

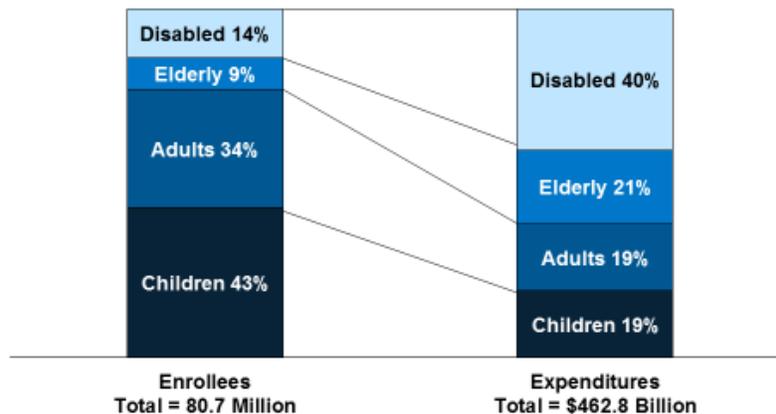
CASE STUDY: Medicaid Work Requirements

There's a saying: "If you know one state's Medicaid program, you know one state's Medicaid program." Because Medicaid is jointly administered by the federal and state governments, the program varies across the country.

A key component of the Affordable Care Act (ACA) was expanding the number of people who were eligible for Medicaid. States have several ways that they can put their own spin on the program within the boundaries of federal law and a number of states with Republican-controlled (or divided) state governments have implemented Medicaid expansions with unique twists. For example, Arkansas put most of their Medicaid expansion population into private exchange plans. Michigan's expansion included incentives for healthy behavior. Indiana imposed very small monthly premiums for Medicaid enrollees with incomes above the poverty line.

As you saw in your preparatory materials, Medicaid covers many different populations (Figure 1). The unique changes implemented by these states generally apply to the "expansion population," or low-income adults who do not qualify for Medicaid on the basis of pregnancy or disability.

Figure 1: Medicaid Spending is mostly for the elderly and people with disabilities



NOTE: Totals may not sum to 100% due to rounding.
SOURCE: KFF estimates based on analysis of data from the FFY2014 Medicaid Statistical Information System (MSIS) and CMS-64 reports. Because FFY2014 data was missing some or all quarters for some states, we adjusted the data using secondary data to represent a full fiscal year of enrollment.

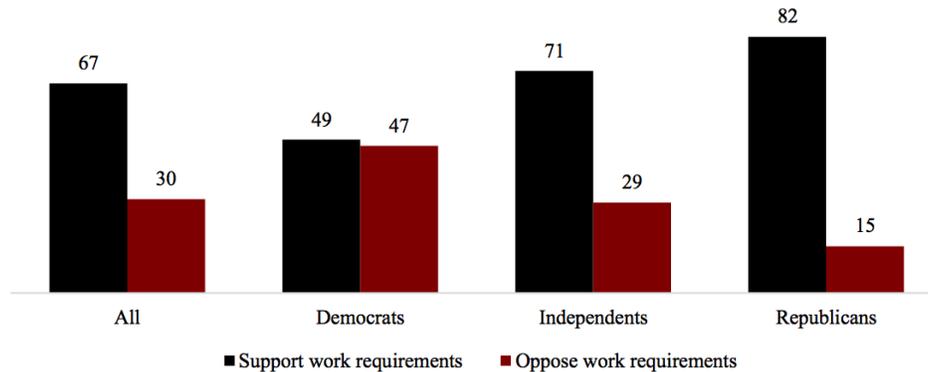


Under the Trump administration, the Centers for Medicare and Medicaid Services (CMS) is allowing states to link Medicaid eligibility with **work requirements**; these requirements generally stipulate that beneficiaries must be employed, actively looking for work, or participating in some other kind of "community engagement" in order to maintain program eligibility.

As of November 2018, 14 states have proposed adding work requirements to their Medicaid programs. So far, only one state (Arkansas) has implemented these requirements, which have been controversial; in Kentucky, work requirements were struck down by a federal court. However, this ruling did not directly affect the Medicaid programs elsewhere in the country, so other states are continuing to pursue these policies.

Despite legal and political controversy, polls consistently show that Medicaid work requirements have public support from members of both parties, although they are considerably more popular with Republicans and Independents than among Democrats (Figure 2).

Figure 2: Americans' Preferences for Requiring Low-Income, Non-Disabled Adults Without Children to Work to Receive Medicaid Benefits



Source: POLITICO-Harvard T.H. Chan School of Public Health Poll, published April 2017

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Assigned readings:

- BD Sommers, DC Grabowski. "[What Is Medicaid? More Than Meets the Eye.](#)" *JAMA*. 2017;318(8):695–696.
- State Medicaid Directors Letter: "[Opportunities to Promote Work and Community Engagement Among Medicaid Beneficiaries.](#)" (Centers for Medicare & Medicaid Services, January 2018)
- JZ Ayanian et al. "[Mitigating the Effects of Medicaid Work Requirements.](#)" *New England Journal of Medicine*. 2018; 379:803-805.

Optional Readings

- R Garfield et al. "[Implications of Work Requirements in Medicaid: What Does the Data Say?](#)" Kaiser Family Foundation. June 2018.
- MACPAC: "[Letter to Secretary Azar Regarding Implementation of Work and Community Engagement Requirements.](#)" November 2018.

THE CASE:

Imagine you live in a state called North Kansas. North Kansas did *not* expand Medicaid and has one of the highest rates of uninsurance in the country. The previous governor strongly opposed the Affordable Care Act. However, in 2018, the state elected a Democratic governor who had made Medicaid expansion a central part of her platform.

Since the election, the governor's chief of staff has been back channeling with the state legislature. She has advised the governor that they can persuade a slim majority of legislators to support Medicaid expansion if—and *only* if—the proposal includes work requirements.

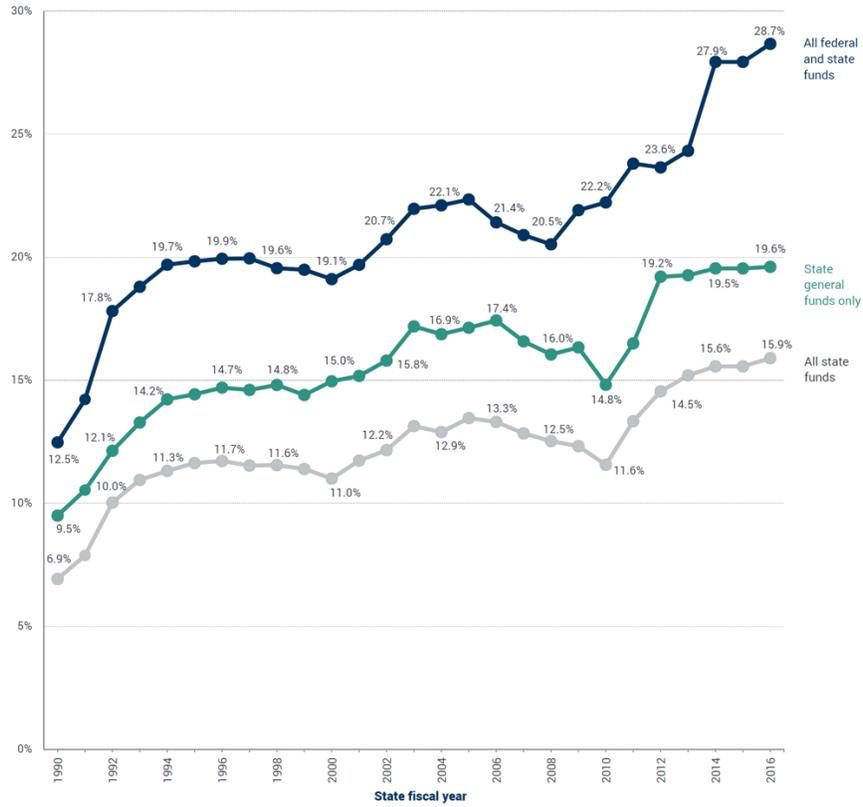
Feelings about this proposal are divided. Many Republican members of the legislature remain concerned about how expansion will affect state finances. Medicaid's share of the state budget has grown steadily (Figure 3), and these increasing costs create substantial challenges each year as state legislators work to balance the budget. If North Kansas expands Medicaid under the ACA, the state will be responsible for 10% of the expansion costs beginning in 2020. Many Democratic members of the legislature favor Medicaid expansion, but worry that the hassle of reporting compliance with work requirements will lead to some people losing coverage, even among those who are eligible. Safety-net hospitals in the state have been lobbying for Medicaid expansion for years, hoping that broader coverage will alleviate the problem of uncompensated care. (Uncompensated care is care provided for which the hospitals are not reimbursed.) In states with Medicaid expansion, hospitals have seen a substantial drop in their fraction of costs that are uncompensated (Figure 4).

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During this small group session, you will debate how to implement Medicaid work requirements in North Kansas. *Assume that the political deal to pursue expansion with work requirements has already been made; now you must sort out the details.* You (and other members of a group) will be assigned one of three roles:

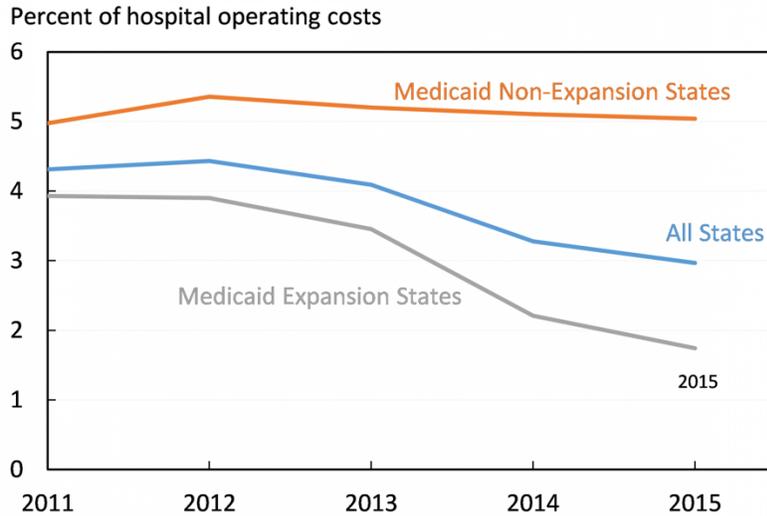
- 1) The new Democratic governor of North Kansas, who generally opposes work requirements and is concerned about Medicaid eligible individuals eventually losing coverage because of work requirements, but is willing to compromise to expand Medicaid in the state
- 2) The Republican Majority Leader of the North Kansas state Senate, a budget hawk who favors strong work requirements for public assistance programs
- 3) The head of a small community hospital that serves low-income residents and is worried about long-term financial viability of the institution

Figure 3: Medicaid's Share of State Budgets, Including and Excluding Federal Funds



Source: Medicaid and CHIP Payment Advisory Commission, April 2018. The all federal and state funds category reflects amounts from any source. The state general funds category reflects amounts from revenues raised through income, sales, and other broadbased state taxes. The all state funds category reflects amounts from any non-federal source; these include state general funds, other state funds, and bonds.

Figure 4: Uncompensated Care as a Share of Hospital Costs



Source: Centers for Medicare and Medicaid Services, Hospital Cost Reports; CEA calculations. Note: State Medicaid expansion status is as of July 1, 2015. Data for 2015 are incomplete.

In your small groups, spend ten minutes discussing each of the following questions from the perspective of your assigned role:

- What populations does Medicaid serve? How are the needs of these populations different from other populations?
- What are some reasons that North Kansas's Medicaid health spending might exceed projections in a given year?
- What about the Medicaid program needs improvement? What aspects of the program work well currently?
- What is the goal of tying work requirements to Medicaid expansion? What consequences might result from permitting work requirements?
- How would your actor advise the state Medicaid director on how to structure the state's proposal? You might think about some of the following issues:
 - Which populations should be exempt? CMS mandates that children and beneficiaries who qualify for coverage on the basis of pregnancy or disability must be exempt. Who else? Caretakers of young children (if so, up to what age)? Of elderly family members? Should there be age exemptions below 65? What role should physicians have in exempting Medicaid beneficiaries from the work requirements?
 - How many hours of work per week/month should be required? How should the proposal deal with seasonal workers, who may work many hours during some months, but very few hours during other months?
 - What should the consequence of noncompliance with work requirements be? Arkansas, for example, terminates coverage after three months of noncompliance, and imposes a "lock-out" period where beneficiaries are ineligible to re-enroll, even if they meet the work requirement.

Additional questions if time allows:

- Suppose that work requirements lead to lower enrollment than you would expect under traditional expansion. What does this mean for the state budget? What does it mean for hospital budgets?