

## **Medicaid Work Reporting Requirements: A One-Way Ticket to the Coverage Gap** **An analysis of the incompatibility of work reporting 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) published a letter to state Medicaid directors (SMD letter) in January 2018 announcing they will allow states to apply for Medicaid Section 1115 waivers (1115 waivers) seeking work reporting requirements, defined as the requirement to report work or work-like activities to attain or maintain Medicaid eligibility.<sup>1</sup> The announcement marked an unprecedented departure from the goals of the program, as HHS had historically always rejected 1115 waivers with work reporting requirements out of the belief that they do not promote Medicaid's objectives.<sup>2</sup>

As of March 2019, 17 states have submitted 1115 waivers to CMS seeking Medicaid work reporting requirements.<sup>3</sup> Ten of these states have received approval<sup>4</sup> and they are all states without a "coverage gap," defined as the income-eligibility gap between the state Medicaid program's income eligibility level and 100% FPL, which is the level at which individuals can receive financial assistance through the Affordable Care Act's marketplaces. Of the remaining six states awaiting approval, five of them are from non-expansion states and four have a significant coverage gap.<sup>5</sup> Only Kansas's 1115 waiver<sup>6</sup> has been rejected, and since it's a non-expansion state with a coverage gap, the rejection will ideally become the precedent for the remaining non-expansion states with coverage gaps and pending waivers.

Since several Medicaid non-expansion states with coverage gaps are seeking to impose work reporting requirements, we conducted an analysis to examine whether it is possible for parents in these states to meet both the income eligibility and work reporting requirements and still be eligible for Medicaid.

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<sup>1</sup> Centers for Medicare & Medicaid Services, *SMD: 18-002 Re: Opportunities to Promote Work and Community Engagement among Medicaid Beneficiaries*, January 11, 2018, <https://www.medicaid.gov/federal-policy-guidance/downloads/smd18002.pdf>

<sup>2</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>3</sup> Alabama, Arizona, Arkansas, Indiana, Kansas, Kentucky, Maine, Michigan, Mississippi, New Hampshire, Ohio, Oklahoma, South Dakota, Tennessee, Utah, Virginia and Wisconsin.

<sup>4</sup> Arizona, Arkansas, Indiana, Kentucky, Maine, Michigan, New Hampshire, Ohio, Utah and Wisconsin. Maine's 1115 waiver seeking work reporting requirements was submitted while Governor Paul LePage was in office but approved in December 2018, after Governor Janet Mills was elected. Governor Mills declined to accept the terms and conditions of the waiver in January 2019, so the work reporting requirements will not be implemented. See MaineCare Demonstration Approval Response Letter, January 22, 2019, <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/me/mainecare/me-mainecare-approval-reponse-ltr-01222019.pdf>

<sup>5</sup> Alabama, Mississippi, Oklahoma, South Dakota, Tennessee and Virginia are the states with pending waivers. Of those six, all except for Virginia are non-expansion states, and of the five non-expansion states, all except for Tennessee have coverage gaps.

<sup>6</sup> See KanCare Demonstration Approval Letter, December 18, 2018, <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ks/ks-kancare-ca.pdf>

## Methodology

We conducted an analysis looking at the income eligibility of parents in Medicaid non-expansion states. Our analysis is based on the following assumptions: (1) parent is earning minimum wage and (2) parent is meeting a hypothetical 20-hour per week work reporting requirement.<sup>7</sup> We calculated the annual income of households earning minimum wage while meeting a 20-hour per week work reporting requirement and compared it to the respective maximum annual income for Medicaid eligibility in a state. We also calculated how many hours per week a parent could work in a minimum wage job before losing Medicaid eligibility. We did this analysis for a family of two and for a family of four. It is worth noting that while some states are seeking, or have received, approval to impose work reporting requirements on the Medicaid expansion population, this analysis only focuses on the impact of work reporting requirements on the “traditional” parent/caretaker populations in non-expansion states.<sup>8</sup>

## Analysis

We present our findings in two tables below: Table 1 presents income eligibility for a family of two and Table 2 presents income eligibility for a family of four. Our analysis found that if a parent is the only income-earner in a household of two, they would remain eligible for Medicaid *in only 6 of the 17 non-expansion states*<sup>9</sup> - Nebraska, South Carolina, Tennessee, Utah, Wisconsin and Wyoming - if they also complied with a 20-hour per week work reporting requirement in a minimum wage position. If a household of four has two minimum wage earners, parents *in only 4 states* - South Carolina, Tennessee, Utah and Wisconsin - would be able to meet both requirements.

## Implications

Not only will work reporting 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, employers at minimum wage jobs are less likely to offer health coverage.<sup>10</sup> Secondly, most 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, work reporting 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.

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<sup>7</sup> All work reporting requirement proposals submitted thus far are a 20-hour per week requirement with the exceptions of Indiana, and New Hampshire and Virginia. New Hampshire’s work reporting requirement is a 25-hour per week minimum, while Indiana and Virginia impose graduated hours based on length of enrollment.

<sup>8</sup> Wisconsin has an 1115 waiver to cover both childless adults and parents/caretakers.

<sup>9</sup> While Idaho, Nebraska and Utah all passed ballot initiatives to expand Medicaid in November 2018, as of this writing these states have not implemented expansion yet, and so this analysis still categorizes them as “non-expansion states.”

<sup>10</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/>

## Conclusion

Work reporting requirements in most Medicaid non-expansion states will place individuals and families in a “catch-22,” in which they will lose eligibility for Medicaid for both complying and not complying with them. This harmful and unfair position can be added to the growing list of reasons why work reporting requirements are unworkable in Medicaid overall. Work reporting requirements in other programs such as Temporary Assistance for Needy Families (TANF) have historically been shown not to help individuals gain or maintain employment.<sup>11</sup> Additionally, they have proven to be administratively burdensome for beneficiaries to comply with<sup>12</sup> and states to administer.<sup>13</sup> Rather than help low-income individuals find work, work reporting 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 reporting requirements will leave these individuals without any way to access coverage. **For the vast majority of Medicaid-eligible individuals in non-expansion states, therefore, imposing work reporting requirements represents a one-way ticket to being in the coverage gap and uninsured.**

### AUTHORED BY

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<sup>11</sup> Center on Budget and Policy Priorities; *Policy Basics: An Introduction to TANF*, June 2016, <https://www.cbpp.org/research/policy-basics-an-introduction-to-tanf>

<sup>12</sup> Kimberly Leonard, *Arkansas Medicaid rolls fall by 18,000 after 7 months of work reporting requirements*, The Washington Examiner, January 15, 2019, <https://www.washingtonexaminer.com/policy/healthcare/arkansas-medicaid-rolls-fall-by-18-000-after-7-months-of-work-requirements>

<sup>13</sup> Rachelle Brill, *Think Medicaid Work reporting requirements Will Save Money? Think Again*, Community Catalyst, April 3, 2018, <https://www.communitycatalyst.org/blog/think-medicaid-work-requirements-will-save-money-think-again#.XH2ZiMBKh0w>

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<b>Could a family of 2 earning min. wage remain eligible for Medicaid if meeting a work reporting requirement?</b>						
<b>State<sup>14</sup></b>	<b><u>Medicaid Income-Eligibility Level for Parents</u></b>	<b><u>Income-eligibility level as dollar amount</u></b> (100% FPL = \$16,910 in 2019)	<b><u>Minimum Wage</u></b> (Federal minimum wage = \$7.25)	<b>Annual income if 1 household member meets work reporting 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	\$3,044	No state law - federal min. wage law applies (\$7.25)	\$7,540	No	8
Florida	33% FPL	\$5,580	\$8.46	\$8,798	No	12.5
Georgia	36% FPL	\$6,088	\$7.25 (state min. wage is \$5.15 but federal min. wage law applies to most employers when state min. wage law is lower)	\$7,540	No	16
Idaho	26% FPL	\$4,397	\$7.25	\$7,540	No	11.5
Kansas	38% FPL	\$6,426	\$7.25	\$7,540	No	17
Mississippi	27% FPL	\$4,566	No state law (\$7.25)	\$7,540	No	12

<sup>14</sup> Bolded rows indicate states where parents could maintain eligibility for Medicaid while also complying with a 20-hour per week work reporting requirement.

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State	<u>Medicaid Income-Eligibility Level for Parents</u>	<u>Income-eligibility level as dollar amount</u> (100% FPL = \$16,910 in 2019)	<u>Minimum Wage</u> (Federal minimum wage = \$7.25)	Annual income if 1 member of a 2-person household meets work reporting requirement of 20 hours per week (min.) on min. wage	Eligible for Medicaid if meeting if working 20 hours per week?	How many hours per week could a parent work before losing eligibility?
Missouri	22% FPL	\$3,720	\$8.60	\$8,944	No	8
Nebraska	<b>63% FPL</b>	<b>\$10,653</b>	<b>\$9.00</b>	<b>\$9,360</b>	<b>Yes</b>	<b>22.5</b>
North Carolina	43% FPL	\$7,271	\$7.25	\$7,540	No	19
Oklahoma	43% FPL	\$7,271	\$7.25	\$7,540	No	19
South Carolina	<b>67% FPL</b>	<b>\$11,330</b>	No state law (\$7.25)	<b>\$7,540</b>	<b>Yes</b>	<b>30</b>
South Dakota	50%	\$8,455	\$9.10	\$9,464	No	17.5
Tennessee	<b>98% FPL</b>	<b>\$16,572</b>	No state law (\$7.25)	<b>\$7,540</b>	<b>Yes</b>	<b>43.5</b>
Texas	18% FPL	\$3,044	\$7.25	\$7,540	No	8
Utah	<b>60% FPL</b>	<b>\$10,146</b>	<b>\$7.25</b>	<b>\$7,540</b>	<b>Yes</b>	<b>26.5</b>
Wisconsin	<b>100% FPL</b>	<b>\$16,910</b>	<b>\$7.25</b>	<b>\$7,540</b>	<b>Yes</b>	<b>44.5</b>
Wyoming	<b>55% FPL</b>	<b>\$9,301</b>	<b>\$7.25</b> (state min. wage law is \$5.15 so federal min. wage law applies)	<b>\$7,540</b>	<b>Yes</b>	<b>24.5</b>

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<b>Could a family of 4 with 2 min. wage earners remain eligible if meeting a work reporting requirement?</b>						
<b>State</b>	<b><u>Medicaid Income-Eligibility Level for Parents</u></b>	<b><u>Income-eligibility level as dollar amount</u></b> (100% FPL = \$25,750 in 2019)	<b><u>Minimum Wage</u></b> (Federal minimum wage = \$7.25)	<b>Annual income if 2 household members meet work reporting 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	\$4,635	No state law - federal min wage law applies (\$7.25)	\$15,080	No	12
Florida	33% FPL	\$8,498	\$8.46	\$17,597	No	19
Georgia	36% FPL	\$9,270	\$7.25 (state min wage law is \$5.15 but federal min wage law applies to most employers when state's is lower)	\$15,080	No	24.5
Idaho	26% FPL	\$6,695	\$7.25	\$15,080	No	17.5
Kansas	38% FPL	\$9,785	\$7.25	\$15,080	No	25.5
Mississippi	27% FPL	\$6,953	No state law (\$7.25)	\$15,080	No	18
Missouri	22% FPL	\$5,665	\$8.60	\$17,888	No	12.5
Nebraska	63% FPL	\$16,223	\$9.00	\$18,720	No	34.5
North Carolina	43% FPL	\$11,073	\$7.25	\$15,080	No	29

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Oklahoma	43% FPL	\$11,073	\$7.25	\$15,080	No	29
<b>State</b>	<b><u>Medicaid Income- Eligibility Level for Parents</u></b>	<b><u>Income- eligibility level as dollar amount</u></b> (100% FPL = \$25,750 in 2019)	<b><u>Minimum Wage</u></b> (Federal minimum wage = \$7.25)	<b>Annual income if 2 household members meet work reporting 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>
<b>South Carolina</b>	<b>67% FPL</b>	<b>\$17,253</b>	<b>No state law (\$7.25)</b>	<b>\$15,080</b>	<b>Yes</b>	<b>45.5</b>
South Dakota	50%	\$12,875	\$9.10	\$18,928	No	27
<b>Tennessee</b>	<b>98% FPL</b>	<b>\$25,235</b>	<b>No state law (\$7.25)</b>	<b>\$15,080</b>	<b>Yes</b>	<b>66.5</b>
Texas	18% FPL	\$4,635	\$7.25	\$15,080	No	12
<b>Utah</b>	<b>60% FPL</b>	<b>\$15,450</b>	<b>\$7.25</b>	<b>\$15,080</b>	<b>No</b>	<b>40.5</b>
<b>Wisconsin</b>	<b>100%FPL</b>	<b>\$25,750</b>	<b>\$7.25</b>	<b>\$15,080</b>	<b>Yes</b>	<b>68</b>
Wyoming	55% FPL	\$14,163	\$7.25 (state min. wage law is \$5.15 but federal min. wage law applies to most employers when state's is lower)	\$15,080	No	37.5

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