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**Public Comments on Kentucky's Group VIII Work
Requirements and Community Engagement 1115 Waiver**

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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.

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.¹ 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.

Studies suggest that Kentucky’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,² 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 work at all. In sum, studies indicate that the ACA’s Medicaid expansion reduces work effort among the expansion population.

We also know that many Medicaid recipients who return to the labor force will receive private insurance coverage. The state of Tennessee ended an optional Medicaid benefit for 170,000 enrollees. Researchers found that many of the former Medicaid enrollees increased work effort to obtain health insurance by either finding a new job or increasing hours of work at an existing job.³

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

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

² 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 working paper, September 2015.

³ Craig Garthwaite, Tal Gross, Matthew J. Notowidigdo, “**Public Health Insurance, Labor Supply, and Employment Lock**,” *Quarterly Journal of Economics*,” Volume 129, Issue 2 (May 2014), p.653-696.

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.⁴ Thus, Kentucky'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. CMS points out that income and health are related,⁵ 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.

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⁴ Daniel Aaronson and Eric French, "**The Effect of Part-Time Work on Wages: Evidence from Social Security Rules**," *Journal of Labor Economics*, Volume 22, No. 2 (April 2004), p. 329-252; and Marie Paul, "**Is There a Causal Effect of Working Part-Time on Current and Future Wages?**," *Scandinavian Journal of Economics*, Volume 118, No 3. (July 2016), p. 494-523.

⁵ **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.

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