
July 13, 2016

Medicaid Work Requirement Would Limit Health Care Access Without Significantly Boosting Employment

By Hannah Katch

The health care plan that House Republican leaders introduced in June would restructure federal funding for state Medicaid programs by capping per-beneficiary funding or converting the program to a block grant (states would have to choose one), which would lead to cuts in eligibility and benefits that would grow larger over time.¹ On top of these far-reaching changes to Medicaid's structure, the plan also would allow states to impose work requirements on Medicaid beneficiaries, which likely would further increase the number of poor people who are uninsured.

Medicaid enables low-income individuals and families to obtain health care coverage. For some people, Medicaid provides short-term coverage during pregnancy or tough economic times. For many seniors and people with disabilities, it provides long-term services and supports that allow them to stay in their homes. Most Medicaid beneficiaries who can work do so.

The experience of the Temporary Assistance for Needy Families (TANF) program indicates that imposing a work requirement on Medicaid would likely be counter-productive. Its main effect likely would be the loss of health coverage for substantial numbers of people who are unable to work or face major barriers to finding and retaining employment. Moreover, the research indicates that a work requirement would produce such a result with little or no long-term gain in employment. In fact, if the resulting loss of coverage led to a deterioration in health for some people, as it well could, a work requirement could make it harder for some of the affected poor adults to work.

Furthermore, the proposal to authorize states to impose work requirements in Medicaid apparently comes with no added resources for job training or other employment services, subsidized job positions, child care assistance, or other work supports to help beneficiaries prepare for work or raise their earnings. State Medicaid agencies, whose resources would be stretched just to cover the basic costs of administering and enforcing work requirements, are very unlikely to be able to provide the needed job training, work supports, additional child care, and the like within existing resources.

¹ Edwin Park and Judith Solomon, "Per Capita Caps or Block Grants Would Lead to Large and Growing Cuts in State Medicaid Programs," Center on Budget and Policy Priorities, June 22, 2016, <http://www.cbpp.org/research/health/per-capita-caps-or-block-grants-would-lead-to-large-and-growing-cuts-in-state>.

Among the individuals who would be subject to such a work requirement are newly covered low-income adults in states that have expanded Medicaid under health reform. As explained below, a work requirement likely would undercut some of health reform's coverage gains.

Work Requirements Tend to Have Limited Impacts on Employment and to Leave Some of the Most Vulnerable People Without Needed Resources

Work requirements generally have been unsuccessful in increasing long-term employment.² Evaluations of programs that have imposed work requirements on poor cash assistance recipients found modest increases in employment only in the short term; within five years, employment among comparable cash assistance recipients *not* subject to a work requirement was the same or higher than employment among the individuals subject to the requirement. (Also of note, the earnings gains associated with the short-term employment gains generally were insufficient to help people escape poverty.)

In addition, the share of families living in deep poverty — that is, below *half* of the poverty line — rose in various programs that imposed work requirements.³ In seven of 11 programs included in one comprehensive evaluation of mandatory work programs, program recipients subject to work requirements were likelier to end up with *neither* cash assistance nor earnings than comparable individuals who weren't subject to the requirements.⁴

The evidence also indicates that *voluntary* employment programs (programs in which eligibility is not conditioned on participation in the employment programs) can increase earnings and employment without worsening the situations of people who have significant barriers to employment and driving them deeper into poverty. An evaluation of a major employment program demonstration for public housing residents, Jobs-Plus, shows that a voluntary program targeting non-disabled adults with work-focused encouragement, information, incentives, and employment assistance can increase earnings and employment for groups with historically low labor-force participation rates.⁵

Medicaid Supports Work

The premise of imposing a work requirement is that people who aren't working have chosen to be unemployed. But the disappointing track record of work requirements in failing to increase stable employment over time suggests that most people who can work do so and that for people who face major obstacles to employment, work requirements do not help to overcome them.

The data indicate that most Medicaid beneficiaries who can work already do so. Three-quarters of non-elderly adults and children enrolled in Medicaid live in a family with at least one worker. (In

² LaDonna Pavetti, "Work Requirements Don't Cut Poverty, Evidence Shows," Center on Budget and Policy Priorities, updated June 7, 2016, <http://www.cbpp.org/research/poverty-and-inequality/work-requirements-dont-cut-poverty-evidence-shows>.

³ In these studies, poverty and deep poverty status are based on a measure of income that includes earnings, cash assistance payments, and SNAP benefits (formerly food stamps).

⁴ *Ibid.*

⁵ Pavetti 2016, *op. cit.*

California, in fact, Medicaid covers 10 percent of all full-time workers in the state and 20 percent of all part-time workers.⁶⁾

Moreover, one recent study found that people in states with more generous Medicaid eligibility levels and benefits are more likely to leave a job for another position with greater growth potential.⁷ This research indicates that comprehensive Medicaid coverage can support work and help beneficiaries take advantage of promising job opportunities without worrying about losing their coverage.

States also can use Medicaid to promote work more directly by offering supportive employment services to individuals with disabilities. In 2007, Iowa became the first state to receive approval from the Centers for Medicare and Medicaid Services (CMS) to institute a supportive employment program in conjunction with Medicaid. Under the Iowa program, the state uses federal and state Medicaid dollars to help such individuals find and maintain jobs. Other states have followed Iowa's lead, including California, Delaware, Mississippi, and Wisconsin.

Each of these states bases its approach to supportive employment services on evidence-based programs that have been shown to help people with disabilities find and retain jobs, such as the Individual Placement and Support model. Under this model, states provide an array of services to qualifying individuals such as skills assessment, assistance with job search and completing job applications, job development and placement, job training, and negotiation with prospective employers. Some supportive employment programs also assist people interested in pursuing self-employment by helping them identify potential business opportunities and develop a business plan.

⁶ Bay Area Council Economic Institute, "Mainstreaming Medi-Cal: Investing in Patient Access, Improving Economic Productivity," June 2016, <http://www.bayareaeconomy.org/files/pdf/MainstreamingMedi-Cal.pdf>.

⁷ Ammar Farooq and Adriana Kugler, "Beyond Job Lock: Impacts of Public Health Insurance on Occupational and Industrial Mobility," NBER, March 2016.

Work Requirements Don't Cut Poverty

Rigorous evaluations indicate that work requirements yield disappointing results in increasing employment and reducing poverty. The research has found that:

Employment increases among cash assistance recipients subject to work requirements were modest and faded over time. Employment among recipients subject to work requirements rose significantly in the first two years of programs that mandated participation in work-related activities but, by the fifth year, the difference in employment rates between those who faced work requirements and those who didn't had faded. Over five years, at least three-quarters of recipients worked, regardless of whether they faced work requirements.

Most recipients with significant barriers to employment never found work after participating in work programs, including work programs otherwise deemed successful. For example, a rigorous study of one such program in New York City found that just 34 percent of recipients who participated in the program ever worked over a two-year period.

Most recipients subject to work requirements stayed poor, and some became poorer. Only two of 11 programs included in a comprehensive study of mandatory work programs significantly reduced the share of families living in poverty. And in all of these programs, recipients facing work requirements were likelier to live in deep poverty than above the poverty line.

Over the long term, the most successful programs supported efforts to boost the education and skills of those subject to work requirements rather than simply requiring them to search for work or find a job. The two most successful welfare-to-work programs, in Portland, Oregon, and Riverside, California, are often characterized as “work first” programs that required individuals to find jobs quickly. But both supported participation in education or training for various participants needing those services, which requires adequate resources. In fact, the Portland program, which had the most significant long-term impacts on earnings, initially assigned some participants to short-term training programs and encouraged them to hold out for better-paying jobs, a very different approach than usually accompanies work requirements.

For more, see LaDonna Pavetti, “Work Requirements Don't Cut Poverty, Evidence Shows,” Center on Budget and Policy Priorities, updated June 7, 2016, <http://www.cbpp.org/research/poverty-and-inequality/work-requirements-dont-cut-poverty-evidence-shows>.

Medicaid Work Requirement Likely Would Harm Many Who Cannot Work or Face Major Barriers to Employment

Many people rely on public assistance programs because they face significant health challenges or family responsibilities that limit their ability to work or reduce their ability to compete for jobs.⁸ As noted, a Medicaid work requirement could result in the loss of health coverage for people who face significant barriers to employment, such as those who are primary caregivers for family members, people with behavioral health conditions, people who have difficulty coping with basic tasks or have very limited education and skills, people who have been involved with the criminal justice system, and people who lack access to child care or transportation. The principal effect of imposing rigid

⁸ For example, see: Pamela L. Loprest and Elaine Maag, “Disabilities among TANF Recipients: Evidence from the NHIS,” Urban Institute, May 2009, <http://www.urban.org/research/publication/disabilities-among-tanf-recipients-evidence-nhis>. (This study also includes data on SNAP recipients.)

work requirements in Medicaid would likely be to make it more difficult for many of these individuals to address their problems, by taking away their health coverage.

Consider, for example, that the unemployment rate in 2012 for individuals with mental illness was 17.8 percent. The National Alliance for Mental Illness estimates that six in ten unemployed adults with mental illness can succeed at work *if* they receive appropriate employment supports such as job training but that only 1.7 percent of adults receiving state mental health services received supportive employment services in 2012.⁹ Moreover, programs like TANF that have a work requirement generally spend very little on the employment and related services that people with major employment barriers need if they are to secure and retain jobs.¹⁰

Although proponents of work requirements often say they would exempt people who can't work from the requirements, it would be administratively challenging to identify and track people whose disabilities or circumstances ought to exempt them. State TANF programs have failed notably on this front, with studies showing that TANF recipients who are sanctioned for not meeting a work requirement have significantly higher rates of disability than those who are not sanctioned.¹¹ It can be difficult and burdensome for people with disabilities, family care responsibilities, or other significant problems or limitations to prove to a state bureaucracy their inability to meet a work requirement that has been imposed on them.

The experience with TANF on this front is telling. Prior to enactment of the 1996 welfare law, for every 100 poor families with children, about 70 received basic cash assistance to help make ends meet. Today, for every 100 poor families with children, only 23 receive cash assistance, and in some states the figure is below 10. The imposition of widespread sanctions in cases where parents with various barriers to employment or other problems were found non-compliant with a work requirement — not infrequently a rigid requirement that was not well suited to or appropriate for the parent's circumstances — has been a major factor in the precipitous decline in cash assistance coverage. And this drastic decline, which has resulted in many families ending up with neither earnings nor cash assistance, has been a large factor in the increase in severe poverty among families with children since the mid-1990s.

This experience strongly suggests that imposing work requirements in Medicaid could cause significant numbers of impoverished individuals to lose their health coverage.

Medicaid Work Requirement Would Unravel Some of Health Reform's Gains

Under the Affordable Care Act (ACA), Medicaid covers all low-income adults up to 138 percent of the poverty line in states that adopt the Medicaid expansion. Before the ACA, the only adults

⁹ National Alliance on Mental Illness, "Road to Recovery: Employment and Mental Illness," July 2014, http://www.nami.org/Template.cfm?Section=Policy_Reports&Template=/ContentManagement/ContentDisplay.cfm&ContentID=169263.

¹⁰ Liz Schott *et al.*, "How States Use Federal and State Funds Under the TANF Block Grant," Center on Budget and Policy Priorities, updated October 15, 2015, <http://www.cbpp.org/research/family-income-support/how-states-use-federal-and-state-funds-under-the-tanf-block-grant>.

¹¹ LaDonna Pavetti, Michelle Derr, and Emily Sama Martin, "Assisting TANF Recipients Living with Disabilities to Obtain and Maintain Employment: Conducting In-Depth Assessments," Mathematica Policy Research, Inc., February 2008.

who could qualify for Medicaid were people with disabilities, seniors, and very-low income parents. Since many adult Medicaid beneficiaries who are not elderly or disabled already work, a work requirement would fall mostly upon jobless parents as well as other unemployed adults who have gained coverage under the Medicaid expansion, a large share of whom face significant barriers to employment. If these beneficiaries were not able to meet the work requirement, they likely would lose their Medicaid coverage and, as a result, could struggle to access primary and preventive care.

Imposing a work requirement in Medicaid thus could undo some of the Medicaid expansion's success in covering the uninsured. In states that have expanded Medicaid, poor adults have greater access to health care services and fewer problems paying their medical bills today, and hospitals are seeing fewer uninsured patients. The Medicaid expansion has enabled states to provide needed care to uninsured people whose health conditions have often been a barrier to employment, including people leaving the criminal justice system who have mental illness or substance use disorders and for whom access to health care can reduce recidivism and improve employability. Connecting these vulnerable populations with needed care can improve their health, help stabilize their housing or other circumstances, and ultimately improve their ability to work. These gains would be eroded if a work requirement led to significant numbers of these individuals losing coverage and being unable to access health care that they need.

Work Requirements Would Be Costly and Burdensome for States

In addition to likely being ineffective in increasing employment over time, a work requirement would add considerable complexity and cost to Medicaid. State experience in implementing the TANF work requirements suggests that adding similar requirements to Medicaid could cost states thousands of dollars per beneficiary.¹² States would have to create new programs and hire new staff to track beneficiaries' employment status and cut off their health coverage if they didn't meet the requirements.

Proposals to require Medicaid beneficiaries to work have not included additional funds to provide employment programs and services. If states chose to provide significant employment assistance — which would be essential to help connect people with work and to try to address and overcome the employment barriers many face — states would have to substantially increase the limited Medicaid resources they use to provide supportive services such as transportation and child care, *on top of* needing to provide substantial new resources both for the employment services that would be needed and for administering the work requirement.

In theory, states could choose to use existing TANF funds to provide employment services to the Medicaid beneficiaries newly subject to a work requirement. In practice, such an approach would be infeasible. TANF's resources are stretched, with TANF funding having been frozen for 20 years without any adjustment for inflation and likely to continue being frozen for years to come. Moreover, TANF fails to provide meaningful employment services even to TANF recipients; only 8 percent of all TANF dollars go for employment programs or services. Any notion that TANF programs would provide substantial resources for employment services for Medicaid beneficiaries is highly unrealistic.

¹² Gayle Hamilton *et al.*, "National Evaluation of Welfare-to-Work Strategies: How Effective Are Different Welfare-to-Work Approaches? Five-Year Adult and Child Impacts for Eleven Programs," Manpower Demonstration Research Corporation, December 2001, Table 13.1.

As a result, if TANF resources were supposed to cover employment activities for Medicaid beneficiaries as well, Medicaid enrollees would almost certainly receive very little in the way of useful employment services. Instead, they would face the same type of often-inappropriate, rigid work strictures as those found widely in TANF — and be sanctioned if they didn't comply with often ill-suited requirements. Since sanctioning people generally means cutting off their assistance, there is considerable risk that a number of the nation's poorest parents could lose their health coverage as a consequence.¹³

Families that face employment barriers need help in becoming more employable, as well as more job opportunities such as through subsidized employment programs. Rigid requirements that don't address their challenges, followed in many cases by a cutoff of basic aid that can have lasting effects on the children in these families, are not a sound way to proceed.

There is a better way. Rather than erecting barriers to health care and imposing work requirements that likely would be both costly and of dubious effectiveness, policymakers should protect access to health coverage while giving low-income people a better chance of succeeding in the labor market by significantly strengthening effective education, training, and employment programs.

¹³ Robert Greenstein, "Commentary: House GOP's Attention to Poverty Is Welcome, But Plan Is Seriously Flawed," Center on Budget and Policy Priorities, June 7, 2016, <http://www.cbpp.org/poverty-and-inequality/commentary-house-gops-attention-to-poverty-is-welcome-but-plan-is-seriously>.