



# THE BUCKEYE INSTITUTE

## **Public Comments on the Group VIII Work Requirements and Community Engagement 1115 Waiver**

**March 16, 2018**

**Rea S. Hederman Jr., Executive Director of the Economic  
Research Center and Vice President of Policy  
The Buckeye Institute**

As originally conceived, Medicaid offers health care coverage for those among us most likely to have difficulty working, such as expectant mothers, the elderly, the disabled, and children. The program served such individuals for 45 years. In 2010, the Affordable Care Act (ACA) dramatically expanded Medicaid eligibility to include healthy, working-age adults without dependents—fundamentally changing the scope of the program. Ohio estimates its own expanded-Medicaid population (i.e., healthy, working-age adults without dependents) will include 710,000 individuals for the next two years.

The Social Security Act provides, however, for states to modify their Medicaid requirements and to submit proposals and waiver requests for exemptions under Section 1115 of the law. On January 11, 2018, the Centers for Medicare and Medicaid Services (CMS) released guidance that explains the work and community engagement requirements under Section 1115’s demonstration waiver rules.<sup>1</sup> The new guidance clarifies the meaning of “community engagement” and identifies categories of individuals exempt from this requirement, including:

- People physically or mentally disabled;
- People enrolled in school;
- People who already meet work requirements for other federal programs (e.g., SNAP and TANF);
- People dependent on drugs and/or alcohol and in treatment; and
- Pregnant women and home caregivers with minors.

In light of the new federal guidance, Ohio’s Department of Medicaid presented its proposed Medicaid work and community engagement demonstration waiver request on February 16, 2018, for a 30-day public comment period. Under Ohio’s proposed waiver request, non-exempt, able-bodied enrollees must spend at least 20 hours per week/80 hours per month at work, training, or a community engagement activity. Failure to meet this requirement will put an enrollee’s eligibility and benefits at risk. The Ohio Department of Medicaid estimates that many Medicaid recipients are either exempt or already meet the community engagement requirements, but formally adopting the proposed requirements will help ensure that Medicaid remains financially stable and available to help those most-in-need well into the future.

Studies suggest that Ohio’s proposed work and community engagement requirements are necessary in order to avoid a disturbing side-effect of the Medicaid expansion—lower employment and earning among able-bodied adults. In 2015, for example, the Congressional Budget Office (CBO) reported that Medicaid’s expansion under the ACA significantly affected the number of hours worked by those in the newly-covered population of healthy, working-age adults without dependents. The CBO also estimated that by 2025, 4.8 million more people would be working if Medicaid had not been changed by the ACA,<sup>2</sup> and it warned that because Medicaid increases taxes on earnings, some workers may intentionally reduce their hours of work in order to reduce their taxable income. More troubling, the CBO report went on to predict that because expanded-Medicaid recipients will have more income to spend on non-health needs, some will no longer

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<sup>1</sup> A demonstration waiver exempts a state from some Medicaid rules and regulations provided that the demonstration waiver project meets goals of the Medicaid program.

<sup>2</sup> Edward Harris and Shannon Mok, *How the CBO Estimates the Effects of the Affordable Care Act on the Labor Market*, working paper, Congressional Budget Office, September 2015.

work at all. In sum, studies indicate that the ACA's Medicaid expansion reduces work effort among the expansion population.

Reducing work rates or dropping out of the labor force altogether, of course, reduces an individual's wages and earning potential over a lifetime. As employees work, they gain experience and learn new skills, and thus become more valuable to their employers. More skill and experience increases one's wages and earning potential over time. The inverse is also true such that less work and less time in the labor market means less skill, less experience, and lower wages and earnings over one's lifespan.<sup>3</sup> Thus, Ohio's proposed work requirements for Medicaid eligibility will likely help those in the expanded-Medicaid population earn more at their jobs and careers in the long run.

Work requirements that lead to higher wages and earnings may also improve the health of those eligible for expanded-Medicaid. The CMS and the Ohio Department of Medicaid point out that income and health are related,<sup>4</sup> and higher-income individuals lead healthier lives than lower-income individuals, on average. Insofar as Medicaid's expansion reduces work and lifetime earnings, it also will likely be a long-term detriment to the health of enrollees.

Encouraging healthy, able-bodied adults to remain in the workforce or engage in other educational and training activities, Ohio's proposed Section 1115 waiver will enhance lifetime earnings, income, and health. By enhancing the health of the covered Medicaid enrollees, Ohio's proposed waiver meets the twin goals of the waiver demonstration project by promoting economic stability and improving health.

### **Recommended Changes to Ohio's Proposed Waiver Request**

Ohio's waiver proposal pursues sound public policy. The proposed waiver request can be strengthened and clarified, however, in several key areas: data collection; self-reporting; age requirements; auditing beneficiary reporting; and emphasizing the disincentives to work created by expanded-Medicaid. The Buckeye Institute recommends the following changes in order to improve the state's waiver application and strengthen its Medicaid program.

**Data Collection:** Hypothesis three in the proposed waiver indicates that Ohio will use a Group VIII survey to determine whether employment requirements will result in broader sustained employment over time. Surveying only Group VIII members, however, may under-estimate the impact of the work or community engagement requirements. The proposed waiver's requirements could keep some able-bodied adults from reducing their work hours or leaving the workforce such that they never become eligible for the expanded-Medicaid benefits. Such individuals would benefit from the proposed requirements, but would not be captured by the Group VIII survey. A more accurate measurement of the proposed waiver's effects would also estimate how many

<sup>3</sup> Daniel Aaronson and Eric French, "**The Effect of Part-Time Work on Wages: Evidence from Social Security Rules**," *Journal of Labor Economics*, Vol. 22, No. 2 (April 2004), pp. 329-252; and Marie Paul, "**Is There a Causal Effect of Working Part-Time on Current and Future Wages?**," *Scandinavian Journal of Economics*, Vol. 118, No 3. (July 2016), pp.494-523.

<sup>4</sup> **Opportunities to Promote Work and Community Engagement Among Medicaid Beneficiaries**, memo to State Medicaid Directors from Brian Neale, Director for the Centers for Medicare and Medicaid Services, January 18, 2018.

individuals never needed Medicaid due to the higher earnings gained by the proposed work and community engagement requirement.

The state's application might then also observe that work and community engagement requirements that keep able-bodied adults in private health care coverage will also help keep Medicaid's resources focused on the needy, thereby satisfying several factors that CMS uses to evaluate Section 1115 demonstration waivers.<sup>5</sup>

**Self-Reporting:** The proposed waiver places the burden on the individual to self-report a change in their eligibility status within 10 calendar days. The proposed waiver builds upon existing work requirements that apply to SNAP. In Ohio, self-reporting to SNAP for a failure to satisfy work is due within seven calendar days.<sup>6</sup> For user and administrative ease, and to make the rules governing SNAP and Medicaid more uniform, The Buckeye Institute recommends that Ohio's Medicaid self-reporting deadline should be seven calendar days as well.

**Age-Requirement:** Ohio proposes exempting individuals 50 years old and older from the work and community engagement requirement. The U.S. Bureau of Labor Statistics has stated, however, that the prime age for the working population ranges from 25 to 54 years old.<sup>7</sup> The Buckeye Institute therefore recommends raising the age exemption to at least 55 years old so that prime-age workers can take advantage of the waiver. Even raising the age limit to 55 years old would still be younger than the limits set by Indiana (60) and Kentucky (64).<sup>8</sup>

**Auditing Beneficiary Reporting:** If the state's waiver application is approved, The Buckeye Institute recommends that Ohio continue to improve the auditing system that will verify beneficiary reporting for all work requirement programs such as SNAP and Medicaid. Relying on beneficiaries to self-report changes in their eligibility status will likely include mistakes as beneficiaries may not know all of the eligibility rules. The Buckeye Institute recommends using a uniform monitoring or auditing system for all of Ohio's assistance programs in order to maintain and improve program integrity.

**Emphasize Medicaid's Disincentives to Work:** Ohio's waiver application should emphasize how the Medicaid expansion under the ACA includes inherent disincentives to work. As written, Ohio's waiver request observes small changes in employment among the expansion population, but does not discuss the reasons for those changes. As the Congressional Budget Office and other academics have explained, the Medicaid expansion discourages additional work and earnings, and even encourages some able-bodied adults to leave the labor force entirely. Ohio's waiver application should detail how Medicaid's work-related disincentives negatively affect the long-term earnings and health of the program's expansion population.

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<sup>5</sup> **About Section 1115 Demonstrations**, Centers for Medicare and Medicaid Services (Last visited March 12, 2018).

<sup>6</sup> **Ohio Administrative Code 5101:4-3-11.2 (2017)**.

<sup>7</sup> Bureau of Labor Statistics, **Labor Force Projections to 2024: the labor force is growing but slowly**, Monthly Labor Review, December 2015.

<sup>8</sup> **Amendment to the application to extend the Healthy Indiana Plan and official approval notice for Kentucky Helping to Engage and Achieve Long-Term Health**.

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