CHECKING IN:
Arkansas’ Medicaid work requirement was working

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**KEY FINDINGS**

1. ARKANSAS’ OBAMACARE EXPANSION ENROLLED 54 PERCENT MORE ADULTS THAN PROMISED, NEARLY HALF OF WHOM DID NOT WORK AT ALL.

2. AFTER MEDICAID WORK REQUIREMENTS WERE IMPLEMENTED, ENROLLMENT BEGAN DROPPING STEADILY.

3. MORE THAN 14,000 ARKANSANS LEFT MEDICAID DUE TO INCREASED INCOMES.

4. TAXPAYERS WERE ON TRACK TO SAVE AT LEAST $300 MILLION PER YEAR.

5. MORE THAN 9,200 EXPANSION ADULTS FOUND EMPLOYMENT.

6. LESS THAN 2,000 ARKANSANS CAME BACK ONCE THEY WERE ALLOWED BACK ON THE PROGRAM.

**BOTTOM LINE:**
ARKANSAS’ MEDICAID WORK REQUIREMENT WAS WORKING.
Background on Arkansas’ checkered past with ObamaCare expansion

In 2013, Arkansas, prodded by Democrat Governor Mike Beebe, became the first southern state to expand ObamaCare. Despite promises that the program would save money and that enrollment would be predictable, the state experienced quite the opposite. The program was over-budget immediately, exceeding cost caps set by the federal government, and enrollment skyrocketed well beyond projections. The Government Accountability Office released findings of an internal audit showing that the Beebe and Obama administrations used fuzzy math to get the state’s ObamaCare expansion approved. As a result, the program was set to cost taxpayers nearly $1 billion more than promised.

The Medicaid director who spearheaded the creation of the program abruptly resigned to “pursue other opportunities.” Voters overwhelmingly abandoned pro-expansion legislators in several hotly contested primaries around the state. And perhaps worst of all, enrollment grew until 40 percent of Arkansans were enrolled in Medicaid.

Suffice it to say, when Governor Asa Hutchinson was inaugurated in January 2015, he inherited a large, costly, and broken program.

One of his first major actions was to reinstate the work requirement for able-bodied, childless adults on food stamps—a policy change that led to Arkansans leaving the program, tripling their incomes, and earning financial independence.

Medicaid also needed reform: the status quo was unsustainable for taxpayers and for the truly needy.

The state initially tried an optional “work referral” for expansion enrollees, hoping this would move more Arkansans from welfare to work. But the optional work suggestion policy proved unsuccessful: less than five percent of referred expansion enrollees took any action on the referrals they received from the state. Enrollment continued to soar, topping out at 331,000 able-bodied adults, 54 percent higher than what state officials originally promised. Despite the work referrals, nearly half of expansion enrollees reported not working at all.
Governor Hutchinson called a special session of the legislature in May 2017 to request federal permission to create a real work requirement, requiring able-bodied adults enrolled in Medicaid expansion to work, train, or volunteer at least part-time. In a bipartisan vote, the legislature instructed the Medicaid agency to seek federal waivers to implement commonsense work requirements.

In early 2018, the state’s request was approved by the Trump administration, and by June—thanks to the tireless work of the Arkansas Department of Human Services and Department of Workforce Services—Arkansas became the first state in history to ever implement a work requirement for able-bodied adults on Medicaid.

**Three key signs Arkansas’ work requirement was working**

Arkansas’ Medicaid work requirement, similar to the state’s successful food stamp requirement, required able-bodied, childless adults to work, train, or volunteer at least part-time. The state used available data on employment, wages, job training, and other work activities to automatically verify compliance or non-compliance for most enrollees. When data was unavailable, enrollees were required to report work activities. Those who refused to meet the requirement for at least three months were removed from the program but could re-enroll at the beginning of the next calendar year.

Regrettably, Arkansas’ Medicaid reform had a minor setback in March 2019 when an Obama-appointed judge temporarily paused the work requirement. The judge’s decision to pause the work requirement—based on procedural grounds—did not rule that the work requirement was illegal, did not overturn policy guidance from the Trump administration, and did not prevent the Administration from reapproving the waiver.

The ruling is truly unfortunate because, as a quick review of available data makes clear, Arkansas’ work requirement was helping advance the core objectives of Medicaid—promoting independence and self-sufficiency while also improving the long-term sustainability of the program.
1. ARKANSAS’ WORK REQUIREMENT WAS INCREASING INDEPENDENCE

Arkansas’ work requirement was incredibly successful at moving more able-bodied adults to independence. When the requirement was first implemented, more than 287,000 adults were enrolled in the Medicaid expansion.\(^{18}\) By December, enrollment had declined to 247,000—a drop of nearly 14 percent.\(^{19}\)

Much of this decline came before anyone was sanctioned for non-compliance, suggesting that many individuals were choosing to leave on their own by increasing their incomes.

Indeed, when the work requirement was in effect, just 17 percent of Arkansas Works case closures were the result of work requirement non-compliance.\(^{20}\) **More than 14,000 individuals left the program due to increases in their incomes.**\(^{21}\)

This signifies that the work requirement was helping Arkansas achieve Medicaid’s core purpose of helping individuals attain independence.

Arkansas’ enrollment drop is a great indicator not only that the work requirement was working, but also that Arkansas’ Medicaid program was on a better path of long-term sustainability for the truly needy.

This decline cannot be explained by Arkansas’ booming economy, as enrollment in the rest of the state’s Medicaid program changed by less than 0.4 percent during the same period.\(^{22}\)
Arkansas’ enrollment decline also naturally created savings for taxpayers, making the program more sustainable over the long-term. By the end of 2018, Arkansas was on track to save taxpayers at least $300 million per year.\textsuperscript{23-27}

Total savings would have continued to pile up had the work requirement been allowed to be fully phased in: the state was just starting to wrap in the rest of their planned population into the work requirement and would have seen further decline in enrollment, creating even more savings.

A spending drop was welcome news for Arkansas’ Medicaid program and its beneficiaries. The state’s total Medicaid budget has exploded in recent years, increasing by nearly 60 percent since just 2013, the last year before Medicaid expansion began.\textsuperscript{28} Total Medicaid spending in Arkansas is now more than double the state’s entire education budget.\textsuperscript{29}

The state also maintains a waiting list for home and community-based Medicaid services.\textsuperscript{30} While Arkansas has made significant strides in recent years towards reducing this list and recently passed legislation to eliminate the list in the next two years, that will only be possible with adequate funding.\textsuperscript{31} In fact, the savings generated by the Medicaid work requirement would have been more than enough to fully eliminate the state’s Medicaid waiting list.\textsuperscript{32}

The Medicaid work requirement was generating significant savings for taxpayers, a strong step towards a more sustainable program for those that truly need it.
3. ARKANSAS’ WORK REQUIREMENT WAS HELPING ARKANSANS FIND EMPLOYMENT

Not only was Arkansas’ requirement reducing enrollment and generating significant savings for taxpayers, it was also helping Arkansans find work.

According to state data, more than 9,200 expansion adults found employment since the work requirement was implemented. This data likely understates the number of Arkansans who found or increased employment, given that it does not account for individuals who went back to work as independent contractors, those who found cash jobs, or those who work across state lines in border cities like Memphis, TN or Texarkana, TX.

Interestingly, less than 100—or fewer than one percent—of these expansion adults were from age groups not subject to the work requirement. The other 99 percent who went back to work were within the population subject to the work requirement, suggesting that the requirement had a significant effect on encouraging employment.

These initial results from Arkansas should not come as a surprise—after work requirements were implemented in other states, including in Arkansas, able-bodied adults found work in thousands of different industries, tripled their incomes, and became more financially independent.
The people: Work requirements changed lives

The Arkansas Department of Workforce Services reached out to many Arkansans who were impacted by the work requirement. Here are some of their stories.

Jeff Snyder was unemployed for more than nine months when he found out he was subject to the Arkansas Medicaid work requirement. He traveled to his local government workforce center to look for a job and was immediately matched with employers in the area looking to hire. Today, Jeff is making nearly $18 per hour, roughly twice the minimum wage in Arkansas, in an industry he loves and has room to grow in.

“I now work with a great company—in a job that I actually would not have gotten without the help from Department of Workforce Services. They have given me an opportunity to provide a better life for my family and I can’t and won’t be able to thank them enough.”

Olivia Jordan was unemployed when she received a notice about the work requirement. She decided to visit her local workforce center and see what her options were. There, she was introduced to the hiring manager at KMR Mechanical and was able to get an interview the same day. Olivia was offered a full-time position and started work just six days after walking into the workforce center, making more than minimum wage.

After receiving word that she was subject to the new Medicaid work requirement, Julia Bunch visited her local workforce center and enrolled at North Arkansas College. She now attends classes four days a week and works as a certified nursing assistant at a local long-term care facility—creating a better life for herself through work and giving back to her community by helping seniors.
Sue Clark met with her local workforce center specialist at the end of May to explore employment opportunities. She soon accepted a full-time position with the new Methodist Village Health Rehab and Residential Living Facility. Sue is now meeting the work requirement and will be able to receive health insurance coverage through her new employer. Even though she cannot drive, she is using public transportation and help from family to get to work.

Jeremy Weber initially met the work requirement through job search and volunteer hours. While searching for work, Jeremy’s local workforce center found two job openings that seemed like they would be a good fit. That day, a referral resulted in a full-time job offer. Jeremy started working full-time in December, making more than minimum wage with the opportunity to get medical benefits.

Chris Burgess went into his local workforce center unemployed and looking for help setting up his online account to report his work activities. That same day, Chris left with a job and would report to orientation just a few days later.

I. Chris Burgess came into Arkansas Workforce on Dec. 28, 2018. The staff was incredibly helpful basically refused to let me fail. Long story short I'm leaving today gainfully employed. I couldn't be more appreciative. Thanks so so very much.

Note: These stories are courtesy of the Arkansas Department of Workforce Services. Names, faces, and hometowns reflect real Arkansans and their real-life situations.
Few Arkansas Works enrollees came back after leaving the program—until a court struck down the requirement

Under the terms of the state’s Medicaid waiver, enrollees who refused to participate in work activities—including training or volunteering—were given a three-month grace period. After three months, enrollees were removed until the start of the next calendar year, at which point they could re-enroll. Enrollees who were sanctioned for noncompliance in 2018 were allowed to come back onto the program in January 2019.

Very few enrollees took this opportunity. In fact, fewer than 1,900 of the more than 18,000 able-bodied adults who were removed in 2018 came back onto the program when the clock reset in January 2019.

However, when an Obama-appointed judge paused the requirement in late March, something quite different happened: enrollment began to surge again. Between March and April, expansion enrollment grew by more than 4,000 adults—reaching its highest level in five months.

This surge suggests the work requirement was serving as a deterrent for able-bodied adults who did not want to work—once the requirement was gone, they were able to come back without any risk of having to work.
Arkansas is not backing down

Although Arkansas faces a temporary setback, the requirement is sure to return—perhaps stronger than ever. Shortly after the ruling was issued, Governor Hutchinson sent a strong signal that the state would exhaust all legal remedies to have the requirement restored. Since that time, an expedited appeal has been granted. The Trump administration also can—and should—continue to approve commonsense work requirements.

The legislature has also been pushing to expand the successful requirement even further. A bill filed by Representative Austin McCollum and Senator Trent Garner in the recent legislative session would have expanded the work requirement to even more able-bodied adults in Medicaid, including non-disabled parents in traditional Medicaid.

One thing is clear: Arkansas’ wildly successful work requirement will be back. For taxpayers, the truly needy, and Arkansans languishing on welfare without hope of a better future, this is great news.
REFERENCES


4. Ibid.


12. Ibid.


19. Ibid.


21. Ibid.

22. Ibid.


24. Based upon the enrollment decline alone, monthly Arkansas Works costs had dropped approximately $25 million between May 2018 and December 2018—the equivalent of roughly $300 million in savings annually.
Arkansas Works enrollment declined from 239,047 on May 31, 2018 to 195,843 by December 31, 2018.

Arkansas Works cost taxpayers $1.6 billion during calendar year 2018, after accounting for claims adjustments, covering approximately 2.7 million member months. Monthly costs averaged $580.65 per person—nearly $7,000 per person annually.

Actual costs declined even faster than the enrollment-based savings estimate would indicate, as per-person costs also declined. Total Arkansas Works costs in December 2018 were approximately $29 million lower than the average monthly cost between January 2018 and May 2018—the equivalent of roughly $350 million in savings annually.


According to consultants for the state of Arkansas, providing full services to nearly 3,000 individuals that were on the waiting list in 2016 would cost roughly $148 million per year. The state could also provide capped services to all members of the waiting list for $31-$40 million per year. See, e.g., https://www.stephengroupinc.com/images/engagements/Final-Report-Volume-II.pdf and https://www.slideshare.net/AltosMarketing/arkansas-health-care-reform-task-force-iddd-wait-list.


