Food Assistance

The next largest program is the Supplemental Nutrition Assistance Program. **SNAP** provides a monthly benefit to low-income families that is only redeemable for food at licensed retailers. The amount of the benefit is calculated based on individual eligibility and the Thrifty Food Plan from the U.S. Department of Agriculture. An average of 41.7 million individuals participated in SNAP each month in FY2024, and spending reached $100 billion on benefits and program administration. This is a 35 percent increase in spending since FY2014, paired with a 10 percent decrease in participation. **Participation** decreased in the last decade partly because America's labor market and economic conditions continued to improve after the Great Recession.

Financial & Cash Benefits

Refundable tax credits, specifically the Earned Income Tax Credit and Child Tax Credit (CTC), are drivers of cash aid spending. In FY2025, Social Security Disability Insurance comprised $158 billion in mandatory spending. The EITC, CTC, and other income security tax credits comprised $115 billion in **mandatory spending**. SSI made up $65 billion in mandatory spending.

Cash aid programs that intend to reduce poverty must be careful not to introduce perverse incentives to not work. The EITC differs from other benefit programs in that it seeks to reward low-income families for hard work. While other programs do have work requirements, the EITC enforces the work requirement by ensuring recipients have verified earned income through tax filing.

The **Temporary Assistance for Needy Families** (TANF), a direct cash program, spans the broadest categories of welfare spending. TANF is a $16.5 billion annual block grant federally funded to states for programs that seek to reduce poverty and improve child welfare. States have more freedom in how to use the funds and can tailor programs to fit the needs of their populations. TANF covers a variety of welfare programs, including funding for the Earned Income Tax Credits in some states.

Unfortunately, these programs can be exploited due to vulnerabilities in the eligibility requirements. Some programs attempt to avoid exploitation by implementing work requirements, although these often fall short. Medicaid enrollment exploded with able-bodied adults receiving benefits under the ACA without work requirements. Individuals have less incentive to work their way out of poverty as they risk losing valuable benefits if they earn a higher income.

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WASTE, FRAUD, & ABUSE

Beyond policymakers finding ways to increase benefits and enrollment in welfare programs, states also have an incentive to be lax in ensuring that payments and benefits are properly administered. Consequently, welfare programs are highly susceptible to fraud, waste, and abuse. In FY2025, the Government Accountability Office (GAO) **identified** $186 billion in improper payments government-wide. Medicaid, Medicare, the EITC, and SNAP were responsible for 67 percent of the improper payments. There may be even more misspending, as the GAO found that the Department of Health and Human Services does not collect the information necessary for identifying improper payments in TANF. In Medicaid, specifically, states have an incentive to overspend as the federal government matches between $1 and $9 for every dollar the state government spends on its beneficiaries. SNAP, similarly, has an incentive to overpay recipients as 95 percent of the SNAP program is federally funded. In order to reduce state costs for welfare programs, states benefit from improperly administering programs and increasing the funding that flows from the federal coffers.

Waste and abuse levels also vary depending on the state. Because these programs are largely federally-funded and state-administered, states play a large role in preventing and catching fraud and improper payments. Fraud in cases of Michigan's SNAP program and California's child care programs are examples where states are failing to protect programs that are intended for those who truly need help. Failure to protect welfare programs from fraud, waste, and abuse puts vulnerable populations at risk of losing access to funds meant for them.

SOLUTIONS

Prioritize Work

Employment was a critical element of the 1990s welfare reform effort, nudging beneficiaries to work while lifting millions out of poverty. Work should be prioritized across our welfare programs to help individuals gain the skills and experience to eventually become self-sufficient. Able-bodied adults, including parents, comprise a significant portion of poverty programs, yet are not participating in the labor force. Nearly two out of three non-disabled working-age adults who are enrolled in SNAP are out of the workforce. Some 60 percent of able-bodied adults on Medicaid reported no earned income, as the federal program did not have work requirements. TANF has work requirements, but only 21 percent of adult TANF recipients are working.

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Congress and federal agencies should continue to build on recent welfare reforms in the 2025 tax reconciliation bill by instituting common-sense work requirements for parents with older children and ending waivers for childless adults. Congress should also allow TANF funds to be used for workforce training programs and penalize states that use TANF funds for non-work-related expenditures.

Verification

Many federal welfare programs operate under an honor code, where benefits may be granted before eligibility is verified. Applicants are allowed to self-certify their eligibility without requiring immediate verification. This creates massive opportunities for fraud as applicants get away with submitting false information undetected. Even after audits and investigations uncover fraud, it is difficult to recoup the improper payments.

In crises such as natural disasters, agencies aim to provide assistance quickly and rely on self-certification without requiring immediate verification. This was an acute problem during the pandemic in the unemployment insurance program, for example.

We must end the "trust, then verify" system and just verify, and verify more often. Technology can help expedite the verification process. However, federal agency systems do not communicate to cross-reference applications, creating "identity gaps" that can be exploited. One pilot program identified 14 million cases of duplicate participation in Medicaid, SNAP, and TANF. These issues are mirrored at the state level.

Efforts are underway, but much more must be done. Congress should invest in fraud prevention technology to move to real-time verification and ongoing collaboration across agencies. In Medicaid, the OBBBA required that for individuals in the ACA expansion group, states must begin verifying that applicants meet work requirements or exemptions at the time of the application or renewal of benefits.

States should also end self-certification and verifying data after program enrollment. Instead, they should pursue stronger verification processes that include eligibility cross-checks of state data sources such as employment, pension, and child support and tax data, as well as conducting regular audits of their programs.

Reforming Categorical Eligibility

Eligibility for public assistance programs is limited by household income level to ensure that only those who are truly indigent qualify for aid and to rein in program costs. For example, the SNAP program limits net monthly household earnings for a family of four to below $3,000 for FY 2026, with a $1,500 higher cap for households with disabled or elderly members. The value of a home, retirement, or pension plan is exempt from asset tests. However, in the TANF program, states are not required to set strict income or asset tests.

The federal government should continue to tighten the qualification criteria for means-tested social assistance programs. Categorical eligibility is a practice that allows individuals to qualify for one welfare program by qualifying for another. Congress created Broad-Based Categorical Eligibility to reduce the administrative burdens in SNAP by granting eligibility to TANF and SSI enrollees. Unfortunately, that exempted food stamp enrollees from income and asset limits. States exploit categorical eligibility by counting anyone who receives outreach tools explaining welfare programs (such as brochures, websites, or toll-free phone numbers) as eligible for SNAP.

Congress should overturn categorical eligibility by law. Any concerns over increased administrative burdens can be mitigated by the adoption of better technology to verify and crosscheck applicants' income and assets quickly. Benefits cliffs, which occur when a household loses more in benefits and to taxes than what it gains from increased earnings, can be eliminated by gradually phasing out benefits as income rises until eligibility ends.

In addition, the ACA provided states with a higher federal matching rate for ACA expansion enrollees than the rate for traditional Medicaid participants. This created a perverse incentive for states to prioritize able-bodied childless adults over truly needy Americans. The federal matching rate should be equalized, and any additional bonuses for expanding Medicaid enrollment should be eliminated.

CONCLUSION

Enshrining anti-fraud measures and returning to an ethos of work will reorient our social safety net to provide short-term help, but long-term independence, to ensure that critical welfare reform efforts are not abandoned in the future.

WHAT YOU CAN DO!

Get Informed:

Learn more about welfare reform, visit:

- **Rightsizing Medicaid for Those Who Need It Most | Independent Women**
- **End Broad-Based Categorical Eligibility in SNAP and Address Benefit Cliffs | American Enterprise Institute**
- **With Reform, TANF Can Lift American Families Out of Dependency | Foundation for Government Accountability**
- **Trump Administration's Full-Scale War on Fraud | White House**

Talk to Your Friends

Help your friends and family understand these important issues. Tell them about what's going on and encourage them to join you in getting involved.

Become a Leader in the Community

Join **Independent Women's Network** and get a group together each month to talk about a political/policy issue (it will be fun!). Write a letter to the editor. Show up at local government meetings and make your opinions known. Go to rallies. Better yet, organize rallies! A few motivated people can change the world.

Remain Engaged Politically

Too many good citizens see election time as the only time they need to pay attention to politics. We need everyone to pay attention and hold elected officials accountable. Let your Representatives know your opinions. After all, they are supposed to work for you!

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Independent Women is dedicated to building support for free markets, limited government, and individual responsibility. Independent Women, a non-partisan, 501(c)(3) research and educational institution, seeks to combat the too-common presumption that women want and benefit from big government, and build awareness of the ways that women are better served by greater economic freedom. By aggressively seeking earned media, providing easy-to-read, timely publications and commentary, and reaching out to the public, we seek to cultivate support for these important principles and encourage women to join us in working to return the country to limited, Constitutional government.