



Medicaid Work Requirements

On January 11, 2018, the Centers for Medicare and Medicaid Services (CMS) issued a letter to Medicaid directors describing its support of work requirements. CMS cited a connection between health and income as reason to test whether work requirements will “achieve improved health, well-being, and independence.”ⁱ The administration also provided guidance to states as they develop waiver applications.

Many states, including Missouri, have increasingly viewed work and community engagement requirements as a mechanism to reduce reliance on Medicaid and other social service programs. Evidence from current safety net work requirements suggest that program design is critical to the outcome of such mandates.

Background

Through Section 1115 of the Social Security Act, the U.S. Department of Health and Human Services can authorize Medicaid demonstrations that are likely to promote the program’s objectives. Each administration has the discretion to interpret Medicaid’s goals and to approve waivers accordingly. Last year, the administration updated the objectives to include strengthening beneficiaries’ engagement in their health care, supporting strategies for upward mobility and independence, and aligning Medicaid policies with commercial health insurance.ⁱⁱ This interpretation was a departure from previous administrations and signaled a willingness to approve waivers with work requirements.

CMS encouraged states to incorporate the following factors into their consideration of work requirements. According to the guidance, states should:

- Align provisions with the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF), including the same exemptions (pregnant women, caregivers, full-time students, etc.);
- Create other exemptions for the medically frail, beneficiaries with disabilities, and people with substance or opioid use disorders;
- Allow work requirements to be satisfied by community activities such as career planning, job training, and volunteering;
- Provide supports such as transportation, child care, and job training to help beneficiaries work, although federal funding cannot be used;
- Be responsive to the local job market when designing implementation plans as well as beneficiaries’ supports and exemptions.

Work requirements would apply to just 7 percent of adult Medicaid beneficiaries nationally.ⁱⁱⁱ Most enrollees are already working or unable to work due to common situations that would be exempt. Kentucky, Indiana, and Arkansas are the first states with approved waivers for work requirements. Notably, all have expanded their Medicaid programs to cover able-bodied adults up to 138 percent of the federal poverty level. Seven other states have also submitted applications to CMS. In addition to requiring work or community engagement hours, states are including other provisions such as premiums, drug testing, time limits on coverage, elimination of retroactive eligibility, and lockout periods for failure to pay premiums or update information for coverage renewal.^{iv}



The Evidence

While work requirements are new to Medicaid, they have been implemented in other safety net programs. A review of the literature on the evidence of TANF, SNAP, and housing work requirements finds that the effectiveness is mixed and depends on the objectives of such measures.

Economic Mobility

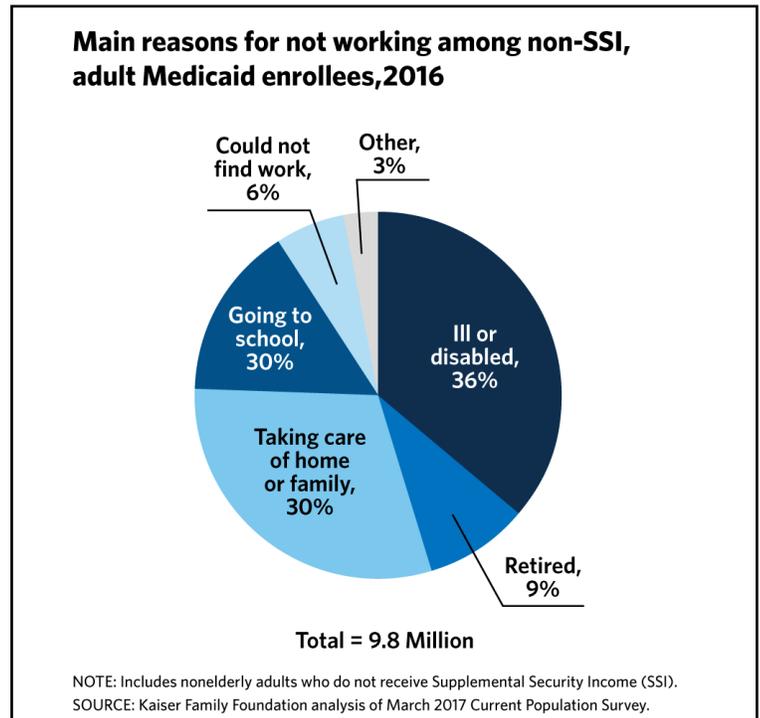
Work requirements have been linked to increased levels of employment and incomes. An evaluation of reform efforts in Kansas found that after the enactment of work requirements, work participation rates more than tripled among SNAP recipients.^v Participation in TANF declined nationally after work requirements were implemented. The decline can partially be attributed to recipients leaving the program due to new employment; although, some also lost eligibility because they failed to comply with the required work activities.^{vi}

Work stipulations can create more challenges for individuals and families rather than facilitate upward mobility and improved well-being.^{vii} Longitudinal studies of the effects of TANF work requirements find that while work participation did initially increase for some participants, work requirements did little to improve employment stability, economic mobility, and work prospects for individuals with physical and mental health barriers to employment. Studies also find that work requirements may make some individuals worse off at a time when they need assistance the most, especially for people of color, individuals with low education levels, and for individuals with criminal records.

Benefit Eligibility

The design of work requirement policies also have the potential to create a “benefit cliff” for recipients. Individuals who gain employment may increase their income but jeopardize their Medicaid eligibility as a result. The situation is likely for adult Medicaid beneficiaries in Missouri because the income eligibility is very low (i.e., \$5,460 annual income for a family of four).^{viii} Increased income can also result in the loss of eligibility for other safety net programs, making it more difficult for individuals and families to achieve stability.^{ix} For example, the loss of housing or child care assistance due to an increase in income could leave a family in worse condition.

Some studies cite implicit disincentives to work as a reason why work requirements are needed.^x Even if individuals increase their earnings, they still might not be able to afford private health insurance. Beneficiaries who left TANF after achieving work were often earning low wages and their employment was unstable.^{vi} Part-time workers and low-income households are less likely to be offered health insurance from their employers compared to those who work full-time and have higher earnings.^{xi} Because of the “benefit cliff,” individuals relying on public programs are essentially penalized when increasing their income. Work requirements, when designed correctly, could help overcome this implicit disincentive to work by “changing the reward to working.”



Garfield, Rudowitz, and Damico. (2018). “Understanding the Intersection of Medicaid and Work.” Kaiser Family Foundation.



Health and Well-Being

A recent systematic review of the literature found that employment is associated with improved health, mainly improved mental health and a reduced risk of depression. However, a causal relationship between employment and improved health has not been established. The findings are also nuanced in that the quality, type, and amount of work matter.^{xii}

Positive changes to employment and income may also come at a cost, including an individual's personal stability and health. Work requirements for Medicaid beneficiaries could result in coverage loss for some and make it more difficult for individuals with chronic conditions and other serious physical, mental, and behavioral health issues to access health care services and achieve stable employment.^{xiii}

If individuals access to health care fluctuates due to lost Medicaid eligibility, the instability has the potential to impact their long-term health and well-being. A loss of health insurance could result in increased emergency department utilization as well as higher health care costs for both individuals and health care systems.

Missouri Policy Proposals

Because Missouri did not expand Medicaid, there were approximately 97,000 able-bodied adults in the program as of December 2017.^{xiv} These individuals accounted for only 10 percent of total beneficiaries in fiscal year 2017. Of this population, a percentage will be excluded from work requirements because of the exemption criteria.^{xv} Medicaid work requirements would only apply to a limited number of eligible individuals in Missouri.

Legislation has been filed in the Missouri General Assembly to enact work requirements for Medicaid. In January, Representative Curtis Trent (R-Springfield) and Senator David Sater (R-Cassville) introduced legislation, [HB 1856](#) and [SB 948](#) respectively, that would require able-bodied adults to complete 80 hours a month of any combination of work-related activities.^{xvi} These activities can include work, education, job search, child care, and volunteer services. The bill specifically excludes individuals who are exempted under the federal guidance and allows the Missouri Department of Social Services to consider other circumstances when determining compliance, such as high geographical unemployment, limited economic or educational opportunity, lack of public transportation, or other good cause. It also makes clear that the department shall provide reasonable accommodations to individuals with disabilities who do not otherwise meet exemptions.

Neither piece of legislation offers information on delivering the supports states must provide when mandating work in Medicaid. Other states have estimated that beneficiaries' supports would cost \$90 per month for each beneficiary.^{xvii} Implementation of work requirements would result in additional costs for the department because of the range of activities involved in carrying out the obligation, such as the tracking of exemptions and completed work activities.

The [fiscal note for SB 948](#) estimates that imposing this work requirement would negatively impact the state's general revenue fund in fiscal year 2019 by possibly more than \$242,000. However, the net impact on general revenue for the following two years would likely offset those losses, as it could range from a loss of over \$7 million to a savings of approximately \$18 million. Some of the estimated costs can be attributed to the need for additional full-time employees and program improvements to help implement and enforce the new requirements. Savings would be attributed to a reduction in enrollment. The fiscal note estimates that approximately 44,400 individuals currently enrolled would be subject to the work requirement. Of those individuals who are enrolled, around 17,300 are currently meeting the requirements.



Conclusion

The federal government has approved work requirements for the first time in Medicaid's history. Lessons from other safety net programs do not clearly indicate whether Medicaid work requirements will be successful. The research does show that the way the requirements are implemented can lead to varying results. If Missouri lawmakers would like to pursue work requirements as a way to promote economic stability and reduce reliance on government programs, they will need to carefully plan the design, exemptions, and beneficiaries' supports.

ⁱCenters for Medicare & Medicaid Services. (2018). "CMS Announces New Policy Guidance for States to Test Community Engagement for Able-bodied Adults." <https://www.medicaid.gov/federal-policy-guidance/downloads/smd18002.pdf>

ⁱⁱMedicaid.gov. "About Section 1115 Demonstrations." Centers for Medicare & Medicaid Services. <https://www.medicaid.gov/medicaid/section-1115-demo/about-1115/index.html>

ⁱⁱⁱMusumeci, Garfield, and Rudowitz. (2018). "Medicaid and Work Requirements: New Guidance, State Waiver Details and Key Issues." Kaiser Family Foundation. <https://www.kff.org/medicaid/issue-brief/medicaid-and-work-requirements-new-guidance-state-waiver-details-and-key-issues/>

^{iv}Musumeci, et al. (2018). "Section 1115 Medicaid Demonstration Waivers: The Current Landscape of Approved and Pending Waivers." Kaiser Family Foundation. <https://www.kff.org/medicaid/issue-brief/section-1115-medicicaid-demonstration-waivers-the-current-landscape-of-approved-and-pending-waivers/>

^vIngram and Horton. (2016). "The Power of Work: How Kansas' Welfare Reform is Lifting Americans out of Poverty." The Foundation for Government Accountability. <https://thefga.org/research/report-the-power-of-work-how-kansas-welfare-reform-is-lifting-americans-out-of-poverty/>

^{vi}Falk, McCarty, and Aussenberg. (2014). "Work Requirements, Time Limits, and Work Incentives in TANF, SNAP, and Housing Assistance." Congressional Research Service. https://greenbook-waysandmeans.house.gov/sites/greenbook-waysandmeans.house.gov/files/R43400_gb.pdf

^{vii}Hahn, et al. (2017). "Work Requirements in Social Safety Net Programs." Urban Institute. <https://www.urban.org/sites/default/files/publication/95566/work-requirements-in-social-safety-net-programs.pdf>

^{viii}Missouri Foundation for Health. (2017). "Missouri Medicaid Basics." <https://mffh.org/wordpress/wp-content/uploads/2017/03/MedicaidBasics2017.pdf>

^{ix}Ben-Ishai. (2015). "Volatile Job Schedule and Access to Public Benefits." CLASP. <https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/2015.09.16-Scheduling-Volatility-and-Benefits-FINAL.pdf>

^xMulligan. (2013). "Work Incentives, the Recovery Act, and the Economy." Testimony for the Committee on Oversight and Government Reform, United States House of Representatives. <http://www.policyuncertainty.com/app/Mulligan-Testimony.pdf>

^{xi}Long, et al. (2016). "Trends in Employer-Sponsored Insurance Offer and Coverage Rates, 1999-2014." Kaiser Family Foundation. <https://www.kff.org/private-insurance/issue-brief/trends-in-employer-sponsored-insurance-offer-and-coverage-rates-1999-2014/>

^{xii}Noordt, et al. (2014). "Health effects of employment: a systematic review of prospective studies." Occupational Environmental Medicine, 71(10). doi:10.1136/oemed-2013-101891. <https://www.ncbi.nlm.nih.gov/pubmed/24556535>

^{xiii}Perkins. (2017). "Medicaid Work Requirements - Not a Healthy Choice." National Health Law Program. <http://www.healthlaw.org/publications/browse-all-publications/medicaid-work-requirements-not-a-healthy-choice#.WqF7V6JlmUm>

^{xiv}MO HealthNet Oversight Committee. (2018). "MO HealthNet Participation." <https://dss.mo.gov/mhd/oversight/pdf/180201-mhd-participation-presentation.pdf>

^{xv}Garfield, Rudowitz, and Damico (2018). "Understanding the Intersection of Medicaid and Work." Kaiser Family Foundation. <https://www.kff.org/report-section/understanding-the-intersection-of-medicicaid-and-work-appendix/>

^{xvi}Senate Bill No. 948, 99th General Assembly. (2018). <http://www.senate.mo.gov/18info/pdf-bill/intro/SB948.pdf>

^{xvii}Musumeci and Zur. (2017). "Medicaid Enrollees and Work Requirements: Lessons from the TANF Experience." Kaiser Family Foundation. <https://www.kff.org/report-section/medicaid-enrollees-and-work-requirements-issue-brief/>