

Medicaid Work Requirements: Challenges and Alternatives

ISSUE BRIEF

JANUARY 2019

West Virginia is one of the poorest states in the nation, and West Virginians face some of the highest rates of illness and disability. Among the few bright spots are public-funded programs like Medicaid and the Children's Health Insurance Program (CHIP). The number of uninsured West Virginians has plummeted since the state's expansion of Medicaid in 2014 under the Affordable Care Act (ACA). Today, almost a third of West Virginians are covered by Medicaid, with most of the cost paid by the federal government.

However, various efforts to transform the Medicaid program threaten the impressive progress West Virginia has made. Most recently, the federal government began allowing states to require people to work in order to receive Medicaid coverage. This issue brief summarizes the findings of a recent study by Dr. Simon Haeder, PhD, MPA, on the likely impact of such work requirements in West Virginia.¹ The brief also proposes more effective ways to improve the state's workforce participation without jeopardizing people's health.

The Challenges of Work Requirements

Proponents of work requirements for public benefits say this approach provides people a way out of poverty and government a way to prioritize scarce resources. Yet research on such requirements has raised questions about their effectiveness.

For example, Temporary Assistance for Needy Families (TANF) includes both work requirements and a lifetime limit on benefits. Although TANF

caseloads dropped sharply after the program was implemented in 1996, researchers have found only modest work participation among TANF beneficiaries. Those who are subject to work requirements typically land in entry-level, low-paying jobs. Few have transitioned to better-paying jobs over time, and most continue to struggle with meeting basic needs.

Implementing work requirements for Medicaid is challenging on multiple levels:

- Many beneficiaries are in poor health or have limited education or job skills. They often lack the phone, internet access and transportation needed to secure a job or they live in an area where jobs are scarce.
- State government would need to develop and implement the work requirements, define and process exemptions, determine sanctions, upgrade data systems and monitor compliance for thousands of individuals.
- People who fail to meet the work requirements or submit their paperwork would risk losing their Medicaid coverage. For many individuals and their families, this would lead to poorer health and deeper poverty.
- The state, in turn, would lose federal funds, and uncompensated care costs would rise. This would threaten the viability of health care providers, particularly in rural areas, and adversely affect the state's economy.

¹ Haeder, Simon. *Making Medicaid Work in the Mountain State? An Assessment of the Effect of Work Requirements for Medicaid Beneficiaries in West Virginia*. Rockefeller School of Policy and Politics, Department of Political Science, West Virginia University (2018). Full report available online at https://researchrepository.wvu.edu/cgi/viewcontent.cgi?article=1813&context=faculty_publications

Medicaid Work Requirements in Other States

The federal Centers for Medicare and Medicaid Services (CMS) has received more than a dozen “1115 waiver” requests to implement work requirements, which can include both paid and volunteer work. To date, CMS has approved waiver requests for a number of states including Kentucky, Arkansas, Indiana, and New Hampshire. The only one currently in place is in Arkansas.

West Virginia has not moved to include work requirements in a potential 1115 waiver. However, the state’s Department of Health and Human Resources has previously expressed interest in doing so. Congress could also impose work requirements, leaving states no choice but to implement them.

Implications for West Virginia

Haeder’s study examined the likely impact of Medicaid work requirements if implemented in West Virginia. The 1115 waiver from neighboring Kentucky serves as a reasonable example of what a West Virginia waiver could look like. The two states are similar in terms of their economies, politics, demographics, and culture. Both have expanded their Medicaid program and rely on the federal government for their ACA insurance marketplace.

The study was based on data from the U.S. Census Bureau’s 2016 American Community Survey. The parameters used for the analysis required Medicaid beneficiaries to work or fulfill certain “community engagement” requirements for at least 80 hours per month. People receiving SSI or Social Security would not be subject to the requirements.

The key findings of the study include the following:

1. About 200,000 Medicaid beneficiaries, ages 18-64, would be subject to work requirements. Of these, over half are people who already satisfy the requirements through jobs that are at least half-time or as full-time students or primary caregivers.

FIGURE 1: Projected Impact of Medical Work Requirements for West Virginia beneficiaries, ages 18-64, 80 hours/month	
# of non-elderly adults receiving Medicaid	280,000
Less # of people who are exempt due to disability and are receiving SSI or Social Security	(79,000)
# subject to work requirements (non-exempt)	201,000
Less # of non-exempt adults who are full-time students or primary caregivers of minors or of individuals receiving SSI	(70,000)
Less # of non-exempt adults who are working and in compliance with work requirements	(36,000)
# of non-exempt adults who would be immediately impacted by work requirements (including 17,000 who are working, but not enough hours to meet the work requirements)	95,000

2. The remaining 95,000 people would be immediately impacted by the work requirements. These include 78,000 who are unemployed and 17,000 who are working part-time, but not enough hours to comply with the requirements. (See Figure 1.)
3. People who would be subject to work requirements face formidable barriers to employment. Among the 78,000 beneficiaries who are currently unemployed, nearly three-quarters (72 percent) experience one or more barriers, including the following:
 - Serious health limitations in physical activity, cognitive abilities, vision and/or hearing
 - Less than a high school education
 - No access to a vehicle
 - No household phone access
 - No household internet access

4. Finding jobs, paid or volunteer, for 95,000 unemployed and underemployed beneficiaries would be daunting. Many counties have consistently high rates of unemployment. Thirty-three of the state's 55 counties are in Labor Surplus Areas, defined by the U.S. Department of Labor as having an annual unemployment rate at least 20 percent higher than the national average. (See Figure 2.)
5. State government would need to make significant upgrades to its Medicaid data systems. Given experiences with the Affordable Care Act, these would likely run in the tens of millions of dollars.
6. State workers would have to spend a substantial amount of time tracking work requirement compliance and exemptions. For example, it would take an estimated 30 full-time staff an entire year to process just the initial exemptions for the 70,000 people who would qualify as full-time students or caregivers. The time needed to monitor compliance and apply sanctions would be even greater.
7. Beneficiaries who meet the work requirements can still lose their Medicaid coverage over paperwork. Researchers estimate that about 80 percent of the people who lose their coverage will be individuals who met the requirements, but did not submit documentation of their hours worked or their exemptions.²
8. While crucial for individuals, Medicaid also serves as the backbone of the health care infrastructure in the state, including hospitals, Federally Qualified Health Centers, Rural Health Clinics and other major health systems. Any changes that limit Medicaid enrollment or reimbursement are likely to have significant detrimental effects on the overall health of West Virginians, as well as the state's economy.



² Kaiser Family Foundation (2018). "Implications of a National Medicaid Work Requirement: National Estimates of Potential Coverage Losses." <https://www.kff.org/medicaid/issue-brief/implications-of-a-medicare-work-requirement-national-estimates-of-potential-coverage-losses/>

Better Approaches to Increasing Workforce Participation

Medicaid work requirements in West Virginia would pose dangerous risks to beneficiaries, health care providers and the state's economy, according to Haeder's study. Sanctioning beneficiaries by taking away their health coverage runs counter to the goal of transitioning people into stable employment. Excessive paperwork would lead to many eligible beneficiaries being dropped. Furthermore, the track record for work requirements in other public programs is dismal in terms of moving people out of poverty.

At the same time, a robust workforce is essential to the future of our people and our state. A more fruitful way to increase workforce participation and protect the health of West Virginians would be through policies that increase health coverage, reduce costs and support working families. Examples include the following:

- **Boost coverage under the ACA.**
The loss of health coverage is a major deterrent for many Medicaid beneficiaries who want return to work or increase their hours. Although many would be eligible for subsidies through the ACA insurance marketplace, they may be unaware of their options or intimidated by the enrollment process. In 2018, only 28 percent of eligible West Virginians were enrolled in federally subsidized ACA health plans, compared to the national average of 48 percent.³ The state could conduct its own outreach and enrollment campaign to reverse this trend and ensure health coverage for more workers and their families.
- **Address the high cost of prescription drugs.**
The lack of affordable medications is another barrier to employment, especially among people who have chronic conditions.

Across the country, states are pursuing laws and policies to address the problem. Examples include implementing wholesale drug importation programs, increasing pharmaceutical pricing transparency and regulating pharmacy benefit managers.⁴

- **Expand child care assistance.**
Since most families need child care to participate in the workforce, it is imperative that it is affordable. The average annual cost for an infant in a full-time child care center in West Virginia is \$8,320. For a single parent earning the minimum wage, this would be almost half of the family's pre-tax annual income.⁵ By expanding access to affordable quality child care, West Virginia could boost workforce participation, improve child outcomes and help businesses be more successful.
- **Adopt a State Earned Income Tax Credit (EITC).**
A West Virginia EITC would build on the positive aspects of the federal EITC, which include alleviating poverty, improving the workforce and increasing tax fairness. A state EITC set at 15 percent of the federal credit would put an estimated \$47 million annually into the pockets of about 141,000 working households. Twenty-nine other states have already adopted a state EITC.⁶
- **Guarantee paid sick days for all workers.**
Nearly half of West Virginia's private sector workers lack paid sick days. Access to paid sick leave is crucial to reducing the spread of illness, avoiding productivity loss, reducing workplace injuries and supporting caregivers. A total of 42 jurisdictions in the United States – including 10 states – have enacted paid sick day laws.⁷

³ Kaiser Family Foundation (2018). "Marketplace Enrollees Receiving Financial Assistance as a Share of the Subsidy-Eligible Population." <https://www.kff.org/health-reform/state-indicator/marketplace-enrollees-eligible-for-financial-assistance-as-a-share-of-subsidy-eligible-population/>

⁴ National Academy for State Health Policy (2018). "As State Legislatures Convene, Lawmakers Quickly Submit Bills to Curb Prescription Prices." <https://nashp.org/as-state-legislatures-convene-lawmakers-quickly-submit-bills-to-curb-prescription-prices/>

⁵ WV Center on Budget and Policy (2018). Strengthening West Virginia Families: Seven Policies to Build Shared Prosperity, page 18. <https://wvpolicy.org/strengthening-west-virginia-families/>

⁶ WV Center on Budget and Policy, page 11

⁷ WV Center on Budget and Policy, page 20-21.