

Medicaid Work Requirements and Poverty:

Losing Coverage Could Cost Families over \$1,000 per Year, Throwing Many into Poverty

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Medicaid is designed, in part, to protect low-income households from the cost of medical care by providing access to care at little to no cost. Medicaid helps to ensure its beneficiaries are able to seek the treatment and services they need without jeopardizing their ability to meet other basic necessities. Healthcare costs are a real burden to low-income Americans, 10.5 million of whom were in poverty in 2016 due to medical expenses.¹ Health sector costs are also rising rapidly, making protections like Medicaid more essential than ever.

In January of 2018 the Center for Medicare and Medicaid Services (CMS) issued a guidance to state directors of the Medicaid program² announcing the federal government's support for state proposals that would require beneficiaries to maintain and report paid employment or verified volunteer hours in order to continue receiving healthcare coverage via the Medicaid program.

As of August 2018, three states have begun requiring documentation of employment for Medicaid eligibility, while seven more states have similar proposals for work requirements pending review with CMS.³ A judge in Kentucky halted that state's work requirement rule, citing a lack of evidence supporting any health-improving aspects of the implementation of work requirements. The case has been returned to CMS for further review.

Existing studies have focused on these work requirements' potential effects on health insurance coverage. This is critical, but loss in coverage may also have implications for the pocketbooks of those affected. The analysis presented here estimates the increase in poverty that would result from the imposition of work requirements for Medicaid eligibility in all states and the losses in healthcare coverage that would follow. To estimate increases in poverty, we utilize a method (see Data and Methods appendix) that simulates people's change in medical expenses if they were no longer covered by Medicaid. Because Medicaid keeps out-of-pocket costs low for beneficiaries, those losing their benefits would face higher costs.

It is important to note that poverty is hardly the only financial outcome that might be affected by people losing coverage. Medicaid coverage has been found to protect families from a variety of economic risks including the likelihood of incurring medical debt,⁴ worrying about medical bills,⁵ or resorting to the use of risky financial instruments like payday loans.⁶



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Poverty caused by medical spending, however, is an important financial outcome for those potentially losing coverage. Based on experiences from the imposition of similar work requirements in other public programs, including food stamps and cash welfare, we know that many beneficiaries would lose benefits in the wake of new work requirements. And this is not necessarily because beneficiaries would lose eligibility, but rather because they would be unable to meet the administrative burden of documenting consistent qualified activity.⁷

To briefly summarize our results: Out of 23.5 million beneficiaries who would be subject to the new reporting requirements, we find that approximately 12.7% are expected to lose coverage, or just under 3 million individuals. As a result of these coverage losses, approximately 131,000 individuals would fall into poverty. On average, previously covered individuals would spend approximately \$270 more on medical expenses per person, per year. Among households with at least one member losing coverage, household spending on medical care would increase by over \$1,100 per household, per year on average.

Table 1: Impact of Work Requirements on Poverty and Medical Expenses

	Current Policy	With Work Requirements	Difference
Poverty Rate			
U.S. Population	13.9%	14.0%	0.1%
Population Subject to Work Requirements*	26.0%	26.2%	0.2%
Population Losing Coverage ⁺	25.2%	26.5%	1.3%
Number in Poverty			
Population Losing Coverage ⁺	2.5 million	2.6 million	131,000
Medical Expenses			
U.S. Population	\$1,772	\$1,780	\$8
Population Subject to Work Requirements*	\$788	\$838	\$51
Population Losing Coverage ⁺	\$3,358	\$4,474	\$1,116

Note: Data from the 2017 Current Population Survey.

*Individuals with at least one household member who would become subject to work reporting requirements for Medicaid coverage, defined as able-bodied nonelderly adults (ages 19-64) with no social security disability and no Medicare coverage.

+Individuals with a household member who would lose coverage as result of work requirements. See methodology report below.

Conclusion

Our results show that a substantial number of existing beneficiaries of Medicaid would lose coverage. Furthermore, those who do lose coverage will face greater medical spending. Work requirements could throw over 130,000 Americans into poverty. As we noted above, an even larger number of Americans may suffer additional adverse economic impacts.

Appendix: Data and Methods

In this appendix, we outline the steps taken to arrive at the estimates presented in this brief.

1. Assign coverage loss

We begin by selecting a sample of nonelderly adults (ages 19 to 64 years) with Medicaid who are not dually eligible for Medicare and do not receive social security from the 2017 Current Population Survey.

The sample is divided into two groups, those already meeting the work requirements and those who would need to seek employment or other activity to meet the requirement. While the first group faces an increased risk of losing coverage due to the new administrative requirement of reporting work, the second group faces the additional burden of acquiring work and therefore faces a greater probability of coverage loss.

Additionally, individuals who received other benefits that require maintenance of records are more likely to provide the sufficient documentation for Medicaid work requirements. For example, individuals meeting work requirements for SNAP (formerly known as food stamps) can use the same documents for both programs. Furthermore, evidence suggests that individuals receiving cash welfare benefits and those with a work-limiting disability are the least likely to lose Medicaid coverage over the course of a year, though some do inevitably “churn” out because of the administrative process, despite remaining eligible.⁸

The table below outlines the probabilities of coverage loss assumed for this analysis, which incorporate the three components described above: (1) existing work or exemption; (2) receipt of SNAP benefits; and (3) work-limiting disability or cash welfare receipt. Probabilities below were derived from data compiled by the Kaiser Family Foundation, who estimate the effect of work requirements on Medicaid coverage. Kaiser estimates are based on the rate of exit from the Medicaid program among those who maintain eligibility, which reflects the coverage costs of administrative burdens, as well as early data from states that implemented additional reporting requirements to Medicaid coverage.⁷ We benchmarked our probabilities of coverage loss to Kaiser’s range of estimates and varied individual probabilities within that range according to the three predictive characteristics listed. Table A1 summarizes.

Sample members were randomly assigned to coverage loss based on the probabilities listed below. Of the 23.5 million adults represented in the sample, 12.7% were simulated to lose coverage, or approximately 2.99 million individuals, which falls within the range estimated by the Kaiser Family Foundation (1.4 million to 4.0 million).

Table A1: Assumed probabilities of Loss of Medicaid Coverage Following Implementation of Work Requirements

Beneficiary Characteristics			Probability of Coverage Loss
Working or exempt	SNAP	Disability or Cash Welfare	
✓	✓	✓	5%
✓	✓	✗	7%
✓	✗	✓	7%
✓	✗	✗	10%
✗	✓	✓	10%
✗	✗	✗	50%
✗	✓	✗	20%
✗	✗	✓	20%

This table outlines the assumed probability of losing Medicaid coverage by beneficiary characteristics. For example, individuals that fall within the category represented by the first row are either working or exempt from the work requirement, have SNAP, and have either a work-limiting disability or receive cash welfare. These individuals meet all three characteristics of lower likelihood to lose coverage, as illustrated by the three checks, and have the lowest (5%) probability of losing coverage.

2. Counterfactual Medical Expenditures

When individuals lose healthcare coverage through Medicaid, their medical expenses are likely to increase. Medicaid charges no or very low fees for things like premiums, prescriptions, and co-pays to see a doctor. We simulate medical expenses for the population losing coverage due to work requirements by imputing counterfactual medical spending from otherwise similar individuals in the CPS data who did not have any Medicaid coverage, following a simulation method developed by Sommers and Oellerich (2013)⁹ and extended in Zewde and Wimer (2018).¹⁰

We estimate individuals’ propensity to have Medicaid coverage, modeled as a logistic regression with the dependent variable of actual Medicaid coverage and co-variables that are predictive of Medicaid eligibility and coverage. Co-variables include age, gender, household income, and imputed eligibility for Medicaid coverage, defined as household income relative to the state’s eligibility threshold. Because parents can be eligible for Medicaid coverage at higher levels of income than their counterparts without children, we run two separate logit models for nonelderly adults with and without dependent minors residing within the household. We then randomly hot-deck impute counterfactual medical expenditures to the beneficiaries simulated to lose coverage from the non-beneficiaries within deciles of the estimated propensity to have Medicaid.

3. Poverty Effects

We arrive at our calculation of poverty effects by replacing reported medical expenditures with the simulated counterfactual medical expenditures in the calculation of poverty status using the Supplemental Poverty Measure (SPM).

The SPM combines income and benefits, then deducts necessary expenses like childcare and, importantly for this analysis, medical spending, in order to then compare whether the remaining resources are enough to meet basic living needs.

In this study, we sum individuals' medical expenses to the family (or SPM-unit) level and add that amount back to total resources. Next, we sum counterfactual medical expenses in a world with Medicaid work requirements. The counterfactual value of medical expenses remains the same for those who either never had Medicaid or did not lose it in our simulation but reflects the imputation from step 2 above for those who were simulated to lose Medicaid due to the work requirements. We then deduct counterfactual medical expenses from total resources and reassess whether the remaining resources are adequate to cover the family's original threshold for basic needs.

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