

# Proposed Medicaid work requirements in Michigan



At the start of 2018, the U.S. Centers for Medicare and Medicaid Services announced a major shift in federal policy that would allow states to request permission to establish, and test the impact of, work and community engagement requirements for able-bodied adults receiving Medicaid health insurance coverage. In the last three months, work requirement proposals have been approved in three states; formal applications have been submitted by seven more; and a number of others are preparing proposals.<sup>1</sup>

In early March, Michigan state senators took the first step toward preparing a work requirement proposal of their own by introducing Senate Bill 897. The bill passed the Michigan State Senate on April 19. In this fact sheet, we compare the characteristics and projected impact of Michigan’s work requirement proposal against the characteristics and projected impact of approved work requirement proposals in Kentucky, Indiana, and Arkansas.

### Comparing characteristics

|  | <b>Proposed for Michigan<sup>2</sup></b>  | <b>Approved for Kentucky</b>  | <b>Approved for Indiana</b>  | <b>Approved for Arkansas</b>   |
|--|---|---|--|--|
| <b>Target Medicaid populations</b>                       | Nonelderly, nondisabled adults  | Nonelderly, nondisabled adults  | Nonelderly, nondisabled adults   | Nonelderly, nondisabled adults in the expansion program  |
| <b>Medicaid enrollment (FY16)<sup>3</sup></b>            | 2.32 million (1.68 million traditional, 637,000 expansion)  | 1.32 million (854,000 traditional, 462,000 expansion)   | 1.31 million (902,000 traditional, 413,000 expansion)  | 961,000 (640,000 traditional, 321,000 expansion)   |
| <b>Populations exempt from the new work requirements</b> | Age 65+, disabled and medically frail, full time students, caregivers, pregnant women, recently incarcerated, those with medical conditions resulting in work limitations, those receiving unemployment | Age 65+, disabled and medically frail, those with validated acute illness, full time students, caregivers, pregnant women, former foster care youth | Age 60+, disabled and medically frail, those with documented temporary illness, students, caregivers, pregnant women, homeless, recently incarcerated, those participating in drug treatment programs, those | Age 50+, disabled and medically frail, full time students, caregivers, pregnant women, those participating in drug treatment programs, those receiving unemployment compensation |

|                                   |   |  |  |   |
|-----------------------------------|---|--|--|---|
|                                   | compensation, former foster care youth, those eligible for a good cause exemption   |  | eligible for a good cause exemption  |   |
| <b>Work requirements</b>          | ~125 hours per month (29 h/wk) <sup>4</sup>   | 80 hours per month (20 h/wk)   | 80 hours per month (20 h/wk) after 18 months (no requirements for first 6 months)  | 80 hours per month (~19 h/wk)   |
| <b>Activities counted as work</b> | Employment, job training, education, unpaid workforce engagement (ex. internship), tribal employment program, drug treatment, active job search if unemployment reaches 8.5% regionally | Employment, active job search, job training, volunteer/community service, education, drug treatment, caregiving for non-dependent individual with disability   | Employment, active job search, job training, volunteer/community service, education, caregiving for non-dependent individual with disability   | Employment, active job search, job training, volunteer/community service, education   |
| <b>Loss of coverage rules</b>     | If enrollees fail to meet monthly requirements and report their income quarterly, they are given 30 days to comply or coverage is suspended for one full year                           | If enrollees fail to meet monthly requirements, coverage is suspended from the first day of the subsequent month until the first day of the month after work is resumed unless they qualify for a good cause exemption | If enrollees fail to meet monthly requirements for 8 of 12 months in a calendar year, coverage is suspended on the first of January and resumes after one month of employment unless they qualify for a good cause exemption | If enrollees fail to meet monthly hour requirements for 3 consecutive months, coverage is suspended for the remainder of the calendar year unless they qualify for a good cause exemption |

**Projected impacts**

It is important to note that it is difficult to project the impact of work requirements on the Medicaid population because there is no precedent program. Those who have evaluated work requirement

proposals have calculated the anticipated impact through a variety of means. They estimate the number of current enrollees who will be subject to the new work requirements, and some use past experiences with work requirements in the Supplemental Nutrition Assistance Program (SNAP) and other programs to estimate the number of enrollees who will lose benefits (though the populations and requirements for Medicaid and SNAP do differ). Because these analyses are based on a number of assumptions that may or may not unfold as anticipated, we recommend reviewing them with caution and recognizing that Michigan’s work requirements proposal is still moving through the legislative process, and has not yet been reviewed by the U.S. Centers for Medicare and Medicaid Services.

|  | <b>Proposed for Michigan<sup>5</sup></b>   | <b>Approved for Kentucky</b>   | <b>Approved for Indiana</b>   | <b>Approved for Arkansas</b>  |
|--|--|--|---|---|
| <b>Projected impacts on target population, as documented in state agency reports</b> | One million enrollees in work requirement target population: <ul style="list-style-type: none"> <li>➤ Based on prior experience with SNAP (with less stringent work requirements), the Senate Fiscal Agency estimates 6.5%<sup>6</sup> would lose coverage after one year<sup>7</sup></li> </ul> | 350,000 enrollees in work requirement target population: <ul style="list-style-type: none"> <li>➤ 6% of target population estimated to lose coverage after one year; 28% in year five, per Kentucky Governor’s Office<sup>8</sup></li> </ul> | 130,000 enrollees in work requirement target population: <ul style="list-style-type: none"> <li>➤ 19% of target population estimated to lose coverage, per Indiana Governor’s Office<sup>9</sup></li> </ul> | 39,000 enrollees in work requirement target population in the first year: <ul style="list-style-type: none"> <li>➤ No estimate of enrollment reduction was provided<sup>10</sup></li> </ul> |

### **Anticipated fiscal impact of Michigan work requirements, as currently proposed**

The Michigan Senate Fiscal Agency recently completed an analysis of the fiscal impact of Senate Bill 897 and believes that it will lead to a marginal reduction in state costs. This analysis assumes savings to the state as an estimated 6.5 percent of the one million Medicaid recipients subject to work requirements become ineligible for benefits and a percentage of these enrollees return to the workforce thereby increasing the state’s tax revenue.

The Senate Fiscal Agency analysis takes account of some anticipated expenses, including the cost of administering work requirements which it estimates at \$20-\$30 million per year<sup>11</sup>, but does not provide an estimate for the cost of providing supportive services—like job training programs and child care assistance (which cannot be funded with Medicaid dollars)—which will almost certainly be necessary to help Medicaid enrollees find and maintain employment.

The question remains, however, how many of the state’s Medicaid enrollees will be able to work. Researchers from the Institute for Healthcare Policy and Innovation at the University of Michigan conducted a survey of Healthy Michigan enrollees in 2016 and found that roughly half (48.8 percent) were already employed; 5.2 percent were students; 4.5 percent were homemakers; 2.5 percent were

retired; and of the remainder—those who reported being ‘out of work’ or ‘unable to work’—a significant number reported being in fair or poor health.<sup>12</sup>

## Endnotes

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<sup>1</sup> M. Musumedi, R. Rudowitz, E. Hinton et al, “Section 1115 Medicaid demonstration waivers: The current landscape of approved and pending waivers,” Henry J. Kaiser Family Foundation, March 8, 2018

<sup>2</sup> Comparative data drawn from Michigan State Senate Bill 897 (S-2).

<sup>3</sup> Henry J. Kaiser Family Foundation, State Health Facts: Medicaid Expansion Enrollment.

<sup>4</sup> To offer comparative data, monthly work requirements have been converted to weekly work requirements, and vice versa, by using an average of 4.3 weeks per month over the course of a calendar year.

<sup>5</sup> Comparative data drawn from Michigan State Senate Bill 897 (S-2).

<sup>6</sup> The Michigan Senate Fiscal Agency based this estimate on experience implementing SNAP work requirements.

<sup>7</sup> Michigan Senate Fiscal Agency Bill Analysis of Senate Bill 897 (S-2), April 18, 2018.

<sup>8</sup> Kentucky HEALTH 1115 Demonstration Modification Request, Commonwealth of Kentucky Office of the Governor, July 3, 2017.

<sup>9</sup> Indiana Family and Social Services Administration, Amendment Request to Healthy Indiana Plan (HIP) Section 1115 Waiver Extension Application, July 20, 2017.

<sup>10</sup> B. Hardy, “Trump administration approves work requirement for Arkansas Works beneficiaries,” Arkansas Times, March 5, 2018.

<sup>11</sup> The Michigan Senate Fiscal Agency estimated the administrative costs of implementing work requirements based on estimates from other states.

<sup>12</sup> R. Tipirneni, S. Goold, J. Ayanian. “Employment Status and Health Characteristics of Adults with Expanded Medicaid Coverage in Michigan,” JAMA Internal Medicine, December 11, 2017.

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