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Medicaid and Work Requirements

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Recently, policymakers have been discussing whether work requirements should have a place in the [Medicaid](#) program. In the last three years, some states have proposed mandatory or voluntary work programs as part of their [Section 1115 Medicaid expansion waiver](#) applications. To date, the Centers for Medicare and Medicaid Services (CMS) has not approved any state's request to require that Medicaid beneficiaries work as a condition of eligibility, on the basis that such a provision would not further the program's purposes of promoting health coverage and access. Some states have created voluntary job training and referral programs for Medicaid adults, but CMS has noted that these are state-run programs separate from the approved expansion waivers.

On March 14, 2017, CMS signaled a change in this policy in a [letter to state governors](#) indicating that it will use Section 1115 authority to approve provisions related to "training, employment, and independence."

Additionally, on March 20, 2017, the House released a [manager's amendment proposing policy changes](#) to the [American Health Care Act \(AHCA\)](#), including a state option to condition Medicaid eligibility for nondisabled, nonelderly, nonpregnant adults upon satisfaction of a work requirement (see Table 1). In general, work is an important societal goal, and Medicaid can play a key role in ensuring that people who are able to work have the necessary supports, such as health coverage, to do so. However, conditioning eligibility for health coverage on satisfying a work requirement, and terminating health coverage for those who are unable to comply, could penalize the people who most need these supports. Such policies, whether administratively through waivers or through legislation, would be a fundamental change to the Medicaid program. This issue brief reviews the current status of states' Section 1115 waiver requests relating to Medicaid work requirements (see Table 2) and identifies key policy questions to consider in terms of the impact on beneficiaries, states, and other stakeholders.

State Waiver Requests Related to Work

As of March, 2017, four states (AZ, IN, KY, & PA) had formally submitted waiver requests that would have required work as a condition of eligibility, none of which have been approved to date. Arizona, Kentucky, and Pennsylvania's requests would have required a certain number of hours of work, typically 20, or another approved activity, such as job search or job training, per week, while [Indiana](#) only would have required a referral to a work search program. [Kentucky's](#) application is still pending with CMS, and [Arizona](#) is in the process of submitting its request for a second time as required by state law. Under the prior Administration, CMS did not approve [Arizona's original request](#) or the requests by Indiana or [Pennsylvania](#). [Indiana's waiver renewal](#), now pending with CMS, does not seek a work requirement. Recently, [Arkansas](#) announced that it would seek changes to its waiver, including a work requirement, but it has not yet submitted a proposal.

Three states ([IN](#), [MT](#), & [NH](#)) have a voluntary work program referral separate from their Medicaid expansion waivers. These states refer Medicaid adults covered under their waivers to voluntary state-funded work search and job training programs. [Pennsylvania](#) was going to pursue such a program under a former governor but ultimately did not. [Ohio's](#) Medicaid expansion waiver, which was denied in its entirety by CMS, also proposed such a referral, as did a Medicaid expansion proposal by [Utah](#), which was never submitted to CMS.

Key Policy Questions Related to Medicaid and Work

1. WHAT ARE THE POLICY ARGUMENTS RELATED TO WORK REQUIREMENTS?

Policy arguments for and against work requirements are grounded in views about whether Medicaid is akin to a cash welfare program or one that provides health insurance. Over the last several decades, changes in federal law can be seen as focusing the program on providing health coverage. For example, Medicaid eligibility is no longer linked to the receipt of cash assistance as it was under the former AFDC program, which was replaced by TANF. More recently, the Affordable Care Act's (ACA) Medicaid expansion sought to expand health coverage regardless of whether a person with low income fits into a certain category of people, such as pregnant women, parents, seniors, or people with disabilities. By contrast, the House manager's amendment to the AHCA would allow states to require certain Medicaid adults to participate in the list of work activities approved under TANF. Unlike Medicaid, one of the express purposes of TANF is to [“end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.”](#) Incorporating the TANF work activity provisions into Medicaid appears to revert to treating it as a cash welfare program instead of one focused on providing health insurance.

Some policymakers opposed to the ACA suggest that expansion of the Medicaid program to “able-bodied” adults disincentivizes work. Other conservatives contend that [work requirements are ineffective in health coverage programs like Medicaid](#) and could increase program costs if individuals are denied coverage for failure to comply and then seek emergency room care when they are sick. Research about the effectiveness of TANF work requirements suggests a [“tradeoff between tough work requirements and an increase in disconnected mothers who are highly likely to be in poverty. . . especially during recessions.”](#) People may be better able to fulfill work requirements when the economy is strong, but these effects may not be sustained over the long-term.

States that have sought Medicaid work requirements typically have presented them in the context of policies that require Medicaid adults to have “skin in the game” by requiring them to comply with certain program rules to receive coverage. Other policies in this vein that have been approved by CMS include premiums and healthy behavior incentive programs. Some work requirement proponents also contend that work can improve health outcomes.

Those opposed to Medicaid work requirements contend that good health is a pre-condition to work, citing people who have encountered barriers to work as a result of dental needs, chronic pain or other symptoms from untreated medical conditions and chronic illnesses. These policymakers argue that work requirements would prevent people from accessing the coverage and care needed to improve their health to the point where they can work.

2. HOW MANY MEDICAID ADULTS ALREADY ARE WORKING WITHOUT A PROGRAM REQUIREMENT?

Nearly 8 in 10 Medicaid adults are in working families, and most (59%) are working themselves without being required to do so as a condition of coverage. Medicaid adults work in low-wage jobs, and most work in industries with low offer rates for employer-sponsored insurance, such as agriculture and food service. Even when excluding SSI beneficiaries, most Medicaid adults who are not working report a major impediment in their ability to work, with 35% citing an illness or disability that prevents them from work. Others are taking care of home or family (28%), in school (18%), looking for work (8%), or retired (8%). Additionally, an analysis of Ohio's Medicaid expansion found that most expansion enrollees who were unemployed but looking for work reported that Medicaid enrollment made it easier to seek employment. Over half of expansion enrollees who were employed reported that Medicaid enrollment made it easier to continue working. Given these data and findings, Medicaid work requirements would have a narrow reach and could negatively affect those who are not working due to disability or caregiving responsibilities if they are not exempted from the requirement.

3. WHAT EFFECT WOULD ADMINISTERING A WORK REQUIREMENT HAVE ON STATES?

A Medicaid work requirement could increase administrative burdens on states. States would have to track the number of hours that each beneficiary spends completing approved activities each month to determine compliance. States' work requirement waiver proposals all include an exemptions process for certain populations, such as people who are medically frail, family caregivers, students, or victims of domestic violence. The pending House manager's amendment to the AHCA would exempt certain limited populations and increases states' federal Medicaid matching funds by 5% for state activities approved by the Secretary to implement the work requirement. These policies recognize that everyone is not able to work but also would require time and resources to implement and administer.

Conclusion

If the AHCA, including the manager's amendment authorizing Medicaid work requirements, is passed by Congress, whether and how work requirements are adopted and implemented will vary by state. If the legislation is not enacted, the Administration still might approve Medicaid work requirements in states' Section 1115 waiver applications. Under federal law, the Health and Human Services Secretary's Section 1115 waiver authority is limited to approving demonstrations that, in the Secretary's judgment, are "likely to assist in promoting the objectives" of the Medicaid program. Under the prior Administration, CMS concluded that work requirements were not related to Medicaid's objectives of increasing access to coverage and care, while the new Administration has signaled that it may reach the opposite conclusion. Conditioning Medicaid eligibility on meeting a work requirement likely would apply to a small number of people, given that most Medicaid beneficiaries who can work already are doing so. Depending on how they are implemented, work requirements could adversely affect some people, who are unable to comply due to their health, family caregiving obligations or other reasons, by preventing them from accessing needed health coverage through Medicaid.

Table 1: Work Requirement Provisions in Pending House Manager’s Amendment to American Health Care Act as of March 20, 2017

State	Year	Condition of Eligibility	Population	Proposal	Status
Any state could elect option*	As of October 1, 2017	Yes	<p><u>Includes:</u> nondisabled, nonelderly, nonpregnant Medicaid adults</p> <p><u>Excludes:</u> -pregnant women through 60-days post-partum, -children under 19 -sole parent/caretaker in family for child under age 6 or child with disability -individuals under age 20 who are married or head of household and maintain satisfactory secondary school or equivalent program attendance or participate in education directly related to employment</p>	<p>Participation for a period of time as directed by the state in work activities as approved in the TANF program:</p> <ul style="list-style-type: none"> -unsubsidized employment -subsidized private sector employment -subsidized public sector employment -work experience (including refurbishing publicly assisted housing if sufficient private section employment unavailable) -on-the-job training -job search and job readiness assistance -community service programs -vocational educational training (not to exceed 12 months per individual) -job skills training directly related to employment -education directly related to employment for those who have not received high school diploma or equivalent -satisfactory attendance at secondary school or general equivalence course for those who have not already completed -provision of child care services to individual participating in community service program 	Pending in House

NOTE: *This is an option under state Medicaid plans. However, states electing a block grant as proposed by the House manager’s amendment to the [AHCA](#) can determine conditions of Medicaid eligibility.

SOURCE: [House Manager’s Amendment \(Policy Changes\)](#), p. 4 (adding § 117) (March 20, 2017).

Table 2: Work Proposals in State Medicaid Expansion § 1115 Waiver Requests as of March 2017

State	Year	Condition of Eligibility	Population	Proposal	Status
Arizona	2015	Yes	Able-bodied expansion and traditional adults	Work, actively seek work, or attend school or job training for 20 hours/week; also proposed voluntary work incentive program for non-medically frail expansion adults	Denied by CMS
	2017	Yes	Includes able-bodied expansion and traditional adults Excludes full-time high school students, sole caregiver for family member under age 6, receiving temporary or permanent long-term disability benefits, determined physically or mentally unfit for work by health care professional	Work, actively seek work, or attend school or job training for 20 hours/week; requires monthly verification and one year lock-out for making false statement	State public comment period completed, to be submitted to CMS
Arkansas	2017	Yes	Includes expansion adults	Work requirement	Planning to submit waiver request
Indiana	2015	Yes	Includes expansion adults	Work referral	Not included as part of waiver approval by CMS – state established separate voluntary state-funded work search and job training program
Kentucky	2016	Yes – benefits suspended for failure to comply and not reinstated until compliance for full month	Includes all able-bodied working age adults Excludes children, pregnant women, medically frail, students, and primary caregivers of dependents	Volunteer work, employment, job search, job training, education, or caring for non-dependent relative or person with disabling chronic condition for 5 hours/week in year 1 and 20 hours/week in year 2	Waiver application pending with CMS

New Hampshire	2015	No	Included expansion adults	Referral to state job counseling service if unemployed	Not included as part of waiver approval by CMS
Ohio	2016	No	Included expansion and traditional adults 18 and older	Referral to work development agency if not working 20 hours/week	Waiver application denied in its entirety by CMS
Pennsylvania	2014	Yes - beginning in year 2, would lose eligibility for 3 months, then 6 months, then 9 months for noncompliance	Included expansion and traditional adults, ages 21 to 64 Exemption for those experiencing crisis, serious medical condition or temporary condition that prevents work search such as domestic violence or substance use treatment Excluded: seniors, children under 21, pregnant women, SSI beneficiaries, those in institutions, dual eligible; full and part-time students must register but do not have to complete work activities	20 hours/week of work or complete 12 job training and employment-related activities/month; Those working more than 20 hours/week could have premiums or cost-sharing reduced or other incentives beginning in year 2	Not included as part of waiver approval by CMS; Governor Corbett planned to offer incentives for Medicaid beneficiaries who chose to participate in state-funded job training and work activity program; Governor Wolf did not pursue this program
Utah	2014	No, although state was considering sanctions related to benefits under other state programs for noncompliance	Included able-bodied expansion adults	Automatic enrollment in work program with access to online assessment, job training, and job postings, upon Medicaid application	Was not seeking waiver authority for work proposal and overall waiver was never submitted to CMS
NOTE: Montana did not seek § 1115 authority for a work program as part of its Medicaid expansion waiver, but state law creates a state-funded voluntary program. SOURCE: KFF analysis of state waiver proposals.					