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Work Requirements Work Well for Welfare

BUT THEY STILL CANNOT TURN A TERRIBLE POLICY INTO A GOOD ONE

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EXECUTIVE SUMMARY

Debate over whether or not to expand Medicaid welfare under the provisions set forth in the federal Affordable Care Act, or ObamaCare, is reaching a fever pitch in the states that have so far rejected the expansion, as federal funding is set to wind down after 2016.

The problems with ObamaCare Medicaid expansion have been well documented. States that expand the welfare program to enroll non-disabled, childless adults put at risk the Medicaid safety net for truly vulnerable patients and families and jeopardize funding for other critical state priorities such as public safety, education and infrastructure.

The absence of work requirements for the new Medicaid welfare expansion population makes these problems worse. Unlike other taxpayer-funded welfare programs, including cash assistance from the Temporary Assistance for Needy Families (TANF) program and food stamps from the Supplemental Nutrition Assistance Program (SNAP), Medicaid enrollees are not required to work—or even search for work. This decision runs counter to the success work requirements have had in helping lift people off government dependency, out of poverty and into self-sufficiency and independence.

Despite the decades-long record of success work requirements boast, the Obama administration has so far rejected every request made by a state to incorporate them into so-called alternatives to Medicaid welfare expansion.

While work requirements would be an improvement to an otherwise devastating expansion of Medicaid welfare, they cannot turn a terrible policy into a good one. Even with work requirements, ObamaCare's Medicaid expansion still creates a new entitlement for non-disabled, childless adults who have never qualified for other types of long-term welfare. ObamaCare's perverse funding formula still prioritizes this new population of able-bodied adults over the truly needy. The federal government is still unlikely to keep its funding promises to the states. Work requirements change none of this.

But they remain a positive component of a temporary and targeted welfare program that lawmakers should closely consider. Most important, they create a critical incentive for individuals to improve their own station without indefinite dependence on government.

OBAMACARE'S MEDICAID EXPANSION CREATES A NEW WELFARE ENTITLEMENT FOR ABLE-BODIED ADULTS

The Medicaid program was never intended to serve as a welfare handout for able-bodied adults. Medicaid was meant to be a compassionate safety net that protects truly needy patients with temporary, targeted assistance. This is why, historically, Medicaid eligibility has been largely reserved for poor children, pregnant women, seniors and individuals with disabilities.

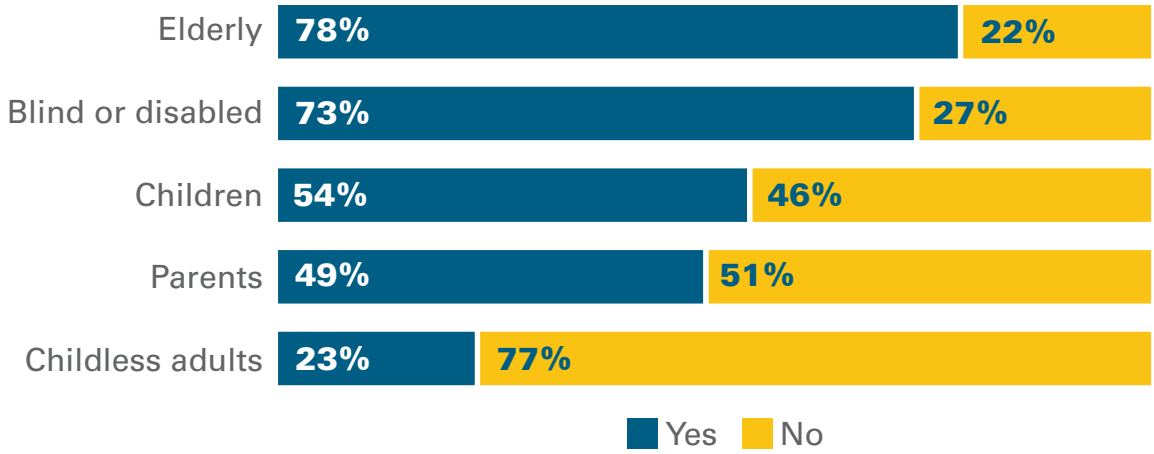
ObamaCare mangles the Medicaid promise to America's most vulnerable patients by turning the program into a long-term welfare benefit for able-bodied, childless adults. These adults are of prime working age, have no disabilities keeping them from meaningful employment and typically have no dependent children to support.[1-2] Worse yet, the U.S. Department of Justice estimates that up to 35 percent of the new individuals ObamaCare would enroll in Medicaid have had previous involvement in the criminal justice system, with many having been incarcerated.[3]

Because able-bodied childless adults have never been considered among the most vulnerable, they have generally been ineligible for other types of taxpayer-funded welfare. For example, childless adults are not eligible for cash assistance under the Temporary Assistance for Needy Families (TANF) program.[4] Only low-income pregnant women and families with children generally qualify for TANF cash assistance.[5] Able-bodied adults without children are also generally ineligible for long-term food stamp benefits under the Supplemental Nutrition Assistance Program (SNAP).[6]

Americans approve of preserving the Medicaid safety net just for the truly needy, rather than stretching it to enroll able-bodied, childless adults. Nearly 80 percent of Americans believe childless adults should not be eligible for non-cash benefits from the government, including Medicaid.[7]

The vast majority of Americans oppose taxpayer-funded non-cash assistance for childless adults

Question: Who deserves non-cash assistance from the government, such as food stamps and Medicaid?



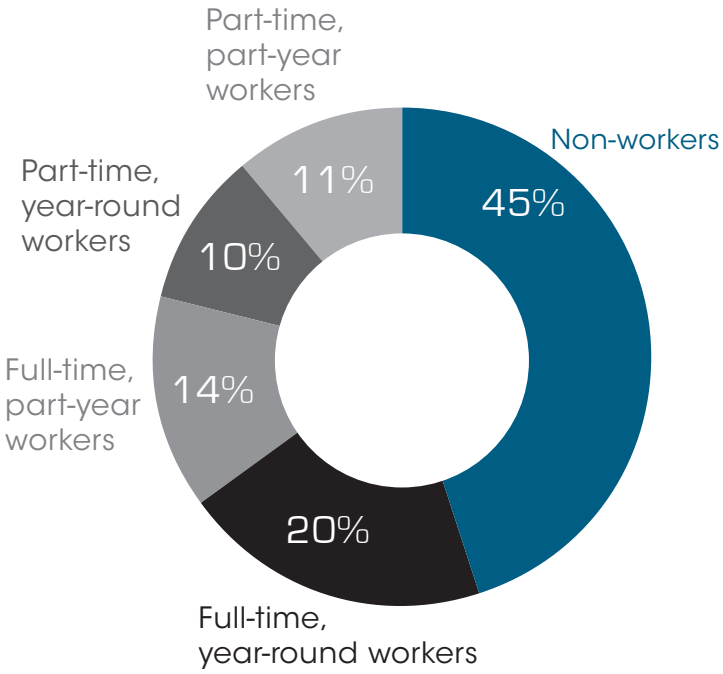
Source: Reuters

THERE ARE NO WORK REQUIREMENTS IN MEDICAID

Despite having no disabilities or parental obligations preventing them from employment, few ObamaCare expansion adults actually work full-time jobs, even during favorable economic times. Nearly half of those made eligible for taxpayer-funded Medicaid welfare under ObamaCare expansion do not work at all, while just one-fifth are full-time, year-round workers.[8] States that have expanded Medicaid under ObamaCare have confirmed this fact. The Ohio Department of Medicaid found that only "about half" of expansion enrollees actually work, while in Arkansas and Michigan, approximately 40 percent of enrollees report having no incomes and are therefore not working.[9-11]

Few potential Medicaid expansion enrollees are full-time, year-round workers

Uninsured adults below 138 percent FPL, by work status



Source: Census Bureau

Working anywhere near a full-time, minimum-wage job would actually lift most able-bodied, childless adults out of poverty entirely.[12] Single adults in states with the federal minimum wage, for example, would need to work just 31 hours per week to rise out of poverty. In states with higher minimum wages, they can move out of poverty by working even fewer hours. In Washington, D.C., for example, working just 23.6 hours weekly is enough for a single adult to move out of poverty.

Hours of weekly work needed for minimum-wage earners to exit poverty

State	Minimum wage	Hours needed
Alabama	$7.25	31.0
Alaska*	$7.75	36.2
Arizona	$8.05	27.9
Arkansas	$7.50	29.9
California	$9.00	24.9
Colorado	$8.23	27.3
Connecticut	$9.15	24.5
Delaware	$7.75	29.0
District of Columbia	$9.50	23.6
Florida	$8.05	27.9
Georgia	$7.25	31.0
Hawaii*	$7.75	33.3
Idaho	$7.25	31.0
Illinois	$8.25	27.2
Indiana	$7.25	31.0
Iowa	$7.25	31.0
Kansas	$7.25	31.0
Kentucky	$7.25	31.0
Louisiana	$7.25	31.0
Maine	$7.50	29.9
Maryland	$8.00	28.1
Massachusetts	$9.00	24.9
Michigan	$8.15	27.5
Minnesota	$8.00	28.1
Mississippi	$7.25	31.0
Missouri	$7.50	29.9

State	Minimum wage	Hours needed
Montana	$8.05	27.9
Nebraska	$8.00	28.1
Nevada	$8.25	27.2
New Hampshire	$7.25	31.0
New Jersey	$8.38	26.8
New Mexico	$7.50	29.9
New York	$8.75	25.6
North Carolina	$7.25	31.0
North Dakota	$7.25	31.0
Ohio	$8.10	27.7
Oklahoma	$7.25	31.0
Oregon	$9.25	24.3
Pennsylvania	$7.25	31.0
Rhode Island	$9.00	24.9
South Carolina	$7.25	31.0
South Dakota	$8.50	26.4
Tennessee	$7.25	31.0
Texas	$7.25	31.0
Utah	$7.25	31.0
Vermont	$9.15	24.5
Virginia	$7.25	31.0
Washington	$9.47	23.7
West Virginia	$8.00	28.1
Wisconsin	$7.25	31.0
Wyoming	$7.25	31.0
Federal	$7.25	31.0

** Alaska and Hawaii have significantly higher thresholds for the federal poverty level, with the poverty line in those states roughly 15 to 25 percent higher than in the continental U.S.*

This absence of work requirements is largely unprecedented for welfare programs, which have embraced them for decades to successfully move families out of poverty, off government dependency and into self-sufficiency.[13] In order to receive TANF cash assistance, for example, adults must engage in work activities for a minimum of 30 to 55 hours per week.[14] These work activities include full- or part-time employment in the private or public sector, subsidized employment, job search and job readiness activities, vocational education and education directly related to employment or employability.[15] It is no surprise, then, that a recent poll found that 83 percent of Americans support a work requirement as a condition for receiving government aid, while just seven percent oppose such a requirement.[16]

Despite popular opinion and past successes with work requirements, adults in the Medicaid program are not required to engage in any work activities whatsoever. Even worse, making able-bodied adults eligible for Medicaid under ObamaCare creates a massive new welfare cliff, discourages work and ultimately shrinks the economy.

OBAMACARE'S MEDICAID EXPANSION CREATES A NEW WELFARE CLIFF FOR ABLE-BODIED ADULTS

ObamaCare's perverse design discourages work by creating a massive new welfare cliff for able-bodied adults. In states that expand Medicaid under ObamaCare, single adults earning $16,104 would pay no premiums, no deductibles and have total out-of-pocket costs for nominal copays and coinsurance capped at just $805 per year.[17–20]

But what happens if those same able-bodied adults earn just $1 more? They would have to pay premiums totaling $531 per year for the "benchmark" Silver ObamaCare exchange plan.[21] If they choose more expensive options, they would pay thousands more.[22] Silver plan enrollees would also be responsible for deductibles, copays, coinsurance and other out-of-pocket costs totaling up to $2,250.[23] Individuals could reduce their premiums by choosing lower-tier Bronze plans, but would increase their out-of-pocket exposure by far more than any potential reduction in premiums.

Ultimately, this means that earning just a single extra dollar in income would result in these able-bodied adults losing thousands of dollars in Medicaid welfare benefits. This welfare cliff reduces the incentive to strive for meaningful employment.

Earning one extra dollar could cost enrollees thousands

Total premium and out-of-pocket exposure in Medicaid and benchmark Silver plans in the ObamaCare exchange:

	Income	Required premium	Out-of-pocket maximum	Total potential costs
Medicaid	$16,104	$0	$805	$805
ObamaCare Silver exchange plan	$16,105	$531	$2,250	$2,781

In some states, the welfare cliff is even larger. Arkansas, for example, capped out-of-pocket costs for this group at $604 per year, which is lower than traditional Medicaid.[24] The state has submitted a new plan to the federal government which would reduce this cost-sharing even further, creating an even larger cliff when exiting the program.[25] Iowa waived virtually all copayments and other cost-sharing, but will attempt to collect up to $120 from its ObamaCare Medicaid expansion population in later years.[26] Pennsylvania also waived virtually all copayments and other cost-sharing, with plans to collect up to $322 from this population in the future.[27]

With the prospect of losing thousands of dollars in benefits just by earning additional income, there is little doubt ObamaCare's Medicaid expansion discourages work.

OBAMACARE'S MEDICAID EXPANSION DISCOURAGES WORK AND SHRINKS THE ECONOMY

The massive new welfare cliff created by ObamaCare's Medicaid expansion is sure to discourage employment. Research shows that expanding Medicaid to this new population will discourage work, depress earnings, reduce labor-force participation and hurt the economy.[28-30]

A comprehensive study released by the National Bureau of Economic Research, for example, found that past Medicaid expansions to enroll able-bodied, childless adults reduced employment and earnings among those expansion populations.[31] According to researchers at Texas A&M University, Georgetown University and the University of Illinois, expanding Medicaid eligibility to childless adults could lower the likelihood of working by up to 10 percentage points.[32] This means ObamaCare's Medicaid expansion could cause up to 2.6 million Americans to drop out of the labor force entirely.[33] The study's authors also found that Medicaid expansion could reduce earnings among this group by up to $1,200 per year.[34]

ObamaCare's Medicaid expansion could cause 2.6 million Americans to drop out of the labor force

State	# of individuals to exit labor force	State	# of individuals to exit labor force	State	# of individuals to exit labor force
Alabama	48,163	Kentucky	45,024	North Dakota	4,790
Alaska	3,790	Louisiana	53,952	Ohio	93,422
Arizona	62,459	Maine	6,153	Oklahoma	31,548
Arkansas	35,869	Maryland	33,874	Oregon	34,028
California	345,962	Massachusetts	22,273	Pennsylvania	87,820
Colorado	40,168	Michigan	67,838	Rhode Island	7,218
Connecticut	16,272	Minnesota	24,078	South Carolina	46,109
Delaware	4,993	Mississippi	32,022	South Dakota	7,976
District of Columbia	4,463	Missouri	47,035	Tennessee	60,728
Florida	200,142	Montana	10,002	Texas	293,785
Georgia	109,578	Nebraska	13,655	Utah	17,430
Hawaii	9,963	Nevada	30,908	Vermont	2,382
Idaho	15,626	New Hampshire	6,294	Virginia	54,520
Illinois	103,361	New Jersey	52,437	Washington	46,342
Indiana	41,552	New Mexico	23,910	West Virginia	14,130
Iowa	18,200	New York	145,399	Wisconsin	31,144
Kansas	23,898	North Carolina	93,710	Wyoming	4,132
				United States	**2,630,525**

Sources: National Bureau of Economic Research; Census Bureau

These findings reaffirm existing research which shows that previous Medicaid expansions reduced full-time employment and resulted in able-bodied adults dropping out of the labor force entirely.[35] Researchers at Emory University and the University of Colorado, for example, previously found that full-time employment among the new Medicaid population declined by more than eight percent after expansion, while the share who did not work at all increased by nearly 11 percent.[36]

The Congressional Budget Office recently highlighted these problems, announcing that ObamaCare's Medicaid expansion and exchange subsidies will, in fact, discourage work.[37] When able-bodied adults work fewer hours or drop out of the labor force entirely, the economy suffers.

THE OBAMA ADMINISTRATION WILL NOT APPROVE MEANINGFUL WORK REQUIREMENTS

Some states have tried to put window dressing on ObamaCare expansion plans by requesting permission to require the Medicaid expansion population fulfill work requirements. These requests have been flatly rejected by the Obama administration, yet the states that seek them still go on to implement ObamaCare expansion even after their requests are denied.

Then-Governor Tom Corbett (R-PA), for example, initially sought work requirements for able-bodied adults enrolled in the ObamaCare expansion. By the time he submitted a waiver request to the federal government, this requirement had been watered down to nothing more than a "work-search" requirement.[38]

Under other welfare programs, "work-search" activities—reviewing job opening lists, creating or uploading résumés, participating in mock job interviews and reviewing job recommendations based upon their personal preferences—do not typically count toward the minimum hours of required work activities. In TANF, for example, adults can only count "work search" as a core work activity for four consecutive weeks or six total weeks in any given year.[39]

But even requiring enrollees to search for work was too much for the Obama administration. After negotiations stalled, Gov. Corbett proposed eliminating the "requirement," instead proposing a one-year pilot program that permitted enrollees to reduce their nominal cost-sharing by participating in a voluntary work-search program.[40]

Even this weakened approach was denied by the federal government. According to the final terms of Pennsylvania's ObamaCare expansion deal, the state can only offer a completely voluntary work-search program, but it must do so outside of the Medicaid program and participation in the program can have absolutely no effect on Medicaid eligibility or benefits.[41]

Likewise, Governor Gary Herbert (R-UT) promised to institute a strong work requirement in his ObamaCare expansion plan, saying there was "no room for compromise" on the issue.[42] When the Obama administration balked at the request, Gov. Herbert quietly announced the previously "non-negotiable" work requirement had become a "work-effort" requirement.[43] But even a "work-effort" requirement proved too egregious.[44] Herbert's revised plan simply called for a voluntary program that allowed enrollees to use state services to help find work or improve their skills.[45]

Despite these fruitless negotiations, other pro-expansion governors have expressed interest in covering their ObamaCare expansion plans in a veneer of work requirements. But even if states were able to secure approval from the Obama administration to impose work requirements, Medicaid expansion is still not worth the price.

WORK REQUIREMENTS ARE NOT WORTH THE PRICE OF OBAMACARE EXPANSION

Even with work requirements, ObamaCare's Medicaid expansion is bad policy. ObamaCare expansion still creates a new entitlement for non-disabled, childless adults who have never qualified for other types of long-term welfare. ObamaCare's perverse funding formula still prioritizes this new population of able-bodied adults over the truly needy—including seniors, poor children, pregnant women and individuals with disabilities. It still consumes limited resources for other state priorities, such as education, public safety and tax relief. The federal government is still unlikely to keep its funding promises, just as it has failed to keep its funding promises for special education and other programs. And it is still just as unlikely that states could ever scale back the size of their Medicaid programs once they opt into ObamaCare expansion. Work requirements change none of this.

Work requirements have successfully reduced government dependency. But this fact suggests state policymakers should be focused on incorporating innovative employment strategies into existing Medicaid programs, not expanding eligibility to a new class of able-bodied adults who have no disabilities preventing them from working and supporting themselves.

Policymakers could follow the example set by Medicaid reformers in Kansas who are putting aside funding to create pilot programs that provide personal and employment support services to individuals with disabilities.[46-47] Under Kansas' proposed pilots, patients would receive funds for personal support services, as well as assistance in finding employment, with a particular focus on jobs that offer employer-based health insurance.[48-49]

Several states already withhold a portion of capitated rates as a performance bonus for Medicaid plans that improve health outcomes for patients and meet other benchmarks.[50] Because employment has a significant positive impact on patient health, states may also consider incorporating employment activities into Medicaid plans' performance metrics.[51]

States may also consider utilizing enhanced benefit rewards to encourage work activities. Florida's comprehensive Medicaid reform plan, for example, allows Medicaid patients to earn up to $125 per year for receiving certain preventive services, complying with maintenance and disease management programs and keeping appointments.[52] Individuals can then use those rewards to purchase over-the-counter items at participating pharmacies.[53] Policymakers should consider adopting similar incentives and incorporating employment activities into these rewards accounts, with the cost of the rewards built into health plans' capitated rates.

Other states should embark on similar projects to explore these innovative employment strategies and expand them to other eligibility groups when possible. They should also be urging Congress to allow states to build on the successful state-led welfare reform of the 1990s that incorporated meaningful work requirements proven to move people out of government dependency and into self-sufficiency.

CONCLUSION

In states that have made reform of the current Medicaid system a priority, work requirements and other provisions to incent self-sufficiency have been a resounding success, just as they have after the bipartisan federal welfare reforms of the 1990s.

Work requirements will not turn a terrible policy into a good one. Lawmakers should not fool themselves into thinking that incorporating work requirements into an ObamaCare Medicaid welfare expansion will erase myriad problems expansion creates for patients and taxpayers. But work requirements should be a component of any welfare program running in every state.

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