



THE BUCKEYE INSTITUTE

Accountability & Action: Eliminating Medicaid Fraud

Interested Party Testimony
Ohio House Medicaid Committee
Ohio House Bill 795

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June 8, 2026

As Submitted

Chair Gross, Vice Chair Barhorst, Ranking Member Baker, and members of the Committee, thank you for the opportunity to submit testimony regarding **Ohio House Bill 795**.

My name is Rea S. Hederman Jr., and I am vice president of policy at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

Medicaid is one of the largest parts of Ohio’s budget, so protecting the program’s integrity is vital for delivering benefits while maintaining taxpayer trust. Unfortunately, waste and fraud plague Medicaid. Various Medicaid-supported programs make erroneous payments to ineligible recipients, oversight is lax, paperwork is misfiled, and patient data are outdated, inaccurate, and siloed across various state agencies. House Bill 795 takes solid steps in the right direction to address some of these persistent concerns.

Many Medicaid-eligible patients—young and old—**prefer** receiving medical care through home and community-based services (HCBS). And for good reason. HCBS allows patients to be cared for with dignity and privacy in the comfort of their own homes rather than in more expensive medical centers. HCBS care has **saved** Ohio taxpayers hundreds of millions of dollars in recent years. Unfortunately, insufficient oversight of HCBS arrangements has also contributed to a **15 percent** payment error rate, **inflated** caregiver billing, improper **travel** payments, and bills for **unrendered services**. Independent and self-directed HCBS care providers, unlike **agency** care providers, are subject to less rigorous oversight and training requirements, making them more vulnerable to unprovided services, undisclosed incidents, and erroneous billing.

Such waste, fraud, and oversight discrepancies must be addressed without sacrificing HCBS, and state law must balance the legitimate needs of Medicaid enrollees while protecting the integrity of the program.

The bill retreats from Ohio’s “pay-and-chase” funding model that reimburses care providers immediately and then attempts to claw back paid funds later if waste or fraud is subsequently discovered. The legislation improves programmatic oversight by requiring care providers to submit all necessary paperwork before receiving Medicaid payments and **prior** authorization for therapeutic behavior.

A substitute bill has added several more fraud prevention measures, including stricter penalties. Medicaid fraud currently **starts** as a first-degree misdemeanor and can escalate to a third-degree felony. House Bill 795 **treats** Medicaid fraud the same as theft, which can rise to a first-degree felony, emphasizing the state’s commitment to protecting taxpayer and Medicaid resources against abuse.

House Bill 795 also reinstates a previous location requirement designed to ensure that caregivers be physically present with patients. After the requirement was **suspended** in July 2024, an **audit** found that more than half of home-based services were paid without matching an electronic visit verification (EVV) entry, which allowed for too many improper payments. In 2025, Ohio started

to **phase** in an EVV requirement for providers to receive payment and is reinstating the location requirement for HCBS providers now, too.

The legislation takes appropriate steps to help identify inactive and potentially fraudulent care providers. The bill **requires** an initial in-person or on-site inspection for prospective Medicaid providers prior to enrollment, with subsequent inspections every three years by the Ohio Department of Medicaid. And House Bill 795 **shortens** provider agreement renewal periods from five years to three years, terminates or suspends provider agreements if no claims have been submitted for one year, and **requires** providers and facilities to submit credentialing information every two years. The bill also mitigates false payments via fraud and impersonation by requiring high-risk providers (i.e., those with data discrepancies, significantly higher prices, and other suspicious outliers) to **provide** biometric identification—such as a fingerprint scan, voice recognition, or facial recognition—before receiving Medicaid payments.

House Bill 795 rightly **expands** subpoena authority for the state auditor to investigate Medicaid fraud and abuse. The auditor may request assistance from the state attorney general to address stonewalling and other forms of uncooperative noncompliance to resolve legal and investigative impasses.

Ohio's Medicaid Fraud Control Unit (MFCU) has consistently **ranked** first or second in the nation for fraud indictments and convictions. Nevertheless, strategic improvements can be made. In 2025, for example, the Health and Human Services Office of Inspector General allowed Ohio's MFCU to access a data-mining **waiver** that allows the MFCU to use artificial intelligence (AI) software to flag leads for fraud investigators.

The Ohio Department of Medicaid is already **expanding** its use of AI to help identify improper payments and high-risk providers, and rightly so. The advent of AI coupled with efficient data integration holds promise for protecting Medicaid's integrity. AI can collate, analyze, store, and retrieve ever-increasing amounts of data quickly and hyper-efficiently. Responsibly using AI to process and maintain data can **help** identify erroneous payments, prevent waste and fraud, and ensure that public benefits reach the correct, eligible recipients. But AI's utility requires the relevant **data** to be integrated, accurate, and available, not fragmented or siloed across various state agencies. Inaccurate, unintegrated data will inevitably undermine AI's full potential and allow waste and fraud to remain undetected and unresolved.

Enhanced use of AI can complement House Bill 795 and should be explored. Caseworker capacity remains a common obstacle in preventing Medicaid fraud and abuse. Identifying billing irregularities is time-consuming and difficult with the naked eye. But AI can augment and improve caseworker reviews without replacing them. AI software can **detect** suspicious patterns and behavior for caseworkers to then prioritize, investigate, and adjudicate. It can **recognize** unusual billing, signal common “kickback scheme” relationships, and flag inconsistent or incorrect medical diagnoses from doctor notes. When properly used, AI can help relieve caseworker overload, protect Medicaid benefits for beneficiaries, and thwart fraudulent activity.

Finally, House Bill 795 establishes the Medicaid Program Integrity Fund, composed of all the funds recovered from Medicaid waste and fraud operations. It wisely **authorizes** the attorney general to use this fund for Medicaid fraud analytics and enforcement actions—another solid step in the right direction.

For years, Ohio has been a national **leader** in providing home and community-based services for patients. House Bill 795 helps maintain and protect this valuable program by pursuing fraud detection and prevention protocols that will safeguard Medicaid beneficiaries and Ohio taxpayers.

Thank you for the opportunity to submit testimony on this important issue.



About The Buckeye Institute

Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.

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