



## **Work Requirements: A One-Way Ticket to the Coverage Gap** **An analysis of the incompatibility of work requirements with income eligibility levels in Medicaid non-expansion states**

### **Introduction**

The Department of Health and Human Services (HHS) and Centers for Medicare & Medicaid Services (CMS) recently published a letter to state Medicaid directors announcing they will allow work requirements in Medicaid. The announcement marks an unprecedented departure from the goals of the program, as HHS had historically always rejected Section 1115 Medicaid waiver applications (“1115 waivers”) with work requirements out of the belief that they do not promote Medicaid’s objectives.<sup>1</sup>

In anticipation of this policy change, 11 states have submitted 1115 waivers to CMS containing work requirements: Arizona, Arkansas, Indiana, Kansas, Kentucky, Maine, Mississippi, New Hampshire, North Carolina, Utah, and Wisconsin, with four (Kansas, Mississippi, Utah and Wisconsin) proposing them on the “traditional” Medicaid populations, as these states have not yet fully expanded Medicaid.<sup>2</sup> Additionally, other non-expansion states are considering work requirement legislation in their upcoming legislative sessions.<sup>3</sup>

### **Analysis and Conclusion**

Since most Medicaid non-expansion states have very low FPL levels for income eligibility limits, we conducted an analysis to examine whether it’s even possible for parents in these states to meet both the income eligibility and work requirements and still be eligible for Medicaid. Our analysis found that if a parent is the only income-earner in a household of two, he or she would remain eligible for Medicaid **in only 6 states** - Nebraska, South Carolina, Tennessee, Utah, Wisconsin and Wyoming - if he or she also complied with a 20-hour per week work requirement

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<sup>1</sup> Kaiser Family Foundation: *Section 1115 Medicaid Expansion Waivers: A Look at Key Themes and State Specific Provisions*; August 16, 2017, <https://www.kff.org/report-section/section-1115-medicaid-expansion-waivers-a-look-at-key-themes-appendix/#table4>

<sup>2</sup> Kaiser Family Foundation: *Section 1115 Medicaid Demonstration Waivers: A Look at the Current Landscape of Approved and Pending Waivers*; September 13, 2017, <https://www.kff.org/medicaid/issue-brief/section-1115-medicaid-demonstration-waivers-a-look-at-the-current-landscape-of-approved-and-pending-waivers/>. Kaiser Family Foundation: *Proposed Medicaid 1115 Waivers in Maine and Wisconsin*; August 16, 2017, <https://www.kff.org/medicaid/issue-brief/proposed-medicaid-section-1115-waivers-in-maine-and-wisconsin/>

<sup>3</sup> Virginia Legislature, House Bill No. 338, *A Bill to require the Secretary of Health and Human Resources to apply for a waiver to implement a work requirement for able-bodied adult recipients of medical assistance services*, <http://lis.virginia.gov/cgi-bin/legp604.exe?181+ful+HB338>. See also, Dana Ferguson, *Gov. Daugaard to seek work requirement for Medicaid recipients*, Sioux Falls Argus Leader, January 9, 2018, <http://www.argusleader.com/story/news/politics/2018/01/09/gov-daugaard-seek-work-requirement-medicaid-recipients/1015099001/>

in a minimum wage position.<sup>4</sup> If a household of four has two minimum wage earners, households **in only 3 states** - South Carolina, Tennessee and Wisconsin - would be able to meet both requirements.

Not only will work requirements in these states make those required to comply with them ineligible for Medicaid, they will also likely leave these individuals without *any* coverage options. First, minimum wage jobs are more likely to be with employers who don't offer health coverage.<sup>5</sup> Secondly, individuals working 20 hours per week and earning minimum wage do not make enough to reach 100% FPL, and therefore are not eligible for financial assistance on the Affordable Care Act's marketplaces. Therefore, for Medicaid-eligible individuals in non-expansion states, imposing work requirements represents a one-way ticket to being in the coverage gap and uninsured.

The catch-22 that work requirements in Medicaid non-expansion states place applicants in can be added to the growing list of reasons why work requirements are unworkable in Medicaid overall. Work requirements in other programs such as TANF have historically not been shown to help individuals gain or maintain employment, while they have proven to be administratively burdensome for states to administer and for beneficiaries to comply with. Rather than help low-income individuals find work, work requirements will merely place barriers between individuals and their health care. Additionally, as this analysis shows, by causing those who comply with the requirement to be ineligible for both Medicaid and the marketplaces, work requirements will leave these individuals with virtually no coverage options, which will make it harder for them to stay healthy, and therefore make it harder for them to work.

## Methodology

There are two charts below. The first analyzes whether: 1) a parent in a family of two in a Medicaid non-expansion state earning minimum wage could continue to remain eligible based on income while also meeting a hypothetical 20-hour per week work requirement,<sup>6</sup> as well as how many hours per week a parent could work in a minimum wage position before losing Medicaid eligibility. The second chart performs the same analysis for a household of four, with two parents/adults earning minimum wage. Both charts calculate the annual income of households

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<sup>4</sup> All work requirement proposals in 1115 waivers submitted thus far are a 20-hour per week minimum with the exception of Indiana and New Hampshire, which seek to impose minimum work hours on enrollees based on length of enrollment.

<sup>5</sup> According to Kaiser Family Foundation, only 30% of households with incomes below 100% FPL received an offer of employer-sponsored insurance compared to almost 80% of households with incomes above 400% FPL. See Kaiser Family Foundation: *Trends in Employer-Sponsored Insurance Offer and Coverage Rates: 1999-2014*; March 2016, <https://www.kff.org/private-insurance/issue-brief/trends-in-employer-sponsored-insurance-offer-and-coverage-rates-1999-2014/>

earning minimum wage while meeting a 20-hour per week work requirement and compare it to the respective maximum annual income for Medicaid eligibility in a state. It's also worth noting that while some states seek work requirements for the Medicaid expansion population, this analysis only focuses on the impact of work requirements in non-expansion states.

<b>Could a family of 2 earning min. wage remain eligible for Medicaid if meeting a work requirement?</b>						
<b>State<sup>7</sup></b>	<b><u>Medicaid Eligibility Level for Parents</u></b>	<b><u>Annual Income for Family of 2</u></b> (100% FPL = \$16,460 in 2018)	<b><u>Minimum Wage</u></b> (Federal minimum wage = \$7.25)	<b>Annual income if 1 household member meets work requirement of 20 hours per week (min.) on min. wage</b>	<b>Eligible for Medicaid if meeting if working 20 hours per week?</b>	<b>How many hours per week could a parent work before losing eligibility?</b>
Alabama	18% FPL	\$2963	No state law - federal min wage law applies (\$7.25)	\$7540	No	7.5
Florida	33% FPL	\$5432	\$8.10	\$8424	No	12.5
Georgia	37% FPL	\$6090	\$5.15 - (\$7.25 - federal min wage law applies when state min wage law is lower)	\$7540	No	16
Idaho	26% FPL	\$4280	\$7.25	\$7540	No	11

<sup>7</sup> Bolded rows indicate parents in the state who could maintain eligibility for Medicaid while also complying with a 20-hour per week work requirement.

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Kansas	38% FPL	\$6255	\$7.25	\$7540	No	16.5
Mississippi	27% FPL	\$4444	No state law (\$7.25)	\$7540	No	11.5
Missouri	22% FPL	\$3621	\$7.70	\$8008	No	9
Nebraska	63% FPL	\$10,370	\$9.00	\$9360	Yes	22
North Carolina	44% FPL	\$7242	\$7.25	\$7540	No	19
Oklahoma	44% FPL	\$7242	\$7.25	\$7540	No	19
South Carolina	67% FPL	\$11,028	No state law (\$7.25)	\$7540	Yes	29
South Dakota	51%	\$8395	\$8.65	\$8996	No	18.5
Tennessee	99% FPL	\$16,295	No state law (\$7.25)	\$7540	Yes	43
Texas	18% FPL	\$2963	\$7.25	\$7540	No	7.5
Utah	60% FPL	\$9876	\$7.25	\$7540	Yes	26
Virginia	38% FPL	\$6255	\$7.25	\$7540	No	16.5
Wisconsin	100% FPL	\$16,460	\$7.25	\$7540	Yes	43.5
Wyoming	56% FPL	\$9218	\$5.15 - (\$7.25)	\$7540	Yes	24

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<b>Could a family of 4 with 2 min. wage earners remain eligible if meeting a work requirement?</b>						
<b>State</b>	<b><u>Medicaid Eligibility Level for Parents</u></b>	<b>Annual Income Eligibility for Family of 4 - (100% FPL = \$25,100 in 2018)</b>	<b><u>Minimum Wage</u></b> (Federal minimum wage = \$7.25)	<b>Annual income if 2 household members meet work requirement of 20 hours per week (min.) on min. wage</b>	<b>Eligible for Medicaid if working 20 hours per week?</b>	<b>How many hours per week could 2 earners work before losing eligibility?</b>
Alabama	18% FPL	\$4,518	No state law - federal min wage law applies (\$7.25)	\$15,080	No	11.5
Florida	33% FPL	\$8,283	\$8.10	\$16,848	No	19.5
Georgia	37% FPL	\$9,287	\$5.15 - (\$7.25 - federal min wage law applies when state min wage law is lower)	\$15,080	No	24.5
Idaho	26% FPL	\$6,526	\$7.25	\$15,080	No	17
Kansas	38% FPL	\$9,538	\$7.25	\$15,080	No	25
Mississippi	27% FPL	\$6,777	No state law (\$7.25)	\$15,080	No	17.5
Missouri	22% FPL	\$5,522	\$7.70	\$16,016	No	13.5
Nebraska	63% FPL	\$15,813	\$9.00	\$18,720	No	33

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North Carolina	44% FPL	\$11,044	\$7.25	\$15,080	No	29
Oklahoma	44% FPL	\$11,044	\$7.25	\$15,080	No	29
South Carolina	67% FPL	\$16,817	No state law (\$7.25)	\$15,080	Yes	44.5
South Dakota	51%	\$12,801	\$8.65	\$17,992	No	28
Tennessee	99% FPL	\$24,849	No state law (\$7.25)	\$15,080	Yes	65.5
Texas	18% FPL	\$4,518	\$7.25	\$15,080	No	11.5
Utah	60% FPL	\$15,060	\$7.25	\$15,080	No	39.5
Virginia	38% FPL	\$9,538	\$7.25	\$15,080	No	25
Wisconsin	100% FPL	\$25,100	\$7.25	\$15,080	Yes	66.5
Wyoming	56% FPL	\$14,056	\$5.15 (\$7.25)	\$15,080	No	37

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