Office Of The Controller

Mark Pinsley, MBA
COUNTY CONTROLLER

Nanton John, CFE
DEPUTY CONTROLLER

Special Report: The DOGE Effect

Lehigh County's Medicaid Dilemma: Nursing Homes and Disability Services at Risk

May 14, 2025

Note:

This special report was produced by the Office of the Lehigh County Controller to assess the county's financial risks due to potential reductions in Medicaid funding. It draws on county-level budget data, federal law, and current Pennsylvania law to evaluate how national changes could impact Lehigh County citizens.

The report is a forward-looking, risk-based assessment prepared in accordance with the Controller's mandate to safeguard public funds and inform public debate. It offers a foundation for county leaders, residents, and state officials to deliberate thoughtfully, examine current structures, and consider where change may serve the public good.

The information in this document originates from the office of the Lehigh County Controller and does not represent an audit performed under the Generally Accepted Government Auditing Standards (GAGAS).

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EXECUTIVE SUMMARY

Let's start with the basics.

Medicare, with an *E* at the end, is for the elderly—a federal program that helps cover hospital bills and doctor visits once you hit 65.

Medicaid, with a *D*, is for the disadvantaged—people with disabilities, very low incomes, or long-term care needs. It's run jointly by the federal and state governments and pays for everything from home health aides to nursing homes.

In Lehigh County, Medicaid does a lot of quiet work: it helps keep nursing home beds open, ensures disabled adults get the care they need, and ensures low-income families can see a doctor.

Now here's what's new:
A federal budget resolution passed by the U.S. House instructs its Energy and Commerce Committee to identify $880 billion in spending reductions over the next ten years, with Medicaid in the crosshairs. [21] The resolution doesn't spell out the details—but if those cuts come, they're most likely to fall on people enrolled in Medicaid expansion. That includes a lot of working adults, many with children, who earn too much for traditional Medicaid but too little to afford private insurance.

No one knows what Congress or the White House will actually do next. But from where we sit—in a county government tasked with keeping people housed, fed, and alive—it would be a mistake not to plan for the possibility that Medicaid dollars could shrink.

And if that happens, the math gets ugly fast.

Take Cedarbrook, the county-run nursing home. It costs on average $12,700 a month to care for each resident. Medicaid pays $8,300. That leaves a gap of $4,500 per bed, per month, a $36 million annual shortfall across the facility. [16] Right now, we cover that gap with grants, band-aids, and local tax dollars. But those funding sources aren't guaranteed. And the system is showing signs of stress.

If the federal government cuts Medicaid, or even fails to adjust payments for rising costs, Lehigh County could be forced into three choices:

1. Cut services
2. Raise property taxes by up to 18% [22]
3. Pass the cost to families

And the last option isn't hypothetical.

Pennsylvania has a law—23 Pa.C.S. § 4603, that allows nursing homes to sue adult children, spouses, or parents for unpaid medical bills, even if they never signed a thing. In 2012, a court made a son pay $93,000 for his mother's care (*Health Care & Retirement Corp. v. Pittas*). [2]

Most people don't even know this law exists. When public funding dries up, it can be used. That's not a warning. That's precedent.

MEDICAID WITH A "D"

Lehigh County stands at a financial precipice. Beneath the dry statistics of government budgets lies a stark reality: our public health safety net is stretched to breaking point. This paper reveals a system where every dollar is a lifeline, and every funding cut threatens to unravel essential services for the most vulnerable residents.

Medicaid is a joint federal and state program designed to provide healthcare coverage to low-income individuals, children, elderly adults, and people with disabilities. It is the largest source of public health insurance in the United States, covering approximately one in five Americans. [8] The program is administered at the state level with substantial federal funding and is executed locally through county-managed services and contracted providers.

Who Gets Medicaid—and What It Pays For

Medicaid traditionally covers specific low-income populations, including children, pregnant women, seniors, and individuals with disabilities. Eligibility is determined using strict income limits and, in many cases, resource limits, which are defined by both federal and state guidelines.

Expanded Medicaid, introduced under the Affordable Care Act (ACA), broadened eligibility to include low-income adults without dependent children previously excluded from coverage. Individuals earning up to 138% of the Federal Poverty Level (FPL) are eligible for coverage through Expanded Medicaid.[7] In 2025, the FPL for an individual is approximately $15,060, meaning those earning up to $20,782 qualify for Expanded Medicaid.[7] The federal government covers 90% of the costs for those under the expansion, while Pennsylvania covers the remaining 10%[25]

Key Differences Between Medicaid and Expanded Medicaid

Note: MAGI stands for Modified Adjusted Gross Income. It is a measure of income used to determine eligibility for certain government programs, including Medicaid under the Affordable Care Act (ACA).

MAGI is calculated by taking your Adjusted Gross Income (AGI) — which includes your wages, dividends, capital gains, business income, and other taxable income — and adding back certain deductions such as:

- Non-taxable Social Security benefits
- Tax-exempt interest income
- Foreign earned income and housing exclusions

MAGI is used instead of traditional income measures because it provides a standardized way to assess eligibility across different states and ensures fairer access to Medicaid and other health coverage programs. [14]

Feature	MAGI Medicaid (ACA Expansion)	Traditional Medicaid (Non-MAGI)
Who It's For	Low-income adults, children, families	Seniors, people with disabilities, long-term care recipients
Income Limit	Higher (138% of FPL, approximately $20,782)	Lower (often below 100% FPL, approximately $15,060)
Asset Limits	No asset or resource limits	Yes, typically $2,000 for individuals
How Income Is Counted	Uses Modified Adjusted Gross Income (MAGI) rules	Uses gross income with deductions
Long-Term Care Coverage	No	Yes
Disability Requirement?	No	Yes, for some programs
Covers Home and Community-Based Services (HCBS)?	No, generally	Yes, through Medicaid waivers[6]
Covers Nursing Home Care?	No	Yes
Covers Emergency Medicaid for Non-Citizens?	Available to non-citizens experiencing emergency medical conditions	Yes, if they meet eligibility requirements

The Human Cost in Numbers

All of this may sound abstract:eligibility thresholds, funding formulas, and MAGI income limits. But behind these policies are real numbers that shape real lives. In Lehigh County, the cost of care is rising, and Medicaid is the thread holding our safety net together. If that thread frays, we face impossible choices: raise taxes, cut services, or let people fall through the cracks

The Numbers

- $168 Million: Annual Medicaid payments supporting Lehigh County's most critical services excluding administration costs. [16]
- $4,500: Monthly shortfall per nursing home bed [16]
- 670 Beds: At Cedarbrook Senior Care, each represents a life depending on stable funding [16]
- Potential Impact: An 18% property tax increase or catastrophic service cuts could be imminent with Medicaid funding reductions.[19], [13]

Key Risks

1. Nursing Homes in Peril: Cedarbrook operates with a $36 million annual funding gap, currently filled by federal grants that could disappear.
2. Service Vulnerability: Mental health and disability programs face potential decimation
3. Family Financial Threat: Pennsylvania's filial responsibility law could force families to cover massive medical costs [2]

Why Medicaid Matters—National and Local Impact

Nationwide Picture

Medicaid is a cornerstone of the United States healthcare safety net, providing critical health coverage to millions of Americans who might otherwise lack access to medical care. As of 2024, approximately one in five Americans—over 79 million people—receive health coverage through Medicaid or the Children's Health Insurance Program (CHIP). [4]

The program aims to provide health coverage to individuals with limited income or resources. This includes:

- Working families with insufficient income for private insurance
- Children
- Pregnant women
- Seniors
- People living with disabilities

Nationally, Medicaid serves a diverse population across various demographic groups and life stages. The program's flexibility allows states to tailor coverage while maintaining core federal guidelines, making it a dynamic and responsive healthcare solution.

Medicaid in PA

In Pennsylvania, Medicaid plays an even more critical role in healthcare access. The state's Medicaid program covers:

- More than 3 million residents [1]
- Nearly 1 million children
- Hundreds of thousands of seniors

Key Pennsylvania Medicaid Coverage Statistics:

- 39% of all children
- 35% of births
- 47% of adults with disabilities
- 64% of nursing home residents
- 17% of Medicare beneficiaries [10]

The state's Medicaid structure involves a complex interplay between federal and state authorities. Pennsylvania receives approximately 55% of Medicaid funding from the federal government, with the state matching this contribution paying the additional 45%. [10]This federal-state partnership allows for nuanced policy-making that can address local healthcare needs.

The Affordable Care Act's Medicaid expansion significantly impacted Pennsylvania's coverage. It extended eligibility to additional low-income adults, specifically those earning up to 138% of the federal poverty level.[3] This expansion meant thousands of additional residents could gain health coverage, particularly those in service industries, retail, and low-wage jobs.

The Backbone of Care in Lehigh County

Medicaid isn't a line item in Lehigh County's budget—it's the spine. It holds up nursing homes, props up disability services, and keeps people with serious mental illness from falling through the cracks. You don't notice it until something breaks. And by then, it's already too late.

This year, the county expects to receive $67 million in Medicaid funds to operate nursing homes like Cedarbrook, where hundreds of older adults live their final years. But that's not nearly enough to cover the actual cost. So, the county receives another $36 million from state and federal grants to keep the lights on and pay the nurses.

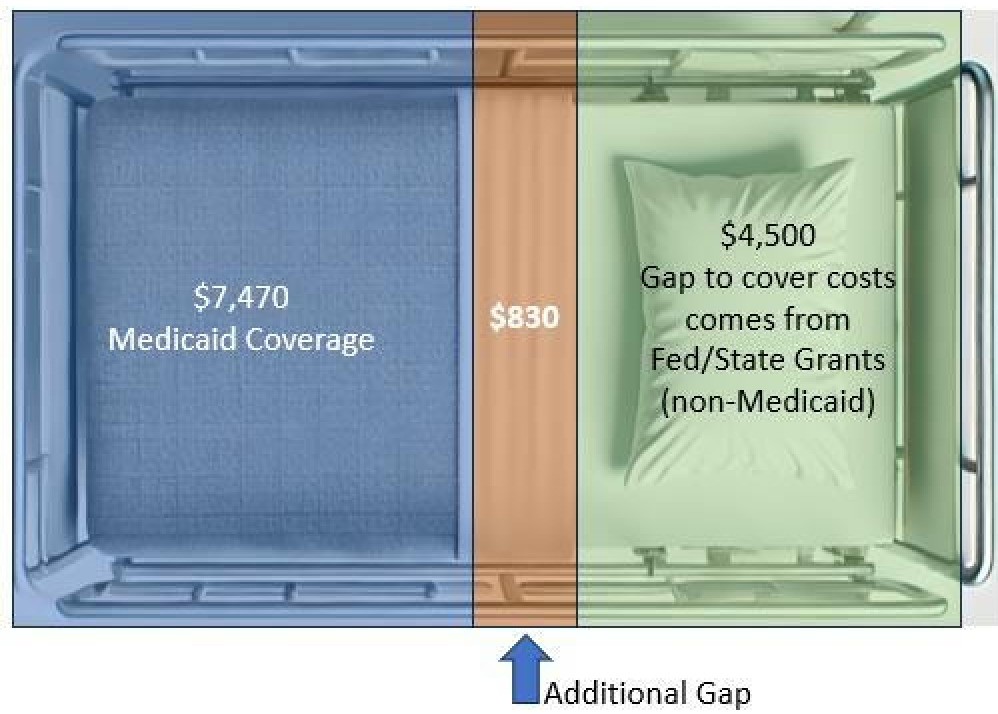
Then there's a whole other universe of care: people with intellectual disabilities, group homes, day programs, behavioral therapies, and life skills coaches. It's the kind of care that doesn't make headlines but transforms lives. That system runs on $103 million annually [11], which is Medicaid funded.

But the system has a crack. And it's growing.

Every month, Medicaid sends checks to cover residents in categories. An example breakdown is[17]:

- **$2.7 million** for children whose families qualify for Temporary Assistance (TANF) or Healthy Beginnings
- **$635,000** for low-income adults without children
- **$1.17 million** for seniors and disabled individuals who qualify for both Medicaid and Medicare
- **$1.59 million** for children with disabilities not covered by Medicare
- **$1.54 million** for adults in similar situations
- **$3.03 million each month** covers a group labeled "Healthy PA – Medically Frail." This is the group that is in the Medicaid Expansion group. In 2024, around 2,300 used services—out of 23,000 enrolled. The county received about $27.5 million in Medicaid funds for this group, but the care cost a bit more—just over $28 million. That gap may not sound enormous, but when the patients involved are medically fragile, even a small shortfall can translate into real consequences: delayed care, cut services, or providers forced to choose between staying open or walking away.

Even a 10% cut to Medicaid would hit like a financial blizzard:



- Cedarbrook would lose roughly $7 million, which may significantly impact its ability to maintain current operations or the number of people it can care for.
- Mental health and disability programs would be slashed by around $10 million—a gut punch to families who rely on them to survive. [18]
- If the citizens of the county want to help those who are being impacted, the county would have to hike property taxes by an estimated 18% [22] just to stand still.
- Or worse, services could be eliminated, with no replacement in sight.

What happens when you reduce these programs? People don't stop needing care. They appear in more expensive places: emergency rooms, jails, or courtrooms. The cost doesn't vanish—it just shifts. From Medicaid's balance sheet to the state, county, or family.

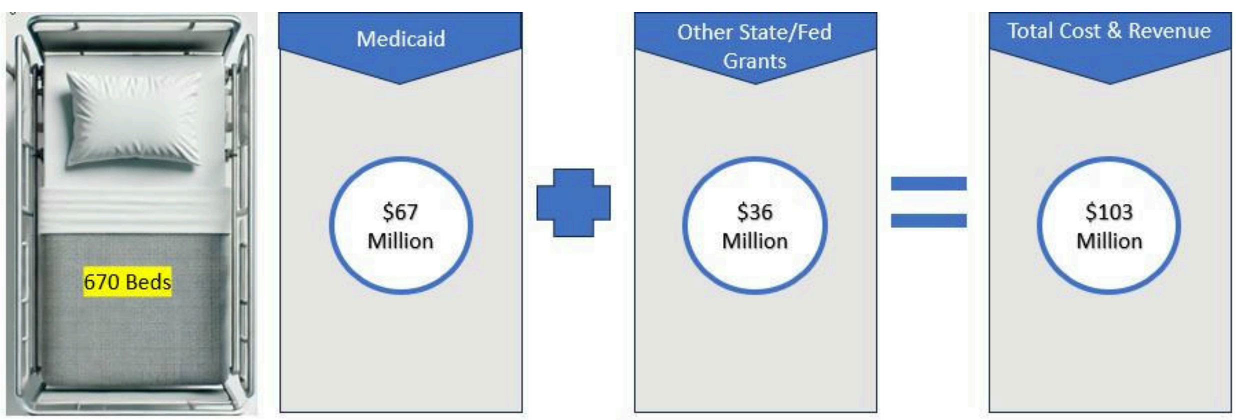
That's the danger. It's not theoretical. It's the kind of slow-moving crisis that arrives quietly until it's already here. And if Medicaid falters, Lehigh County won't just be managing a budget shortfall—it will be managing a humanitarian one.

Medicaid Vulnerabilities in Lehigh County

The Human Cost of Funding Gaps

This isn't just about budgets. It's about seniors who might lose their care, families facing unexpected medical debts, and a community's ability to support its vulnerable members. Each percentage point of Medicaid reduction translates potentially into human suffering.

Finding Fraud is Not the Solution: Political narratives often point to fraud recovery as a budget fix, but the math is unforgiving. Even if every fraudulent dollar were recovered, we would barely make a dent in Lehigh County's systemic funding crisis. Our Medicaid reimbursement gap isn't just about potential cuts—a $36 million structural deficit that exists right now. With Medicaid covering only $67 million of the $103 million needed to operate Cedarbrook, the funding shortfall is a mathematical reality, not a hypothetical threat.



What Breaks When the Money Runs Out

Cedarbrook Senior Care and Rehabilitation is a 670-bed facility that is more than just a building; it's a lifeline, a last refuge for Lehigh County's elder residents.

In the United States, fraud has become the convenient villain. Politicians love to talk about waste, about those fraudsters gaming the system. And yes, there is always waste; the question is, does finding the waste cover the gap? The answer is No. Should we stop looking for waste? No. We should always be looking for waste. But we also need to understand that some waste costs more to get rid of than that waste itself. In the Controller's office, we regularly make recommendations to correct waste. Even when we make those recommendations, we review them to ensure we are not spending more money fixing the waste than the actual cost. The real crisis isn't Fraud, Waste, or Abuse—it's a systemic underfunding that threatens to collapse an entire social safety net.

Other states provide grim previews of what could come. In New York, over a dozen nursing homes have already shuttered. Connecticut's community health centers have begun amputating services, cutting dental care like surgeons performing desperate triage. These aren't isolated incidents—they're harbingers. [15], [24]

Improper Payments: Mistakes, Not Malice

Each year, the federal government pours hundreds of billions of dollars into Medicare and Medicaid, and each year, someone tries to answer a basic but surprisingly slippery question: Did we pay the right people for the right things?

The answer, as of 2024, is… mostly.

The Centers for Medicare & Medicaid Services (CMS), the federal agency tasked with managing this mountain of money, just released its annual audit. Around $87 billion in payments didn't follow the rules.[9] But here's the twist—it's not fraud. Not mostly. It's paperwork. [26]

Mostly Paperwork Mistakes

Start with Medicaid, which covers millions of low-income Americans. CMS estimates that 5.09% of Medicaid's payments this year—roughly $31 billion —were "improper." [9]That's down from nearly 9% last year, a sizable improvement. But what does "improper" mean?

Of the 2024 Medicaid improper payments, "…79.11% were the result of insufficient documentation. These payments typically involve situations where a state or provider missed an administrative step and do not necessarily indicate fraud or abuse." [9] In other words, it simply meant someone, somewhere, didn't fill out the paperwork right. A provider may have forgotten to check a box. A state agency may have missed an eligibility verification. It's not criminal. It's bureaucratic. But it's still a problem because when a reviewer can't prove the payment should've been made, the system counts it as a red flag—even if the patient got the care they needed.

CHIP, the program for kids, saw similar issues. 6.11% of payments—about $1 billion—were flagged. Again, over 60% of those cases came down to one thing: missing documentation. Just to be clear, this doesn't mean that the payments were made improperly; it's just that the paperwork was wrong.

Medicare: Big Money, Small Mistakes

On the Medicare side, the numbers are bigger, and the mistakes are just as familiar.

- Medicare Part A and B (Fee-for-Service): $31.7 billion in improper payments—mostly from doctors not documenting why a procedure was medically necessary. [9]

- Medicare Advantage (Part C): $19.1 billion flagged, often because insurers submitted diagnosis codes without supporting records. [9]
- Medicare Part D (Prescription Drugs): $3.6 billion in issues ranging from pricing errors to mismatched drug records. [9]

Even the Affordable Care Act's tax credits—the subsidies that help people buy insurance—weren't perfect. About 1% of those payments, or $563 million, didn't meet every regulatory requirement, even though the money went to the right people.

What This Tells Us

If you were hoping for a blockbuster tale of corruption and waste, this isn't it. What CMS found wasn't a system riddled with fraud—it was overwhelmed by its complexity.

The forms are long, the rules are dense, and the programs span 50 states and countless agencies. In that chaos, mistakes are inevitable. What's changed is that CMS is getting better at catching them. The rates are going down, the definitions are tightening, and the reviews are getting smarter.

And yet, the core tension remains: how do you run a $1.6 trillion health safety net that demands perfection… from a system built by humans?

Your Mom's Nursing Bill Could Become Yours

Under 23 Pa.C.S. § 4603[23], Pennsylvania maintains a filial responsibility statute that allows long-term care providers to pursue unpaid bills from an indigent person's adult children, parents, or spouse. The law applies even if the responsible relative did not sign any financial agreements and has not assumed power of attorney.

In *Health Care & Retirement Corporation v. Pittas* (2012) [2], a Pennsylvania court upheld a $93,000 judgment against an adult son for his mother's nursing home bill. The ruling confirmed that care providers are not required to exhaust all other options (e.g., Medicaid) before seeking compensation under this statute.

Given the financial vulnerabilities identified in Medicaid funding for long-term care, enforcement of filial responsibility laws may increase, posing financial risks to residents across Lehigh County.

How Lehigh County Can Prepare

Warning Signs

This paper is a warning; it isn't a fire alarm. It would be the sound of ice cracking underfoot—subtle, irregular, and easy to ignore until you fall through. No one knows precisely where or when the break might come. Nothing may happen. But the signs are there and getting harder to tune out.

Like so many others, Lehigh County operates on a kind of institutional faith—that Medicaid dollars will keep flowing, reimbursement formulas will remain stable, and the gap between care costs and what the system pays won't widen too fast. That faith may well hold. But if it doesn't, there's no backup plan waiting in the wings.

That's not a reason to panic. But it might be a reason to prepare.

- The county should begin building financial models that imagine what happens if those Medicaid dollars shrink—even just a little. Think of it like a winter storm warning: you don't know if the storm will hit, but you might buy some milk, bread, and eggs just in case.
- Officials should consider advocating for more realistic reimbursement rates—not as a political campaign but as a basic economic correction. If a bed costs $12,700 and the system only pays $8,300, something—or someone—eventually gives. We should petition to ensure that Medicaid pays for 100% of what it costs to operate a bed.
- It may be time to look seriously at policies that protect families, especially those unknowingly standing on the trapdoor of Pennsylvania's filial responsibility law. When Medicaid falters, the system often reaches not for reform but for the nearest relative.

> Filial Laws: Pennsylvania's filial responsibility law, 23 Pa. C.S.A. § 4603, requires adult children, spouses, and parents to financially support indigent family members who cannot care for themselves. While exceptions exist for cases of abuse, neglect, abandonment, or financial hardship, the law is often used by nursing homes and healthcare providers to recover unpaid care expenses. A notable example is Health Care & Retirement Corporation of America v. Pittas (2012), where a court held a son responsible for nearly $93,000 in his mother's nursing home costs. Although not frequently enforced, Pennsylvania is one of about 29 states with active filial laws, making it a potential legal tool for care facilities seeking reimbursement when other funding sources are unavailable. [20] None of this is a sure thing. The funding may hold. The gap may not widen. The storm may veer off course. But if it doesn't, the county will face choices no spreadsheet can soften: cut services, raise taxes, or leave people behind.

There's still time to think ahead. To model the what-ifs. To start small, before small becomes urgent. If this report says anything, it's that the cost of inaction is often invisible—until it's everywhere.

How This Report Was Done

Objectives

This report assessed the financial, operational, and regulatory risks associated with Medicaid funding and oversight in Lehigh County, with a particular focus on the potential impacts to the county's residents. The specific objectives were to:

1. Assess the financial risks associated with potential Medicaid funding reductions at the county level, particularly in long-term care, mental health, and disability services.

2. Evaluate the impact of fraud, waste, and abuse (FWA) on Medicaid funding and oversight in Lehigh County.
3. Determine the fiscal and legal implications of Pennsylvania's filial responsibility statute, 23 Pa.C.S. § 4603, on county residents, especially in Medicaid underfunding or denial of services.
4. Explain to the public the difference between DOGE and the Controller's office

Scope of Review

The report focuses on fiscal years 2022 through 2025, during which significant state and federal policy discussions regarding Medicaid reform and budget adjustments occurred. The scope included:

- Medicaid reimbursement streams supporting Cedarbrook Senior Care and Rehabilitation, Lehigh County's publicly operated nursing home.
- Medicaid-related funding for mental health and intellectual disability services administered by Lehigh County.
- A comparative analysis of the proposed Department of Government Efficiency (DOGE) versus the County Controller
- Case law and enforcement patterns related to *23 Pa.C.S. § 4603*, with particular focus on risks to residents arising from uncovered long-term care costs.

The report did not examine private healthcare providers unaffiliated with county programs or services not partially funded by Medicaid.

How We Researched It

To address the objectives, the Lehigh County Controller's Office employed the following methods:

- **Document and data review:** We reviewed Lehigh County budget documents, Medicaid reimbursement schedules, and operational cost data for Cedarbrook and human services departments.
- **Policy analysis:** Federal and state Medicaid policy documents, including changes to funding mechanisms (e.g., block grants, per capita caps), were reviewed alongside Congressional Budget Office (CBO) projections and Pennsylvania Department of Human Services guidelines.
- **Legal research:** Statutory materials and case law were examined to determine the scope and application of 23 Pa.C.S. § 4603. Notable cases, including *Health Care & Retirement Corp. v. Pittas*, were analyzed to illustrate potential resident liabilities.
- **Comparative analysis:** The audit compared the functional role of the Lehigh County Controller's Office to the proposed DOGE initiative using governance frameworks, audit standards, and risk-based criteria.

Who's Watching the Money—and Who Isn't

Department of Government Efficiency (DOGE)

The Department of Government Efficiency (DOGE) is a federal initiative created to drive modernization and increase efficiency within federal agencies. Unlike the Lehigh County Controller's Office, which focuses on local financial oversight, DOGE's mandate is aimed at enhancing government operations on a national scale. While DOGE works to streamline federal operations, its scope is more specific to modernizing technology and assessing program effectiveness, as opposed to independent audit offices like the Controller's Office that have broader financial and operational oversight.

DOGE's core objectives include:

- Modernizing federal technology and software to improve government efficiency.
- Assessing the effectiveness and value of federal programs to ensure they meet performance standards.
- Collaborating with federal agencies to implement improvements and foster operational efficiency.
- Evaluating program outcomes and maximizing resources through data-driven decision-making and technological advancements. [12]

While DOGE focuses on federal agencies, the Controller's Office remains responsible for ensuring financial accountability and operational integrity within Lehigh County.

The Role of the Lehigh County Controller

The Lehigh County Controller's Office is the county's independent fiscal watchdog. Established by the County Charter and governed by state auditing statutes, the Controller's Office conducts financial, compliance, and performance audits of county agencies and operations. Its responsibilities include:

- Reviewing contracts and expenditures
- Investigating allegations of waste, fraud, and abuse
- Verifying the accuracy of financial transactions
- Reporting audit findings to the public and elected officials

The Controller's Office is authorized to access all financial records related to county business. It serves as the primary entity for ensuring financial accountability in county operations, including Medicaid-related expenditures.

Controller vs. DOGE

Feature	Lehigh County Controller's Office	Department of Government Efficiency (DOGE)
Jurisdiction	Lehigh County, Pennsylvania	Federal Government
Establishment	Created by the Lehigh County Charter and governed by state statutes	Established by a Presidential Executive Order
Primary Function	Conducts financial, compliance, and performance audits	Identifies inefficiencies within federal agencies and recommends cost-saving measures
Authority	Authorized to access all county financial records	Operates under executive authority without congressional authorization
Independence	Functions as an independent fiscal watchdog	Reports directly to the President; lacks independent audit authority
Scope of Work	Audits county agencies, ensures proper use of taxpayer funds	Targets inefficiencies across federal agencies like the Department of Education and the Pentagon
Investigative Power	Can investigate waste, fraud, and abuse	No investigative powers; relies on agency cooperation for assessments
Reporting	Reports findings to the public and local elected officials	Provides reports to the President and federal agencies
Enforcement Ability	Can recommend corrective actions with legal backing	Limited enforcement authority; agencies may choose to adopt recommendations
Budgetary Impact	Ensures financial accountability and risk mitigation at the county level	Focuses on federal-level cost reductions through operational efficiencies

Observations

Finding 1: Medicaid Reimbursement Gaps Pose Structural Risk to County Services

Condition:
Lehigh County provides essential health services, including Cedarbrook Senior Care and Rehabilitation and programs for individuals with intellectual disabilities. However, the county is facing a major funding gap because Medicaid reimbursements don't cover the full cost of these services.

Cedarbrook costs the county around $12,700 monthly to care for each resident. Medicaid only reimburses about $8,300 per month per resident, leaving the county to cover the shortfall for each of its 670 beds. This adds up to more than $36 million annually.[16]

Additionally, the county spends over $101 million yearly on intellectual disability services, managed through a contract with Magellan. In addition to the direct service costs, the county also pays Magellan approximately $8 million in administrative fees.

If Medicaid reimbursements decrease further, the uncertainty grows. It's unclear how the payment model will adapt. The state might limit the number of people who receive services or reduce the amount reimbursed for each individual's care. Either scenario would force the county to make tough service availability and quality decisions.

Cause:
Medicaid funding in Pennsylvania typically works by splitting the cost, with the federal government covering about 55% and the state covering the rest. However, when Medicaid payments don't cover the full cost of care, Lehigh County has to find other grants or funding sources to close the gap. So far, these grants have helped offset the difference between Medicaid reimbursements and the cost of care per bed.

With Medicaid Expansion, more people now receive care, and the funding structure differs. The federal government covers 90% of the costs for those enrolled through the expansion, while the state pays the remaining 10%. This has reduced some of the financial burden on the state, but it hasn't eliminated the challenge of covering the actual costs of care at the county level.

Effect:
If the government limits Medicaid funding to cover only a certain number of people, Lehigh County will face difficult decisions about prioritizing care. The county would need to create a system to determine which residents receive services to ensure the most effective use of available resources.

If Medicaid reimbursement rates are reduced, the county must explore other funding sources to cover gaps, particularly at Cedarbrook Senior Care and Rehabilitation. For intellectual disability services, the state must collaborate with Magellan to assess which providers can operate with lower reimbursement rates.

More broadly, without addressing these funding shortfalls, the following effects are likely:

- Reduced Services at Cedarbrook: Fewer beds or staff may lead to lower quality care and reduced availability for seniors in need.
- Cutbacks in Disability and Mental Health Programs: Essential programs for individuals with intellectual disabilities or mental health conditions may be scaled back or delayed.
- Financial Burdens on Families: Under Pennsylvania law (23 Pa.C.S. § 4603), families could be legally responsible for covering care costs when insufficient public funding.

These potential outcomes could strain county resources, reduce the quality of care, and leave vulnerable residents without the necessary support.

Recommendation:
To prepare for possible changes in Medicaid funding, Lehigh County should create a comprehensive contingency plan to manage the financial impact. This plan should include the following actions:

- Scenario Modeling: Develop financial models to predict how different levels of Medicaid reductions would affect county services. This will help leaders make informed decisions quickly.
- Prioritization of Services: Identify which services are essential for protecting the most vulnerable residents, ensuring that funds are allocated effectively.
- Provider Collaboration: Work closely with Magellan to assess whether providers can still deliver services if Medicaid reduces the per-person reimbursement rate. Understanding provider capacity will help the county anticipate service gaps and negotiate solutions.
- Service Triage Planning: If the government imposes a limit on the number of people covered by Medicaid, the county must decide whether to implement a first-come, first-served policy or create a triage system that prioritizes individuals based on their level of need. The commissioners should ask staff to set clear, transparent guidelines to ensure fairness.
- Public Engagement and Communication: Host workshops and public forums to explain the challenges Medicaid reimbursement gaps create. Gather community input and ensure transparency about how potential cuts may impact services.
- Task Force Formation: Establish a task force comprising key stakeholders from local government, healthcare providers, and community organizations to oversee the creation and implementation of this contingency plan. The task force will be responsible for coordinating efforts, ensuring all perspectives are considered, and providing regular updates to the public and commissioners.

By collaborating with providers, developing a fair service triage system, and engaging the public, Lehigh County can better manage future uncertainties in Medicaid funding.

Finding 2: Lehigh County's Budget Cannot Absorb Medicaid Funding Reductions Without Increasing Taxes or Cutting Services

Condition:
Lehigh County's current budget is not equipped to handle even moderate reductions in Medicaid funding without making complicated financial decisions. With limited flexibility, the county would have to choose between increasing local taxes or cutting essential services to close the gap.

In fiscal year 2024, the county already had a $4 million general fund deficit unrelated to Medicaid. This shortfall highlights the county's limited ability to absorb additional financial strain without significant adjustments.

Cause:
Lehigh County relies heavily on federal and state grants—particularly from Medicaid-related sources—to sustain public health services. These funds are vulnerable to:

- Federal funding reductions (e.g., block grants or per capita caps)
- Stagnant reimbursement rates that do not adjust for inflation or care complexity
- Delays or reductions in state pass-through funding

With a limited tax base and rising service costs, the county has little room to maneuver without substantial revenue enhancement or program prioritization.

Effect:
If federal or state Medicaid reductions occur without sufficient offsets, Lehigh County would face four primary options:

1. Increase Local Taxes: Raise property taxes to cover the shortfall and ensure residents do not lose essential services. While this would maintain current service levels, it would place a more significant financial burden on taxpayers, mainly working families, seniors, and small businesses.
2. Reduce County Services: Downsize services at Cedarbrook, cut back on mental health and disability programs, or eliminate non-mandated services. The funds saved would be used to cover the Medicaid funding gap, though this would result in fewer resources for those in need.
3. Shift the Burden to Families: If the county chooses not to raise taxes or reduce services, families will bear the financial responsibility for care. Under filial responsibility laws, relatives could be held liable for costs, leading to legal disputes, bankruptcies, and significant financial hardship.
4. Implement a Combination Approach: The county could pursue a balanced strategy by applying a mix of tax increases, service reductions, and family cost-sharing. While this may soften the impact on any one group, it would still involve difficult decisions and trade-offs.

Recommendation:
The County Executive and Board of Commissioners should initiate a multi-year fiscal risk analysis that models various Medicaid funding scenarios, including 5%, 10%, and 20% reductions.

Additionally, the county should consider the following tactical actions:

- Develop contingency plans that specify phased service reductions and establish criteria for prioritizing programs based on public health impact, cost-effectiveness, and legal obligations.
- Enhance community engagement by involving stakeholders, including community organizations, healthcare providers, and residents, in scenario planning discussions. Transparent communication should explain potential impacts and decision-making rationales.
- Seek alternative revenue sources through non-federal grants, partnerships, or public-private initiatives. Explore cost-sharing opportunities with neighboring counties or municipalities to maintain service levels at a reduced cost.
- Evaluate Program Effectiveness and Efficiency: Conduct evaluations to assess the efficiency and effectiveness of key programs, particularly those that rely on Medicaid funding. This could include analyzing staffing levels in nursing homes, determining whether current staffing is sufficient for the level of care required, and identifying opportunities to optimize operational costs without compromising care quality.

By incorporating these measures into the planning process, Lehigh County can build a more resilient fiscal strategy to navigate potential Medicaid funding uncertainties.

Finding 3: Pennsylvania's Filial Responsibility Law Creates Financial Risk for Families When Medicaid Coverage Is Insufficient

Condition:
Pennsylvania law under 23 Pa.C.S. § 4603 imposes a legal obligation on adult children, parents, and spouses to financially support indigent relatives, including covering unpaid medical and long-term care costs. This law is actively enforceable and has been upheld in multiple court cases, including the widely cited *Health Care & Retirement Corporation v. Pittas* (2012)

Filial responsibility becomes a direct financial threat to families when Medicaid coverage is denied, delayed, or insufficient to cover the full cost of long-term care. This concern is especially pressing in Lehigh County, where the monthly per-bed cost exceeds the revenue of Mediciad.

Cause:
The existence of this law is not widely known among residents, and there is limited public education on how to plan for or mitigate such liability.

Effect:
If Medicaid reimbursements decline, whether through funding cuts or inadequate payment rates, the following consequences are likely:

1. Increased Litigation Against Families: Nursing homes and other Medicaid-funded providers may sue relatives to recover unpaid care costs under Pennsylvania's filial responsibility laws.
2. Significant Financial Burdens on Families: Families could face thousands of dollars in unexpected liabilities, relying on the justice system to protect them from excessive financial responsibility.
3. Higher Administrative and Legal Costs for the County: More residents may turn to county agencies for legal assistance, appeals, or advocacy support, increasing the county's administrative and legal workload.

Recommendation:
To mitigate the financial risks faced by families due to Medicaid reimbursement shortfalls, Lehigh County should adopt a multi-faceted approach that includes public education, legal advocacy, and transparent reporting.

The Board of Commissioners should pass an ordinance ensuring that Cedarbrook and the county will never invoke Pennsylvania's filial responsibility laws (23 Pa.C.S. § 4603) to recover unpaid costs due to Medicaid or federal grant shortfalls. Additionally, the county should formally meet with all State Representatives serving Lehigh County and request the drafting of a bill to eliminate or revise the filial laws before any Medicaid changes occur.

To further support residents, the county should implement the following measures:

- Public Information Campaigns: Educate families about the existence of 23 Pa.C.S. § 4603 and their potential financial risks.
- Legal Support Partnerships: Collaborate with legal aid organizations to assist residents facing filial responsibility lawsuits.

State-Level Advocacy: Urge the Pennsylvania General Assembly to pass legislation eliminating or significantly reforming filial responsibility laws, ensuring families are not held financially responsible for Medicaid shortfalls.

Finding 4: Reducing Fraud, Waste, and Abuse Alone Will Not Resolve Structural Medicaid Funding Gaps

Condition:
National and state policymakers frequently cite "fraud, waste, and abuse" (FWA) as areas where budget savings can be achieved in Medicaid. While oversight is critical, the scale of recoverable funds from FWA is limited and does not address the core funding challenges faced by Lehigh County.

According to the Centers for Medicare & Medicaid Services (CMS), improper payments—including fraud, overbilling, and administrative errors—accounted for approximately 9.2% of total Medicaid spending nationally in 2021. However, actual recoveries are significantly lower.

In 2022, the Pennsylvania Medicaid Fraud Control Unit (MFCU) reported $11.3 million in total recoveries statewide—a fraction of overall Medicaid expenditures. [5]

The big money is typically in fraud (not waste or abuse). In 2024, here are some examples

- Dana Mason, 63, of Philadelphia County, was charged Tuesday with accusations of Medicaid fraud, theft by deception and tampering with public records. It's in connection to claims she made for personal care services for a person who was deceased. Mason allegedly received more than $33,000 in payments from Medicaid-funded managed care organization, AmeriHealth, for services that weren't provided.[5]
- Lewis Warner, 24, of Delaware County, pleaded no contest Monday to Medicaid fraud and was sentenced to six to 23 months in prison and two years of consecutive probation. Warner submitted more than 400 fraudulent hours for personal care he was alleging to provide to a patient who was actually hospitalized. Warner was ordered to pay $9,232 in restitution.[5]
- Polly Young, 60, of Delaware County, pleaded guilty on Thursday to Medicaid fraud and was sentenced to 30 months of probation and ordered to pay $10,271 in restitution. Young claimed she provided more than 500 hours of personal care services — during times she was working at a Burger King.[5]

We shouldn't discount these levels of Fraud. But in Lehigh County, they will not make up for the shortfall that we currently are experiencing or the additional shortfall created by a reduction in Medicaid.

Cause:
The overemphasis on FWA as a primary budget solution may stem from political narratives prioritizing visible enforcement over structural funding reform. While FWA exists, the complexity of Medicaid billing and the need to avoid harming legitimate providers and beneficiaries constrain aggressive recovery efforts.

Additionally:

- Enforcement actions require substantial investigative resources, often exceeding the amount recovered in more minor cases.
- Not all improper payments result from intentional fraud; many stem from documentation errors or procedural noncompliance.

Effect:
Overreliance on FWA as a savings mechanism can lead to:

1. Misleading public expectations that fraud elimination alone can preserve or restore Medicaid funding levels.
2. Delays in addressing more systemic funding shortfalls, such as inadequate reimbursement rates and rising care costs.
3. Unintended harm to legitimate providers, especially small or nonprofit facilities that may operate in good faith with thin margins.

4. Increased administrative costs to the county and state for intensified enforcement efforts with limited fiscal return.

Recommendation:
Lehigh County should continue to support rigorous auditing and investigation of Medicaid expenditures through the Controller's Office, but should also recognize and communicate that:

- The scale of recoverable FWA funds is insufficient to cover current or projected Medicaid reimbursement gaps.
- FWA reduction efforts must be targeted, evidence-based, and balanced to avoid service disruptions.
- Public messaging from county officials should reflect that broader fiscal planning, reimbursement reform, and intergovernmental advocacy are necessary to ensure Medicaid program sustainability.

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