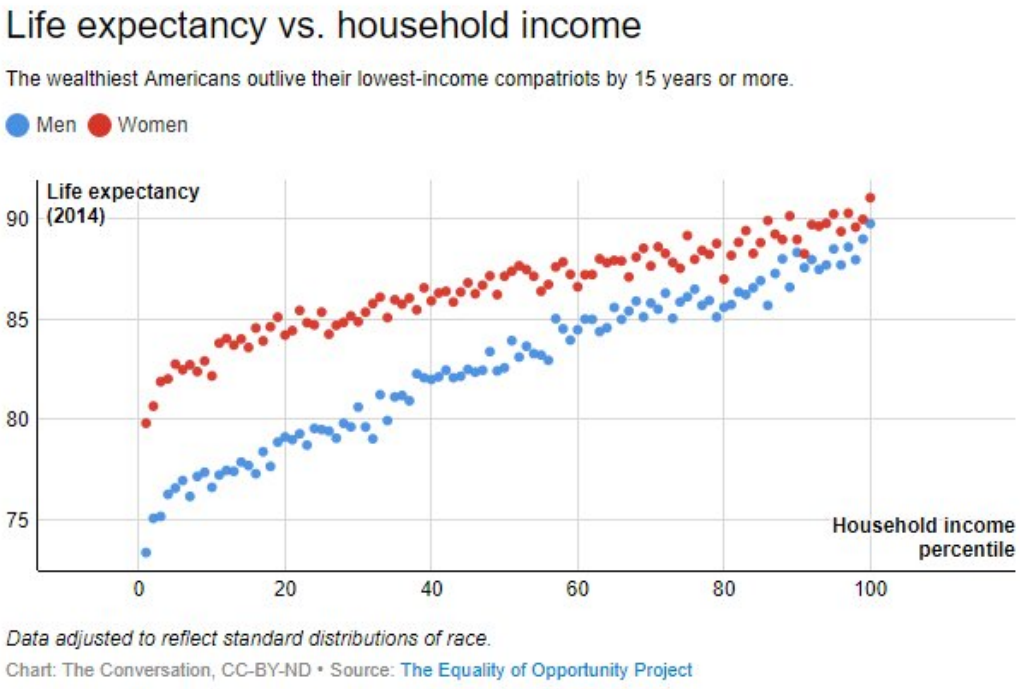
Medicaid work requirements could cost the government more in the long run

January 23 2018, by Diane Dewar



After the Trump administration gave states permission to impose new restrictions on Medicaid eligibility, Kentucky Governor Matt Bevin wasted no time.

Within days, Kentucky instituted a new rule requiring "able-bodied"

adults on the health insurance program for the poor and disabled to complete 80 hours of "community engagement" per month. Paid work, job training, volunteering or being the primary caregiver for children and the elderly all count.

Advocates for disabled and low-income people fear that this mandate, which could spread to at least 10 other states, will strip millions of insured Americans of their health coverage.

The states taking this step say it has become increasingly hard for them to cover their share of Medicaid's costs. But, based on my health economics research, I believe that the policy is unfair to the most vulnerable and may end up not saving any money.

Jointly financed

Medicaid, which covers 20 percent of Americans, is jointly financed. The federal government covered 67 percent of Medicaid's US$553 billion cost in 2016. The states, which administer the program within their borders, had to foot the rest of the bill.

Many states say that the program consumes more and more of their budgets, leaving less money for other priorities. It's true: State Medicaid spending, which has risen annually since 2010, spiked by an average of almost 14 percent in 2015.

That's mainly due to the influx of newly eligible enrollees in the 32 states – including Kentucky – that expanded their Medicaid programs under Obamacare. The District of Columbia has also taken this step.

Although the pace of new enrollment tied to Obamacare is now slowing down, state Medicaid expenditures are rising faster because states are starting to pay a small and growing share of the newly covered enrollees'

costs.

Kentucky is one of 10 states – along with Arizona, Arkansas, Indiana, Kansas, Maine, New Hampshire, North Carolina, Utah and Wisconsin – that had pressed the federal government for permission to make Medicaid eligibility contingent upon work and similar activities. Alabama expressed interest in going this route soon after the federal government endorsed it.

Bevin, Kentucky's governor, is threatening to backtrack on its expansion, ending Medicaid coverage for more than 400,000 Kentuckians, if legal challenges lodged against his policy prevail.

While giving this approach a federal seal of approval, Centers for Medicare and Medicaid Services Administrator Seema Verma specified that these new rules should not apply to pregnant women, the elderly, the "medically frail" or people whose disabilities made them eligible for the program. She didn't define frailty, but many states lump people with substance abuse disorders in this catchall.

Verma outlined other optional exemptions for states to consider, such as community service, caregiving, taking classes, job training and getting treatment for substance abuse disorders.

While carving out everyone in these categories would protect Medicaid benefits for many enrollees, millions of Americans could still wind up uninsured.

The caregiving option is bound to stir the most controversy. Many people do so much extensive uncompensated work while caring for their loved ones that they can't earn income or take part in formal volunteering opportunities. This often stressful and strenous work is inherently tough to document.

Gaining access

The federal government created the Medicaid program during Lyndon B. Johnson's administration to help Americans with major disabilities and financial needs get health care. The Affordable Care Act broadened its mission to include others who could not afford to become insured on their own or through their jobs because they can't afford the premiums and copays.

That's one reason why the number of uninsured Americans fell to 27.6 million in 2016 from more than 44 million in 2013, according to the Kaiser Family Foundation, which tracks health data.

Verma says that Obamacare harmed the states when it gave millions of working-age nondisabled adults the ability to get Medicaid benefits, thereby increasing overall health care spending by government.

Yet as these previously uninsured people get coverage, they are getting more routine care and requiring fewer emergency services, and the federal government is shouldering most of this cost. That means the states are generally not spending more on health care. While the shift to more routine care will help control costs, the states are bound to spend more as the federal government's share of spending on the Medicaid program declines.

Sen. Ron Wyden of Oregon has called on the Department of Health and Human Services to verify that Verma, who previously advised the state as a contractor, has kept her pledge to recuse herself from consideration of Kentucky's work requirements request.

Shorter lives

The Medicaid work requirements Verma is encouraging states to impose

are new but not novel. The Temporary Assistance for Needy Families welfare program and the Supplemental Nutrition Assistance Program (SNAP), two other safety net mainstays, already have them.

Those work requirements, according to researchers, may leave some Americans facing extreme economic hardship in the lurch. I also believe that this new mandate may jeopardize beneficiaries' health in the long term – especially if they become uninsured. Kentucky's own officials estimate that some 100,000 people could lose their coverage within five years due to the new requirement and added paperwork.

Helping the poor and low-income people get health insurance can become a matter of life and death. Income and life expectancy are clearly correlated. The richest Americans live on average 15 years or more longer than the poorest, according to economists Raj Chetty, Michael Stepner and Sarah Abraham.

Medicaid spending

So what would happen if the work requirements become universal?

Most Medicaid beneficiaries already either work or are in families where someone else does. Many of the rest would be exempt from these requirements due to disability or other reasons.

But the number of Americans forced to leave the rolls would still be significant. As many as 6.3 million people could lose their coverage, according to a Center for American Progress analysis of Kaiser Family Foundation data.

Ample research indicates that work requirements do not automatically lead the poor to find jobs or earn their way out of poverty.

The requirement that enrollees work or fulfill community engagement requirements in other ways will at best, in my opinion, reduce some spending on Medicaid in the short term as a few people are forced to drop out. Without access to routine care, those who lose coverage will either forego medical assistance entirely or make more expensive trips to emergency rooms.

That is why I believe that the government will spend more in the long run. The people who are less healthy than they would have been will, in turn, have more trouble getting and keeping jobs and will earn less money.

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