Legislative Analysis

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MEDICAID WORK REQUIREMENTS

Senate Bill 897 as passed the Senate
Sponsor: Sen. Mike Shirkey
House Committee: Appropriations
Senate Committee: Michigan Competitiveness
Complete to 5-1-18

SUMMARY:

Senate Bill 897 would amend the Social Welfare Act to add workforce engagement requirements for able-bodied adults on Medicaid. The bill prescribes which recipients would have to meet workforce engagement requirements, activities that would count toward workforce engagement, and penalties for noncompliance.

By October 1, 2018, the bill would require the Department of Health and Human Services (DHHS) to submit a Medicaid demonstration waiver application to the federal Centers for Medicare & Medicaid Services (CMS) under Section 1115 of the federal Social Security Act that would do all of the following:

- Require an average of 29 hours a week per month of qualifying work activities.
- Require able-bodied adults to verify qualifying work activities by the fifth of each month.
- Require able-bodied adults to verify family income quarterly and to report family income changes within 10 days of any change.
- Require exemptions from the workforce engagement requirements for the following Medicaid recipients:
    - Individuals age 18 and under.
    - Individuals age 20 and under who have previously been placed in foster care.
    - Individuals age 65 and over.
    - Pregnant women.
    - Individuals who have a disability that makes him or her eligible for Medicaid (i.e. individuals commonly referred to as Disabled, Aged, Blind (DAB) Medicaid recipients).
    - Caretakers of a family member under the age of 6, with only 1 parent allowed to claim this exemption.
    - Caretakers of a disabled dependent, with only 1 individual per household allowed to claim this exemption.
    - Caretakers of an incapacitated individual.
    - Individuals receiving temporary or permanent disability benefits from a private insurer or the government.
    - Full-time students.
    - Individuals who are designated as medically frail.

    - Individuals who have a medical condition that results in a work limitation according to a licensed medical professional.
    - Individuals who have been incarcerated within the last 6 months.
    - Recipients of state unemployment benefits.
    - Individuals who have met the good cause temporary exemption, for individuals who fail to meet the average qualifying work activities amount by up to 40 hours per month.
- Require court-ordered or prescribed substance use disorder treatment to count toward the workforce engagement requirements.
- Allow an individual who resides in a county with an unemployment rate of 8.5% or greater until that county's unemployment rate drops to 5.0% and who is actively seeking employment to be considered in compliance with the workforce engagement requirements.
- Require DHHS to develop a 2-step noncompliance process where an individual who is not compliant with the workforce engagement requirements during the previous month is first issued a warning. Second, if the warned individual does not become compliant within 30 days, the individual is prohibited from receiving Medicaid for 1 year.

The bill defines qualifying work activities as any of the following:

- Employment or self-employment.
- Education, including high school equivalency test preparation and postsecondary education.
- Job training.
- Vocational training.
- Unpaid workforce engagement, including internships.
- Tribal employment programs.
- Participation in substance use disorder treatment.

The bill defines good cause temporary exemptions as any of the following:

- The birth or death of a family member living with the Medicaid recipient.
- Severe inclement weather.
- A family emergency or life-changing event, including divorce or domestic violence.
- A temporary illness or injury.

DHHS would have to implement the Medicaid workforce engagement requirements as outlined in the waiver requirements listed above and to notify able-bodied adults 90 days in advance of the implementation date of October 1, 2019. The bill would also prohibit DHHS from withdrawing, terminating, or amending the waiver, or any subsequent waivers needed to prevent the waiver from lapsing, without the express approval of the legislature through a change in state statute.

The bill would require that Medicaid workforce engagement requirements count toward meeting the work requirements of other public assistance programs.

The bill would require DHHS to first direct recipients to existing job training resources, child care, transportation, and other supports and would allow DHHS to develop strategies for assisting able-bodied adults meet the Medicaid workforce engagement requirements.

The bill would require DHHS to notify the Governor and the legislature when the waiver is submitted. DHHS would have to conduct surveys to determine the number of individuals no longer receiving Medicaid benefits as a result of obtaining both employment and medical benefits and the number and type of exemptions granted. These surveys would have to show the survey results separately for traditional Medicaid and for Healthy Michigan Plan.

The bill would permit DHHS to conduct random audits to enforce Medicaid workforce engagement compliance.

The bill would take effect 90 days after enactment.

Proposed MCL 400.107a and 400.107b

BACKGROUND:

A March 14, 2017 letter[1] and a January 11, 2018 policy guidance[2] from CMS indicated their openness in allowing states to test, through a Section 1115 demonstration waiver, the hypothesis that work and community engagement activities can improve a Medicaid recipient's health and well-being and can promote independence and self-care.

Since that time, 3 states (Arkansas, Indiana, and Kentucky) have had Section 1115 Medicaid work requirement demonstration waivers approved, and there are a number of other states either with pending waiver applications or debating submitting a waiver application.

FISCAL IMPACT:

Senate Bill 897 would likely lead to upfront, one-time administrative costs, but once fully implemented, would lead to an estimated net state savings of between $25 million and $45 million annually. Without actual experience from other states (and with other state fiscal impacts varying significantly), there is not data with which to provide a more precise state fiscal impact.

The most significant fiscal impact would be the forecasted decline in Medicaid caseloads. There are approximately 1.0 million able-bodied adult Medicaid recipients, with an estimated 300,000 adults qualifying for an exemption and 700,000 non-exempt, able-bodied adult Medicaid recipients. House Fiscal Agency estimates a decline of 10% to 15%

[1] Found here: https://www.hhs.gov/sites/default/files/sec-price-admin-verma-ltr.pdf
[2] Found here: https://www.medicaid.gov/federal-policy-guidance/downloads/smd18002.pdf

in the number of non-exempt, able-bodied adult Medicaid recipients.[3] This estimate is based on the following:

- Other state forecasted caseload reductions ranging from 5% to 15%.
- This bill requiring 29 hours of work rather than 20 hours of work required in the states with an approved demonstration waiver.
- This bill having a longer penalty for noncompliance than the penalties used in the states with an approved demonstration waiver.

Once fully implemented, at an average annual cost per case for an able-bodied adult of $4,300, Medicaid costs would decline by an estimated $301.0 million to $452.5 million Gross ($45.3 million to $68.0 million GF/GP). The state share of any caseload decline would be less than the regular Medicaid state matching requirement of 35.55% as at least 70% of the able-bodied adults receive Medicaid through the Healthy Michigan Plan, which has a lower state matching requirement.

The other significant fiscal impact would be the added administrative casework and information technology updates required to verify hours worked, qualifying exemptions, and other casework each month for the approximately 1.0 million able-bodied adults receiving Medicaid. Other state fiscal estimates for added administrative costs have ranged from as low as $17.5 million to as high as $70.0 million. This range varies significantly because of the different ways in which this added casework can be verified (e.g. automated reporting and self-attestations require less administrative casework than other ways to verify information).

This bill is silent on the specific methods for verifying the information provided by able-bodied adults receiving Medicaid. Recently, DHHS added monthly work requirements for able-bodied adults without dependents on the Food Assistance Program without receiving additional state appropriations for casework or information technology updates. Based in how DHHS implemented this recent policy change to the Food Assistance Program, House Fiscal Agency estimates the state administrative costs of this bill to be on the lower end of the range listed above at $30.0 million for the first year and between $15.0 million to $25.0 million in ongoing administrative costs. The first year costs would be higher than ongoing administrative costs based on needed information technology updates in the state's eligibility determination software.

With a reduction in Medicaid expenditures, state health insurance claims assessment (HICA) revenues would have a corresponding reduction to the extent that Medicaid expenditures are not offset by additional health insurance claims from Medicaid recipients who would now receive or purchase other health insurance. For every 10,000 individuals no longer receiving Medicaid and not enrolled in employer-sponsored health insurance, HICA revenues would decline by $430,000.

[3] A 70,000 to 105,000 caseload decline would reduce total Medicaid caseloads by 3% to 4%.

There also are a number of support service programs, such as child care and workforce development, that could see an increase in the demand for those support services. These programs are predominately federally funded, so this increased demand should not have a significant state fiscal impact.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.