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Understanding the Intersection of Medicaid and Work

Rachel Garfield, Robin Rudowitz and Anthony Damico

Medicaid is the nation's public health insurance program for people with low incomes. Overall, the Medicaid program covers more than 70 million Americans, or 1 in 5, including many with complex and costly needs for care. Historically, nonelderly adults without disabilities accounted for a small share (27%) of Medicaid enrollees; however, the Affordable Care Act (ACA) has expanded coverage to nonelderly adults with income up to 138% FPL, or $16,394 for an individual in 2016. As of January 2017, 32 states have implemented the ACA Medicaid expansion. By design, the expansion extended coverage to the working poor (both parents and childless adults), most of whom do not otherwise have access to affordable coverage. With the expansion to more "able-bodied" adults, questions have arisen about tying work to eligibility.

President Trump may consider waiver proposals with a work requirement, and the Administration and leaders in Congress are considering proposals to repeal the ACA and to transform Medicaid from an entitlement program with guaranteed federal matching dollars for states to a block grant with no entitlement and capped funding. Such proposals would grant states additional flexibility to design and administer their programs and potentially include an option to allow states to impose a work requirement for Medicaid beneficiaries, which is not allowed under current law. This issue brief examines the work status of non-elderly adults without SSI enrolled in Medicaid (referred to as "Medicaid adults" throughout this brief) to understand the potential implications of work requirement proposals in Medicaid.

Key Takeaways

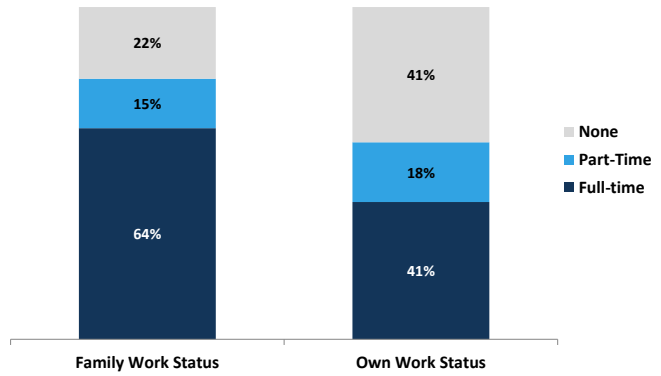
This brief provides an overview of work status of adult Medicaid enrollees and examines some of the policy proposals around tying Medicaid coverage to work.

- Among Medicaid adults (including parents and childless adults — the group targeted by the Medicaid expansion) nearly 8 in 10 live in working families, and a majority are working themselves. However, nearly half of working Medicaid enrollees are employed by small firms, and many work in industries with low ESI offer rates.
- Among the adult Medicaid enrollees who were not working, most report major impediments to their ability to work.
- Under current law, states cannot impose a work requirement as a condition of Medicaid eligibility, but some states have sought to impose a work requirement for the Medicaid expansion population through waivers; the prior administration did not approve these requests. The issue of work requirements may be re-examined by the new administration and may be debated in Congress as part of broader efforts to restructure Medicaid financing and core federal requirements.

Among adults with Medicaid coverage—those most likely to be in the workforce—nearly 8 in 10 live in working families, and a majority are working themselves. Because policies around work requirements would apply to primarily to nonelderly adults without disabilities, we focus this analysis on this group (see methods box for more detail). Data show that among the 24 million non-SSI adults (ages 19-64) enrolled in Medicaid in 2015, 6 in 10 (59%) are working themselves (Figure 1). A larger share, nearly 8 in 10 (78%), are in families with at least one worker, with nearly two-thirds (64%) with a full-time worker and another 15% with a part-time worker; one of the adults in such families may not work, often due to caregiving or other non-work responsibilities. Because states that expanded Medicaid under the ACA cover adults with family incomes at higher levels than those that did not, adults in Medicaid expansion states are more likely to be in working families or working themselves than those in non-expansion states (Table 1).

Figure 1

Work status of non-SSI, adult Medicaid enrollees, 2015



Total = 24 Million Non-Elderly Adults without SSI

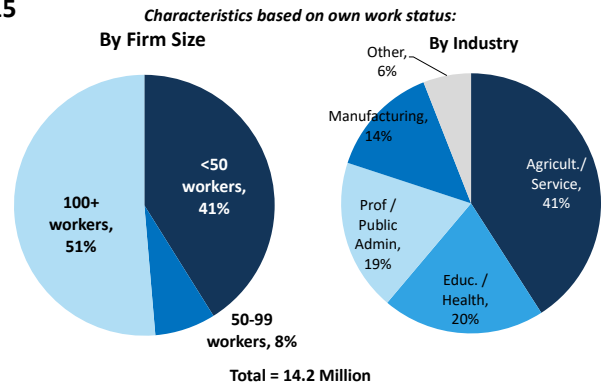
NOTE: Totals may not add due to rounding. Includes nonelderly adults who do not receive Supplemental Security Income (SSI).
SOURCE: Kaiser Family Foundation analysis of March 2016 Current Population Survey.

Most Medicaid enrollees who work are working full-time for the full year. Among adult Medicaid enrollees who work, the majority (51%) worked full-time for the entire year, and most (84%) worked at the same job for the entire year (data not shown). Many (59%) are working 40 hours a week or longer. By definition (that is, in order to meet Medicaid eligibility criteria), these individuals are working low-wage jobs. For example, an individual working full-time for the full year at the federal minimum wage would earn an annual salary of just over $15,000 a year, or about 125% of poverty, below the 138% FPL range targeted by the ACA Medicaid expansion. Among adult Medicaid enrollees who work part-time, many cite economic reasons such as inability to find full-time work (12%) or slack business conditions (12%) as the reason they work part-time versus full-time. Other major reasons are attendance at school (13%) or other family obligations (11%).

Nearly half of working adult Medicaid enrollees are employed by small firms, and many work in industries with low ESI offer rates. Working Medicaid enrollees work in firms and industries that often have limited employer-based coverage options. Four in ten workers in this group work for small firms with fewer than 50 employees that will not be subject to ACA penalties for not offering coverage (Figure 2). Further, many firms do not offer coverage to part-time workers. Four in ten workers in this group work in industries with historically low insurance rates, such as the agriculture and service industries. A closer look by specific industry shows that one-third of working Medicaid enrollees are employed in ten industries, with one in 10 enrollees working in restaurants or food services (Figure 3). The Medicaid expansion was designed to reach low-income adults left out of the employer-based system, so, it is not surprising that among those who work, most are unlikely to have access to health coverage through a job.

Figure 2

Work characteristics of working adult Medicaid enrollees, 2015



Notes: Data may not sum to 100% due to rounding. Includes nonelderly adults who do not receive Supplemental Security Income (SSI). Industry classifications: Agricult./Service includes agriculture, construction, leisure and hospitality services, wholesale and retail trade. Educ./Health includes education and health services. Prof/Public Admin includes finance, professional and business services, information, and public administration. Manufacturing includes mining, manufacturing, utilities, and transportation.
SOURCE: Kaiser Family Foundation analysis of March 2016 Current Population Survey.

Figure 3

Industries with largest number of workers covered by Medicaid, 2015

Industry	Number of Adult Workers with Medicaid
Restaurant and food services	1,399,000
Construction	956,000
Elementary and secondary schools	397,000
Hospitals	383,000
Grocery stores	367,000
Home health care services	329,000
Department stores and discount stores	311,000
Services to buildings and dwellings	255,000
Child day care services	253,000
Nursing care facilities	247,000
Total for Listed Industries (34% of adult Medicaid enrollees who are workers)	4,897,000

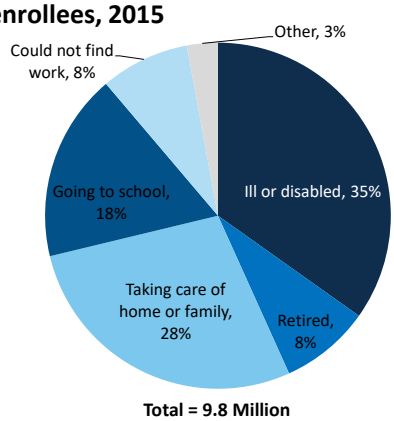
NOTE: Includes nonelderly adults who do not receive Supplemental Security Income (SSI).
SOURCE: Kaiser Family Foundation analysis of March 2016 Current Population Survey.

Research shows that Medicaid expansion has not negatively affected labor market participation, and some research indicates that Medicaid coverage supports work. A comprehensive review of research on the ACA Medicaid expansion found that there is no significant negative effect of the ACA Medicaid expansion on employment rates and other measures of employment and employee behavior (such as transitions from employment to non-employment, the rate of job switches, transitions from full- to part-time employment, labor force participation, and usual hours worked per week). In addition, focus groups, state studies, and anecdotal reports highlight examples of Medicaid coverage supporting work and helping enrollees transition into new careers. For example, individuals have reported that receiving medication for conditions like asthma or rheumatoid arthritis through Medicaid is critical in supporting their ability to work.

Among the adult Medicaid enrollees who were not working, most report major impediments to their ability to work. Even though individuals qualifying for Medicaid on the basis of a disability through SSI were excluded from this group, more than one-third of those not working reported that illness or disability was the primary reason for not working. Another 28% reported that they were taking care of home or family; 18% were in school; 8% were looking for work and another 8% were retired (Figure 4). Women accounted for 62% of Medicaid enrollees who were not working in 2015.

Figure 4

Main reasons for not working among non-SSI, adult Medicaid enrollees, 2015



NOTE: Includes nonelderly adults who do not receive Supplemental Security Income (SSI).
SOURCE: Kaiser Family Foundation analysis of March 2016 Current Population Survey.

Under current law, states cannot impose a work requirement as a condition of Medicaid eligibility. As with other core requirements, the Medicaid statute sets minimum eligibility standards, and states are able to expand coverage beyond these minimum levels. Prior to the ACA, individuals had to meet not only income and resource requirements but also categorical requirements to be eligible for the program. These categorical requirements provided coverage pathways for adults who were pregnant women or parents as well as individuals with disabilities, but other adults without dependent children were largely excluded from

coverage. The ACA was designed to fill in gaps in coverage and effectively eliminate these categorical eligibility requirements by establishing a uniform income threshold for most adults. All states have expanded coverage for children and individuals with disabilities, most states have expanded coverage for pregnant women, and 32 states have adopted the Medicaid expansion coverage. While states can expand coverage, they are not allowed to impose other eligibility requirements that are not in the law.

Some states have proposed tying Medicaid eligibility to work requirements using waiver authority. Under Section 1115 of the Social Security Act, the Secretary of HHS can waive certain provisions of Medicaid as long as the Secretary determines that the initiative is a "research and demonstration project" that "furthers the purposes" of the program. In implementing the ACA Medicaid expansion, a number of states considered proposals to impose a work requirement including Arizona, Indiana, Montana, New Hampshire and Pennsylvania. The Obama administration did not approve waivers that would condition Medicaid eligibility on work on the grounds that they did not meet the waiver test to further the purpose of the program which is to provide health coverage. Montana and Indiana offer voluntary state-funded work referral programs for their waiver populations and have experienced low participation to date. Notably, the Indiana waiver extension request that was submitted to CMS on January 31, 2017, did not include a request for a work requirement in HIP 2.0.

With the expansion of coverage under the ACA to more "able-bodied" adults, the issue of work requirements may be re-examined by the new administration and may be debated in Congress; however, the potential impact of these programs is unclear. Kentucky has a waiver pending that would transition its current Medicaid expansion from a state plan amendment to a waiver. Among other changes, the waiver would require up to 20 hours per month of employment activities as a condition of eligibility for most adults. Failure to meet the required work hours would result in suspended benefits until the person complies for a full month. Other states may also seek such requirements through waivers requests. By design, the expansion extended coverage to the working poor, most of whom do not otherwise have access to affordable coverage. Given that almost 8 in 10 adult Medicaid enrollees are in a working family and six in ten are already working themselves, work requirements would have a narrow reach and could negatively affect those who are not working due to impediments such as illness and care-giving responsibilities.

Methods

This analysis is based on Kaiser Family Foundation analysis of the March 2016 Current Population Survey (CPS), which reflects health insurance coverage in 2015. We included nonelderly adults (age 19-64) who indicated that they had Medicaid at some point during the year. We excluded people who indicated that they received Supplemental Security Income (SSI) during the year. To match timing of work variables to health insurance coverage, we used measures of work status throughout 2015. Individuals who worked at any point in 2015 were classified as "working."

Rachel Garfield and Robin Rudowitz are with the Kaiser Family Foundation. Anthony Damico is an independent consultant to the Kaiser Family Foundation.

Table 1: Family and Own Work Status of Non-SSI, Nonelderly Adult Medicaid Enrollees, 2015		
State	**Share in Working Family**	**Share Working Themselves**
Expansion states (median)	**81%**	**62%**
Alaska	83%	66%
Arizona	81%	62%
Arkansas	76%	56%
California	81%	61%
Colorado	88%	67%
Connecticut	87%	65%
Delaware	83%	60%
DC	71%	57%
Hawaii	79%	61%
Illinois	79%	59%
Indiana	79%	63%
Iowa	91%	73%
Kentucky	66%	51%
Maryland	81%	63%
Massachusetts	82%	65%
Michigan	70%	53%
Minnesota	85%	73%
Nevada	86%	65%
New Hampshire	74%	60%
New Jersey	83%	62%
New Mexico	80%	63%
New York	81%	59%
North Dakota	80%	71%
Ohio	81%	66%
Oregon	82%	66%
Pennsylvania	72%	55%
Rhode Island	79%	62%
Vermont	77%	68%
Washington	87%	70%
West Virginia	70%	56%
Non-expansion states (median)	**73%**	**58%**
Alabama	59%	39%
Florida	73%	52%
Georgia	69%	48%
Idaho	81%	64%
Kansas	78%	64%
Louisiana*	70%	52%
Maine	83%	61%
Mississippi	65%	46%
Missouri	69%	59%
Montana*	77%	60%
Nebraska	66%	58%
North Carolina	74%	48%
Oklahoma	71%	56%
South Carolina	75%	59%
South Dakota	67%	54%
Tennessee	71%	50%
Texas	73%	49%
Utah	79%	58%
Virginia	79%	60%
Wisconsin	81%	61%
Wyoming	83%	71%

Note: Louisiana and Montana expanded Medicaid in 2016. Because these data are for 2015, they are classified as non-expansion states in this analysis.
Source: Kaiser Family Foundation analysis of March 2016 Current Population Survey.