

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
First Reader

House Bill 1477
Appropriations

(Delegate Parrott)

**Maryland Medical Assistance Program - Work and Community Engagement
Requirements - Waiver**

This bill requires the Maryland Department of Health (MDH), by October 1, 2018, to apply for a specified federal waiver to implement a demonstration project establishing work or community engagement requirements on all able-bodied adult Medicaid enrollees who are eligible on a basis other than disability. By December 1, 2018, MDH must report to the General Assembly on the status of the application. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: MDH can apply for the waiver using existing budgeted resources. If the waiver is granted, Medicaid expenditures increase by an indeterminate but potentially significant amount beginning as early as FY 2019. Federal matching fund revenues increase accordingly. The net impact on the Medicaid budget in out-years is indeterminate.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The waiver application must (1) include information on how the project would be budget neutral and align with other benefit programs; (2) identify eligibility groups and ensure compliance with specified laws; (3) identify a range of qualifying work and community engagement activities; (4) describe the support services available to assist individuals in meeting requirements; and (5) describe State-specific employment barriers and how the State will address those barriers.

Current Law/Background: In March 2017, the federal Centers for Medicare and Medicaid Services (CMS) sent guidance to the states encouraging a new focus for Medicaid, targeting, in particular, the recent expansion of Medicaid to nondisabled, working-age adults without dependent children. The guidance outlined several focus areas, including supporting innovative approaches to increase employment and community engagement.

In January 2018, CMS issued specific guidance to states seeking to impose work or community engagement requirements. CMS reiterated its support for such initiatives for “non-elderly, non-pregnant adult beneficiaries who are eligible for Medicaid on a basis other than disability.” CMS stated that proposals should include certain components, including budget neutrality demonstration and program monitoring and evaluation plans. Additionally, CMS listed several issues for state consideration when developing proposals, including:

- ***Alignment with Other Programs:*** States should consider aligning work requirements with existing programs, such as the Temporary Assistance for Needy Families (TANF) program or the Supplemental Nutrition Assistance Program (SNAP), including any exemptions, qualifying activities, and hours of participation. Individuals who are compliant with TANF and SNAP must be automatically considered to be in compliance with Medicaid work requirements.
- ***Subjected Populations:*** States should clearly identify the eligibility groups that are subject to any work requirements and should ensure compliance with all federal disability laws. States should also make appropriate accommodations/exceptions for those with prohibitive health conditions, including substance use disorders.
- ***Range of Activities:*** States should consider a range of qualifying activities tailored to specific populations, including volunteer and tribal employment programs.
- ***Beneficiary Supports:*** States must describe strategies to assist individuals in meeting work requirements in their proposals.
- ***Attention to Market Forces and Barriers:*** CMS recognizes that states need flexibility in imposing work requirements based on local employment barriers. States should describe their plans to address such barriers in their proposals.

As of March 8, 2018, 10 states have submitted applications seeking to institute some form of work requirements as a condition of Medicaid eligibility (Arkansas, Arizona, Indiana, Kansas, Kentucky, Maine, Mississippi, New Hampshire, Utah, and Wisconsin). On January 12, 2018, Kentucky became the first state to receive approval for work requirements.

The details of proposed work requirements vary by state but generally include a minimum number of employment hours, enrollment in an educational program, and/or participation

in a volunteer or community program. **Exhibit 1** summarizes some of these work requirement proposals.

Exhibit 1
Examples of State Medicaid Work Requirement Proposals

<u>State</u>	<u>Work Requirements Proposal</u>	<u>Status</u>¹
Arizona	Population: Expansion adults <ul style="list-style-type: none">• 20 hours of education or work activities per week.	Pending
Indiana	Population: All able-bodied adults <ul style="list-style-type: none">• 20 hours of work per week over an 8-month eligibility cycle;• enrollment in full- or part-time education; or• participation in the state's (currently voluntary) job training and employment services program.	Approved
Kentucky	Population: All able-bodied adults <ul style="list-style-type: none">• 80 hours per month of community engagement activities (employment, education, job skills training, community service).	Approved
New Hampshire	Population: Expansion adults <ul style="list-style-type: none">• 20 hours of education or work activities per week upon initial application;• 25 hours per week after the individual receives 12 months of benefits over a lifetime; and• 30 hours per week after the individual receives 24 months of benefits over a lifetime.	Pending

¹Reflects status as of March 8, 2018.

Source: Centers for Medicare and Medicaid Services; Department of Legislative Services

Maryland currently does not require work, community, and/or educational activities as a condition of Medicaid eligibility. However, such requirements are part of other federal

assistance programs. For example, TANF requires individuals to complete a minimum of 30 hours per week of qualifying work activities; individuals who fail to comply are subject to sanctions (*i.e.*, a reduction in benefits). Additionally, with certain exemptions, SNAP requires able-bodied adults without dependents to engage in 20 hours of work (or qualifying work-related activities) per week; if an individual fails to meet these requirements, SNAP benefits are capped at 3 months during a 36-month period, after which the individual may only receive benefits if the individual complies with the work requirement.

The potential effect of work requirements on Medicaid programs and populations has been subject to debate, including issues around overall efficacy, cost, and challenges of implementation. An August 2017 brief from the Kaiser Family Foundation argued that (1) many Medicaid enrollees are already working, so a work requirement is anticipated to have a small impact on increasing employment; (2) work requirements will not reduce the need for health coverage through Medicaid, as many of the jobs held by Medicaid enrollees do not offer health insurance; (3) health coverage through Medicaid is an important precursor to, and support for, work; (4) most Medicaid adults who are not working report major impediments in their ability to work or other responsibilities that keep them from working (*e.g.*, illness, disability, or family responsibilities); (5) current TANF spending on work activities is often critiqued as too low yet already exceeds estimates of state Medicaid program spending necessary to implement work requirements; and (6) work requirements can create additional administrative complexities and costs (*e.g.*, monitoring compliance).

Section 15 of Chapter 23 of 2017 (the Budget Reconciliation and Financing Act of 2017) states that the Medicaid eligibility and benefits rules in place on January 1, 2017, may not be altered to make it more difficult to qualify for benefits, expand beneficiary cost sharing to additional services, or impose new limitations on the covered benefits, except for changes to provider networks and the preferred drug list. The section provides that rules may be altered if required under federal law to qualify for receipt of federal funds included in legislation passed by the General Assembly, proposed in the annual budget, or submitted in writing to the Maryland Medicaid Advisory Committee, which may refer the change to the Legislative Policy Committee. However, the section sunsets May 31, 2019.

State Fiscal Effect: MDH can apply for the waiver using existing budgeted resources. To the extent a waiver is granted, Medicaid expenditures increase by an indeterminate but potentially significant amount beginning as early as fiscal 2019. Additional expenditures are required for programming changes to Maryland Health Connection (the Maryland Health Benefit Exchange eligibility platform) and MMIS II (Medicaid's eligibility platform), additional personnel to administer the waiver, compliance oversight, and integration and/or linkages with other social services programs and systems in Maryland. Federal matching fund revenues increase accordingly. A federal matching rate of 90% is anticipated for information technology expenditures and 50% for other expenditures.

For illustrative purposes only, Kentucky estimates its waiver will cost \$187 million (\$20 million in general funds, \$167 million in federal funds) during the first six months of

implementation. Tennessee estimates that implementing work requirements would cost the state \$18.7 million total funds annually (\$3.7 million in general funds, \$15.0 million in federal funds). Virginia has estimated that the cost to implement work requirements could be \$100 million for the first two years.

To the extent that work or community engagement requirements assist participants in obtaining employment that reduces the need for Medicaid coverage, Medicaid expenditures may decrease in future years.

MDH advises that it is unclear whether the potential for savings will be sufficient to offset the costs to administer work requirement programs as many Medicaid participants already engage in work activities or would be categorically exempt from work requirements.

Additional Information

Prior Introductions: None.

Cross File: SB 886 (Washington County Senators) - Finance.

Information Source(s): *Governing*; Centers for Medicare and Medicaid Services; Kaiser Family Foundation; Maryland Department of Health; Department of Legislative Services

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nb/ljm

Analysis by: Jennifer B. Chasse and
Sasika Subramaniam

Direct Inquiries to:
(410) 946-5510
(301) 970-5510