



**SOCIETY OF  
ACTUARIES®**

Article from

**Health Watch**

June 2018

Issue 86

# Medicaid Work Requirements: Enrollment Impact of Different Policies

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**W**ork requirements are not new to Medicaid. A number of voluntary programs have been set up by states, such as Arkansas and Indiana, that have special waivers for their Medicaid populations in light of the Affordable Care Act (ACA). This is because there is a significant able-bodied population that has entered Medicaid since January 1, 2014, when Medicaid expansion via ACA became effective for states opting to expand. Numerous attempts to repeal and replace the ACA failed in 2017. The year ended with a few reform initiatives highlighted by the Tax Cuts and Jobs Act of 2017, which repealed the individual mandate starting in 2019.

The January 2018 issue of the Society of Actuaries (SOA) Social Insurance & Public Finance Section's *In the Public Interest* featured an article on Medicaid work requirements.<sup>1</sup> At the time, the new administration of the federal government was completing its first year at the helm. Influential remarks made by the Centers for Medicare and Medicaid Services (CMS) had started to resonate throughout the industry and had both Medicaid directors and lawmakers interested in a number of topics, with a key focus on work requirements. Given that almost a dozen states submitted waiver proposals with work requirements, CMS then issued new guidance on how this should best apply to Medicaid beneficiaries.<sup>2</sup>

Most of the states already pushing the provisions for Medicaid work requirements are ACA expansion states. However, several of those states—including Kansas, Mississippi, North Carolina, Utah and Wisconsin—have not expanded Medicaid under the ACA. This begs the question: how many beneficiaries are likely to be affected by work requirements within each state?

## WHO COULD BE IMPACTED?

As suggested, supporters say the focus of work requirements are on “able-bodied” adults who gained coverage through Medicaid ACA expansion. However, many of the states suggesting the



consideration of work requirements are not expansion states. With expansion and nonexpansion states alike pushing for these requirements, it's interesting to see how different populations are likely to be affected.

Many populations within Medicaid would be excluded from work requirements, with exclusions likely varying by state waiver program. One of the few commonalities between state waivers is that children and the elderly (over 65) are to be excluded from Medicaid work requirements. A common denominator then is to have most disabled individuals, pregnant women, and caregivers excluded from these provisions. However, some state proposals vary with their exemption requirements for disabled individuals. Those who are considered “medically frail” are often considered exempt, but this term has a loose definition. Work requirements often do not apply to those who are in the aged, blind, or disabled categories of aid. However, on the basis of whether or not a beneficiary receives Supplemental Security Income (SSI), not all disabled beneficiaries would be exempt. According to The Kaiser Family Foundation, 57 percent of disabled, nonelderly adults do not have SSI.<sup>3</sup> Determining the definition of disabled or “medically frail” is critical for determining work requirement exemptions, especially for nonexpansion states where there are fewer nonelderly adults in Medicaid.

Some states look at nondisabled adults as potential enrollees who would be subject to a work requirement. Wisconsin's proposal targets all childless adults. Mississippi and Kansas both have proposals that would even have requirements for caretakers of dependent nondisabled individuals over a certain age. These types of provisions could be applicable to many states and expand the number of beneficiaries that could be affected.

## WHAT'S THE BUZZ?

While the ACA expansion population is often a primary target of work requirement proposals, there is some variation among approved waivers and state proposals. The big difference is what qualifies as “work” and what happens when a beneficiary does not meet the requirements. As part of Indiana's Healthy Indiana Plan (HIP) Gateway to Work, job search activities, education, training, community service, caregiving and volunteer work are acceptable participation activities that meet the 20 hour-per-week work requirement. However, proposals from New Hampshire and Utah do not consider volunteering or community service as acceptable work activities; Arizona's proposal does not accept job training; and proposals from Mississippi and Wisconsin do not count education toward work requirements.

Actual employment appears to be the only common component of work requirement activities across the states' varying proposals and approved waivers. Albeit a subtle difference, the waivers for Arkansas and Kentucky require 80 hours of work per month, whereas the other approved waiver in Indiana requires 20 hours per week. For those subject to work requirements, failure to verify participation generally results in loss of coverage for a predetermined period of time. Indiana requires suspension of coverage until the work requirement is satisfied for one full month. In the not-yet-approved state proposals, Arkansas locks the enrollee out of coverage until the beginning of the following year. Kansas limits Medicaid coverage for 36 months, regardless of some beneficiaries meeting the participation activities.

## HOW DO WE APPROACH MODELING THE IMPACT?

The goal here is to take a uniform approach to modeling exposure levels to capture the variation of the impact of work requirements across all 50 states and the District of Columbia. Since the “disabled individual” definitions in proposals can be subjective and data aren't readily available for all states, this analysis looks exclusively at nondisabled adults as of federal fiscal year (FFY) 2016, using two different sources that summarize data from CMS.<sup>4</sup>

The next iteration is to exclude pregnant women<sup>5</sup> and adults with children six or younger. The threshold of age six is linked directly to the proposal that Kansas has put forward and would be considered an upper bound for the number of parent caretakers that are subject to work requirements. Finally, those

who are already covered by Medicaid but working need to be excluded.<sup>6</sup>

The results suggest that 8.7 percent of Medicaid beneficiaries across the United States would be subject to work requirements. The split varies significantly between expansion states (10.9 percent) and nonexpansion states (3.5 percent), for a total of about 18.3 million enrollees. Figure 1 shows how the impact varies significantly by state.

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There are a few additional iterations to consider. Common exemptions in the proposals and approved waivers include students, former foster care children under the age of 26 and those in drug rehab programs. By far, the largest of those groups is students. Due to the subjectivity of what may qualify as “gainful education” and how exemptions may vary, this analysis is based on Medicaid survey data. The Kaiser Family Foundation surveyed 9.8 million nonworking, nondisabled Medicaid beneficiaries as to the reason they were not working and found that 15 percent said they were in school. Since this was a national figure, this assumption was applied broadly to all states. It may be considered a loose definition since it's based on survey data. Still, this should provide a lower bound range for those who may be impacted by work requirements.

With these additional iterations, the results suggest that 4.5 percent of Medicaid beneficiaries across the United States would be subject to work requirements. The split varies significantly between expansion states (5.7 percent) and nonexpansion states (1.7 percent), for a total of about 3.5 million enrollees. Figure 2 shows how the impact varies significantly by state with these final numbers.

## WHERE DO WE GO FROM HERE?

Like any generalized model, these results have been developed at a high level. Experience will vary by state due to varying small details in work requirements and the impact of different state initiatives. More comprehensive data at the state level will be a better indicator of the population subject to work requirements. It is vitally important for all stakeholders (legislators, program support, advocates, health plans and so on) to have a better



Figure 1  
 Medicaid Member Exposure, Excluding Members in Former Foster Care, Drug Rehab and Students

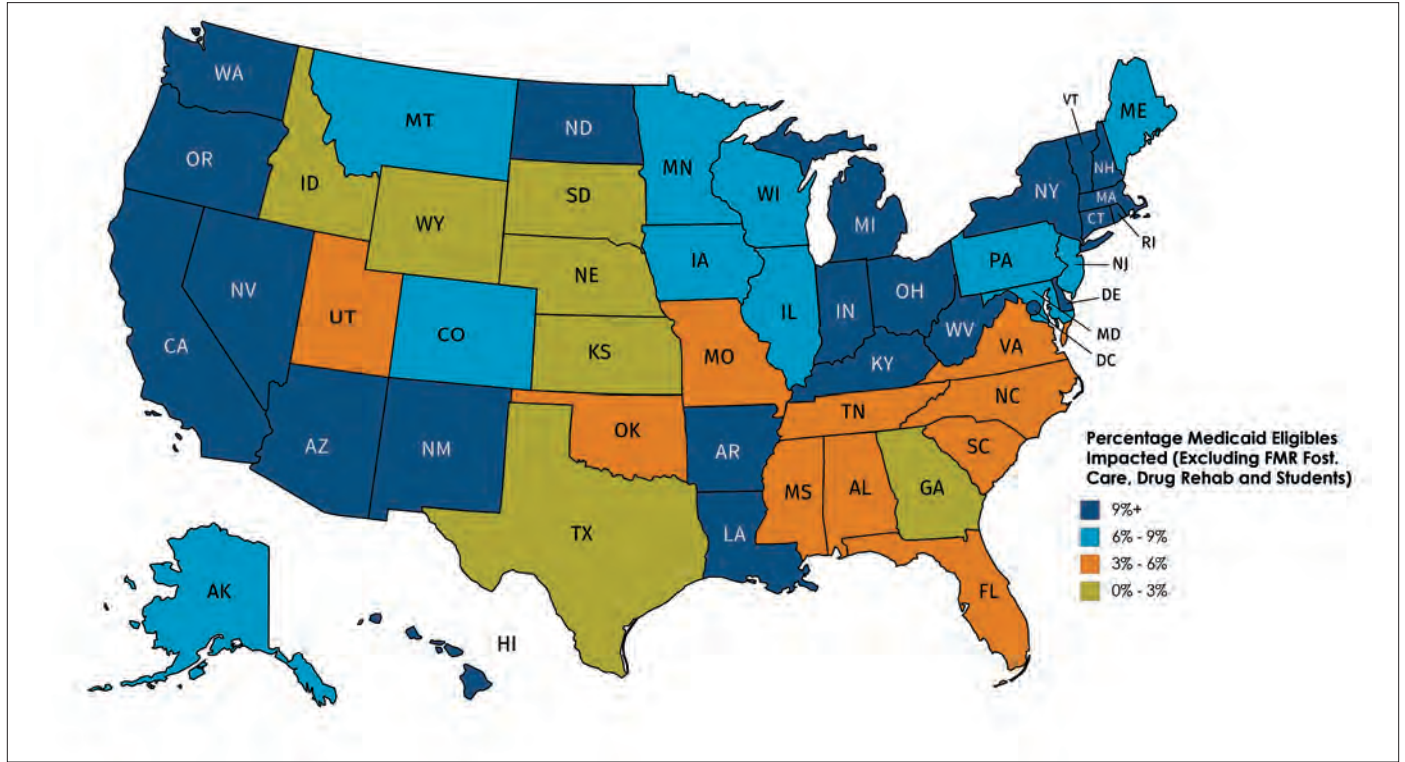
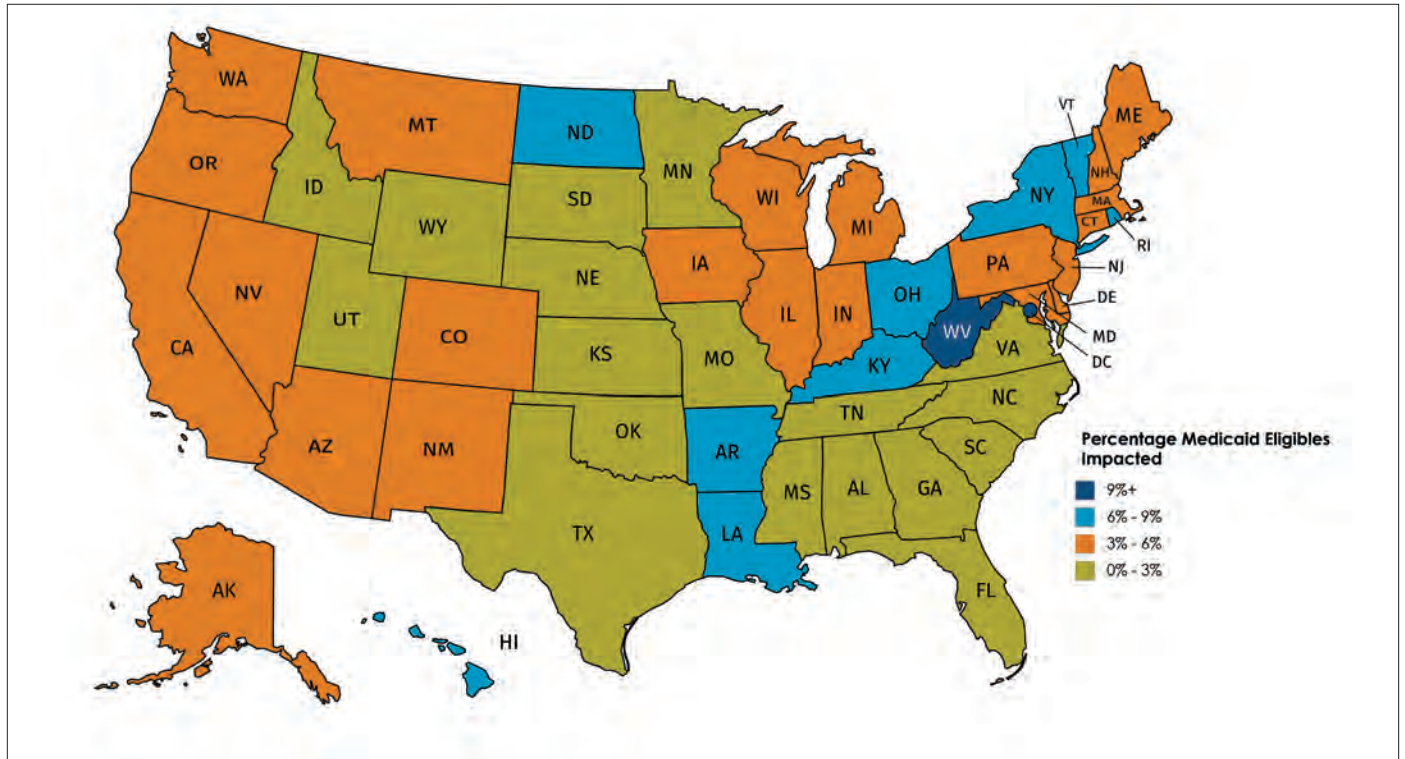


Figure 2  
 Medicaid Member Exposure



understanding of the number of beneficiaries who may be subject to this suddenly popular policy provision.

Beyond knowing the exposure risk in terms of Medicaid beneficiaries who would be impacted, the next step is to estimate the financial impact. States such as Indiana and Kentucky have already approved 1115 waivers with work requirements, and Indiana is starting to examine data from its voluntary program, which was launched in 2015 as part of HIP 2.0. This information, along with other examples, will show how much it may cost to administer work requirements and incentivize better outcomes through proper management of this initiative. The next step is to determine the breakeven cost point to see if work requirements are ultimately worth the implementation expenses and administrative burden. States with more members subject to work requirements, such as ACA expansion states, may see more financial benefit than others. ■



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## ENDNOTES

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