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Proposed Work Requirements in Montana's Medicaid Program: An Update

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This report updates an earlier analysis by the authors: "Potential Effects of Work Requirements in Montana's Medicaid Program." Center for Health Policy Research, Milken Institute School of Public Health, George Washington University. Feb. 13, 2019. https://mthcf.org/resources/report-medicaid-work-requirements/

Executive Summary

This report examines the potential effects of a legislative proposal (HB658) to add work requirements to Montana's Medicaid program, recently introduced by Representative Ed Buttrey. The bill would reauthorize the 2016 Health and Economic Livelihood Partnership (HELP) Act, but make major changes.

The proposal would add work requirements ("community engagement") and other new requirements for low-income Montana HELP (Medicaid expansion) participants. Beneficiaries aged 19 to 59 years old would lose Medicaid coverage if they do not report working at least 80 hours per month for three or more months. Participants could also lose coverage if they did not submit new paperwork, such as mandatory health risk or employability assessments, or do not report certain changes in circumstances. In addition, many of the remaining people would have to pay higher premiums or fees to maintain their coverage.

We conservatively estimate that between 50,000 to 56,000 of the 95,000 current HELP enrollees would lose Medicaid coverage if the bill is adopted, about 52% to 59% of those now covered. As a result, the number of low-income uninsured Montanans would be increased. Those losing insurance coverage will have serious difficulties finding access to affordable health care.

The loss of revenue from Medicaid would also create financial difficulties for safety net health care providers, such as community health centers and rural hospitals. To compensate, they would be forced to reduce services, lower the number of patients served and/or cut staffing. Because these facilities serve broad communities, including privately insured and Medicare patients, there would be broader community repercussions.

Montana's 2016 Medicaid expansion increased the number of insured Montanans and helped stabilize the health care marketplace. Most of the expansion is federally-financed. A particularly noteworthy feature of HELP was the development of a successful voluntary employment assistance program, HELP-Link, that helped unemployed beneficiaries look for and find work, without threatening their health insurance coverage. Extensive research indicates that mandatory work programs do not substantially increase participants' long term employment or incomes, but cause many to lose benefits. HB658 would reverse a majority of the health and economic gains generated by the 2016 law, while creating substantial administrative costs.

Introduction

On March 12, Montana Representative Ed Buttrey introduced House Bill (HB) 658 to impose work requirements in Medicaid, partially extend Montana's Health and Economic Livelihood Partnership (HELP) Act expansion and make other major changes. It appears that the bill will be considered as part of a March 16 hearing of the Montana House Human Services Committee. This report updates a February 13, 2019 analysis of a draft (February 5) of the bill by researchers at George Washington University.[1]

Two basic elements of the bill are similar to the earlier version. It would:

(1) Require 19 to 59 year-old Medicaid HELP enrollees (those with expanded eligibility) to have 80 hours per month (20 hours per week) of "community engagement" or lose Medicaid coverage after three months (i.e., establish a work requirement) and
(2) Increase premiums for those enrolled more than two years, up to 5 percent of income.

Other important elements of the bill are to:

(3) Increase reporting requirements, including such as mandatory health risk assessments and employment readiness reports, as well as quarterly verification of self-reported exemptions;
(4) Impose fees to be paid by certain HELP beneficiaries, even if they have no cash in the bank; and
(5) Extend the current HELP waiver, which had been approved by the federal government, through December 31, 2019, but seek to replace it with version based on the bill afterward, pending approval by the federal Centers for Medicare and Medicaid Services (CMS).[2] If the bill's provisions are not approved or otherwise overruled, the extension of HELP would be voided.

This report updates our earlier analysis and describes the expected effects of the current bill. Because of the ambiguity of certain provisions and doubt about how they would be implemented by the Department of Public Health and Human Services (DPHHS) if the bill is adopted, there is some uncertainty in our analysis

For the sake of brevity, this update primarily focuses on revisions to our prior estimates and examples of how this might affect two large health care providers in Montana. More background is available from our earlier report.[1]

Analysis of Key Elements of HB658

Like the draft bill, HB658 would impose work requirements and those unable to find sufficient employment (80 hours per month for at least 9 months per year) would lose their Medicaid coverage. Our analysis shows that 36% of those required to meet or show an exemption from the requirement are likely exempt, 27% are likely working, and 37% are likely not meeting the

[1] Ku L, Brantley E. Potential Effects of Work Requirements in Montana's Medicaid Program. Center for Health Policy Research, Milken Institute School of Public Health, George Washington University. Feb. 13, 2019. https://mthcf.org/resources/report-medicaid-work-requirements/

[2] A federal district court hearing, scheduled for March 14, will consider arguments concerning whether CMS has the legal authority to approve similar Medicaid waivers, which might lead to changes or delays in federal actions to approve related Section 1115 waivers.

requirement. As seen in Table 1, based on American Community Survey data,[3] among those most likely to be terminated due to work requirements:

- Nearly one-third (31%) are parents of minor children.
- One-fifth (21%) have a dependent with a disability.
- One-quarter (23%) are in school.
- More than one quarter (27%) have seasonal employment and work six or more months of the year for wages, but not enough to meet the requirements all year.
- An additional fifth (22%) are self-employed, but their self-employment hours do not count toward the work requirements (see below).
- One-sixth (17%) lack internet access, reducing their ability to report their work hours or exemptions.
- More than a third (38%) live in more rural areas of Montana. Because there may be fewer job opportunities in rural areas, rural Montanans may experience greater losses.

Potential Problems for the Self-Employed. The bill imposes work requirements based on "employment as evidenced through reportable wages." (This provision was also in the earlier version, but was not addressed in our earlier report.) Many Montanans are self-employed, are not wage-earners and do not have wages reported to the Department of Labor and Industry.[4] This include those working in farm communities, household workers, Uber drivers, and so on. Such work, conducted outside the wage reporting system, would not be counted in meeting the 80 hours per month work requirements in HB658. If self-employment hours are not counted as "community engagement," about 7,000 self-employed people would be likely terminated. If self-employment hours count toward meeting the requirements, about half of these would appear to meet the work requirements.

Even if self-employment were allowed, losses would likely be higher among this group because self-employed people would need to track and report hours. HB658 assumes that many HELP participants could be exempted administratively through the state's wage reporting system, but that would not apply to work conducted by the self-employed. Implementation of the work requirement reporting system, which will include both reporting by participants and automated data matches, will be complicated and likely confusing, which will likely cause many to drop off.[5]

Partial Exemption for American Indians. Under the bill, "a member of a population for whom the federal government generally pays the cost of health care services" is exempt from work requirements. This appears to be intended to exempt some, but not all American Indians, but is vague, would be difficult to administer, and is probably subject to legal challenge.

Under federal law, services provided by or through Indian Health Service (IHS) facilities for Medicaid participants can be reimbursed 100% by the federal government.[6] But the 100%

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[3] The methodology is similar to our February, 13th report.

[4] An alternative interpretation might be that "reportable" refers to income tax filings. But self-employment income is separately reported and still is not considered as wages. Moreover, it is not clear that DPHHS would have access to annual income tax filings.

[5] Katch H. Proposed Restrictions Could Undermine Montana's Successful Medicaid Expansion. Center on Budget and Policy Priorities. Feb. 13, 2019. https://www.cbpp.org/research/health/proposed-restrictions-could-undermine-montanas-successful-medicaid-expansion

[6] Wachino V, CMS. State Health Official Letter regarding Federal Funding for Services "Received Through" an IHS/Tribal Facility and Furnished to Medicaid-Eligible American Indians and Alaska

Table 1: Characteristics of Montana HELP beneficiaries likely subject to the work requirement

	Likely Exempt	Required To Work		All Beneficiaries In Target Population
		Likely Meeting Work Reqt. (9+ months work, average 20 hrs/wk)	Likely to be Terminated (less than 9 months work, 20 hrs/wk)	
	Percent of People in Each Column with Characteristic			
Age categories				
19-29	31%	40%	43%	38%
30-49	45%	46%	39%	43%
50-59	23%	14%	18%	19%
Race/ethnicity				
White, Non-Hispanic	68%	83%	85%	79%
Black, Non-Hispanic	0%	1%	1%	1%
Hispanic	5%	6%	4%	5%
American Indian	22%	4%	5%	11%
Other/Mixed	5%	6%	5%	5%
Gender				
Male	40%	40%	51%	44%
Female	60%	60%	49%	56%
Employment in the past year				
Any employment for wages	46%	100%	50%	63%
Worked 6+ mths for wages	33%	100%	27%	50%
Self-employed (assuming self-employment hours are not counted)	7%	0%	22%	11%
Education				
Currently in school	10%	15%	23%	16%
No high school diploma	23%	9%	15%	16%
High school graduate	60%	66%	58%	61%
College+ graduate	16%	25%	28%	23%
Family responsibilities				
Parent of a minor child	45%	48%	31%	40%
Family member is disabled	29%	16%	21%	22%
Barriers to employment				
No access to internet (including via cellphone)	25%	17%	17%	19%
No vehicle in household	11%	2%	5%	6%
Lives in More Urban Areas of Montana				
More Urban	56%	65%	62%	61%
More Rural	44%	35%	38%	39%

Source: GWU analysis of 2016-2017 American Community Survey data

Natives. Feb. 26, 2016. https://www.medicaid.gov/federal-policy-guidance/downloads/SHO022616.pdf

reimbursement pertains to specific care services, not specific people or populations. Many American Indians get some services from IHS facilities but also get other care from non-IHS providers. And some American Indians are not eligible for IHS services or do not use them Some non-American Indians, such as spouses, are also eligible for IHS services. It is not clear how DPHHS could determine which American Indians qualify for the exemption and which do not. The ambiguity will make this provision hard to administer and it could be legally challenged. Medicaid policy permits freedom of choice and does not lock American Indians into getting care only from IHS facilities. In Table 1, despite these ambiguities, we assumed that about half of Montana American Indians participating in Medicaid would be exempt because they live on reservations and might get care primarily from IHS facilities.

More Red Tape. Our analysis indicates that paperwork requirements added in HB658 will cause more Medicaid beneficiaries to lose insurance coverage, independent of the work requirements. In their first six months in the program, participants must complete a health risk assessment and an employment readiness form. Many participants will need to repeat the forms each year. Those who fail to comply will be disenrolled and prevented for reapplying for Medicaid for six months. (We did not discuss this policy in our prior analysis. As now drafted, HB658 states that those who do not complete either form will be terminated and will be locked out for six months.) In addition, there are new requirements to report permanent changes in income that happen during a year; failure to report would lead to termination and being locked out for six months. Finally, the department will audit a sample of beneficiaries every quarter and some may be terminated for 12 months as a result.

Every program administrator knows that adding red tape creates barriers; many beneficiaries will be unable to comply and will lose benefits. Experience from other programs has consistently shown that simplifying procedures makes it easier for people to enroll or stay enrolled while more red tape reduces participation.[7] In many cases, participants may simply be unaware of requirements, e.g., they may have failed to receive notice or have limited literacy. This is why many forms of health insurance, e.g., Medicare, the health insurance exchanges, and employer-sponsored insurance, use automatic enrollment and re-enrollment to keep people covered.

To assess the potential effect of the health risk and employment readiness assessment requirements, we reviewed levels of compliance with health risk assessment initiatives established in other states, linked to Medicaid incentives. In Michigan and Iowa, beneficiaries were asked to complete health risk assessments as part of programs to incentivize healthy behaviors with lower premiums. In Michigan, only 16% of Medicaid enrollees completed health risk assessments.[8] In Iowa, between 39% and 68% completed either a health risk assessments or wellness exams (only 8% to 26% completed both).[9] One private firm bragged that after Medicaid managed care plans

[7] Remler D, Glied S. What Other Programs Can Teach Us: Increasing Participation in Health Insurance Programs. American Journal of Public Health. 2003; 93(1):67-74.

[8] Musumeci M, Rudowitz R, Ubri P, Hinton E. An Early Look at Medicaid Expansion Waiver Implementation in Michigan and Indiana. Kaiser Family Foundation. Jan. 2017. http://files.kff.org/attachment/Issue-Brief-An-Early-Look-at-Medicaid-Expansion-Waiver-Implementation-in-Michigan-and-Indiana

[9] Askelson N, Wright B, Bentler S., et al. Iowa's Medicaid Expansion Promoted Healthy Behaviors But Was Challenging to Implement and Attracted Few Participants. Health Affairs. 2017l 36(5): 799-807.

initially failed to get people to complete health risk assessments, it developed intensive outreach efforts that attained a 67% completion rate.[10]

Health risk or employability assessments may be useful tools to help participants, health care providers and employment specialists assess the needs of participants. But we are not aware of other states that terminate coverage for failure to complete similar forms. It is unclear whether CMS would approve a waiver with such a requirement, linked to the loss of coverage. Given the experience with health risk assessments in other states, it seems doubtful that terminating coverage due to the lack of forms would promote either health or employment for enrollees. Under the nonseverability clause in HB658, if any part of the bill is invalidated, the entire bill is nullified.

We optimistically assume that DPHHS will be far more successful than the examples cited above and that 75 percent will complete both forms. But this still means that 25 percent of enrollees lose coverage due to the paperwork burdens contained in the bill. Depending on how these requirements are implemented, the losses could be much greater. For example, we do not know how long the forms are and how well the forms and the consequences of not completing them are publicized to beneficiaries.

Higher Premiums and Fees. HB658 would gradually increase monthly premiums that participants must pay, currently capped at 2 percent of income. For those enrolled more than two years, premiums gradually rise by 0.5 percent per year, eventually reaching 5 percent of income.

In addition, the bill expands the "taxpayer integrity fees" that some enrollees must pay. Under existing law, those with residences worth more than $250,000, vehicles worth more than $20,000 *and* cash assets worth more than $50,000 have to pay fees of $100 per month or more. The bill now eliminates the cash asset test, expands criteria for real property and vehicles, and applies the $100 or more monthly fee if *any* of the conditions apply. Very few people are subject to the current fee requirements, but the number will surely rise under the new rules.

For example, under the policy, a man who lost his job, has depleted his savings and now just has $5 in the bank, but still owns a house or vehicles, would be required to pay $100 per month in taxpayer integrity fees. He probably could not be able to afford the fee (without selling or mortgaging his house or vehicles) and would be forced to drop Medicaid.

We conservatively assume that 9% of the participants remaining after losses listed above will lose coverage due to higher premiums. (See the earlier report for the basis of the estimate.) We do not know how many additional people will be subject to the new taxpayer integrity fees and cannot accurately estimate its potential effects.

How Many HELP Enrollees Might Lose Coverage Due to HB 658?

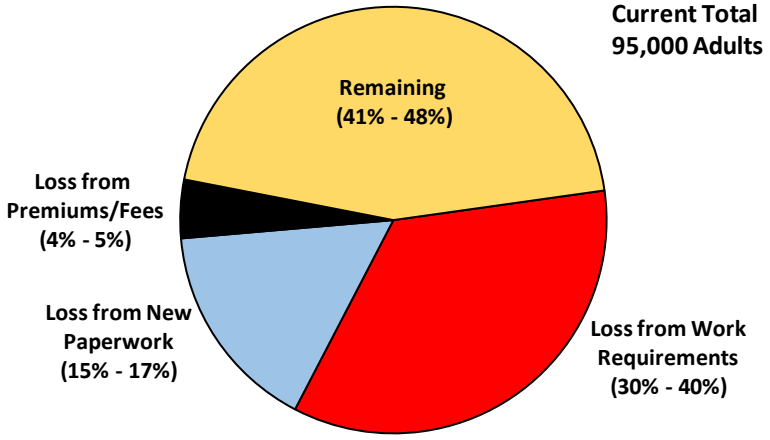
Figure 1 and Table 2 summarize the cumulative effects of these policies on HELP enrollment. Overall, we conservatively estimate that 50,000 to 56,000 (52% to 59%) of the 95,000 enrollees would lose Medicaid coverage because of the changes in HB 658. (For the sake of simplicity, Figure 1 illustrates proportions based on the midpoints of the estimates.)

Our earlier report reviewed prior experiences with work requirement-induced losses in Arkansas' Medicaid program and the Supplemental Nutrition Assistance Program nationally, adjusted for the harsher criteria proposed in Montana, and estimated that that 30% to 41% of the 87,000 beneficiaries 19 to 59 years old would not comply with the work requirements and lose

[10] Carenet. Medicaid Health Risk Assessment Program Delivers 67% HRA Completion Rate. Mar. 2017. https://carenethealthcare.com/2016/10/18/strategic-engagement-solution-health-risk-assessment-success-story/.

Medicaid coverage. In light of the changes proposed for American Indians and assuming that self-employment hours do not count towards work requirements, we now increase that percentage and estimate that 33% to 44% of those 19 to 59 years old will fail to meet work requirements and lose coverage, about 29,000 to 38,000 adults.

Figure 1.
Estimated Share of Montana HELP Enrollees Who Could Lose Medicaid Coverage Due to HB 658



Source: George Washington University estimates, 2019.

Next, we consider losses due to greater paperwork burdens and assume that 25% of the remaining enrollees will be dropped because of red tape, primarily due to the health and employer readiness assessments. This would cause about another 14,000 to 16,500 to lose Medicaid. Finally, the higher premiums and fees would lead 9% of the remaining enrollees to lose Medicaid, between 3,800 and 4,500 people.

In total, we estimate that more than half of HELP enrollees, 50,000 to 56,000 adults, would lose Medicaid coverage after the HB658 policies are adopted. Total losses could be higher. Most of people who lose coverage would be prohibited from applying for Medicaid again for 6 months, regardless of their willingness or ability to start completing the various requirements. In many cases, when parents lose coverage, their children may lose coverage too. Research has shown that the Medicaid coverage of parents and their children are linked.[11] We do not estimate how many children might lose Medicaid, but some reduction in children's insurance coverage is expected.

Table 2. Cumulative Estimated Effects of HB658 on HELP Enrollment

	Low Estimate	Higher Estimate
Current HELP enrollees (19 and older)	**95,000**	**95,000**
HELP enrollees 19-59	87,000	87,000
Loss due to work requirements (33-44%)	-28,710	-38,280
Remaining enrollees	66,290	56,720
Loss due to paperwork burdens (25%)	-16,573	-14,180
Remaining enrollees	49,718	42,540
Loss due to premiums and fees (9%)	-4,475	-3,829
Total Losing Coverage	**-49,757**	**-56,289**
% losing Medicaid	**-52%**	**-59%**
Total Still Covered	**45,243**	**38,711**

Source: George Washington University estimates, 2019

[11] Georgetown University Center for Children and Families. Health Coverage for Parents and Caregivers Helps Children. March 2017. https://ccf.georgetown.edu/wp-content/uploads/2017/03/Covering-Parents-v2.pdf

Consequences of Losing Medicaid

Most of the 50,000 to 56,000 adult Montanans losing Medicaid will become uninsured. Very few will be able to obtain private insurance, including employer-sponsored insurance or insurance from the federal health insurance marketplace. Montana's Medicaid expansion, permitted by the HELP Act, clearly lowered the number of uninsured Montanans, improving their health care access and strengthening their financial well-being and health.[12] [13]

HB 658 will reverse many of these gains, driving up the number of uninsured and making it more difficult for low-income workers and other adults to access medical care, including prescription drugs, when they need it.

How Could HB658 Affect Safety Net Health Care Providers?

We can illustrate potential effects of HB658 by examining two non-profit community health centers, Bighorn Valley Health Center (Big Horn County) and Glacier Community Health Center (Glacier County), based on Uniform Data System data from 2015, before HELP, and 2017, after expansion. The health centers are located in areas where unemployment rates are twice the statewide average. Almost all of their patients are low-income. About 59% of Bighorn Valley's and 40% of Glacier's patients are American Indian. These centers are relatively far from IHS facilities, so it is likely that the American Indian patients get most of their ambulatory care from these health centers, not IHS.

As seen in Table 3, Medicaid expansion helped both health centers grow. By 2017, Bighorn Valley Health Center served almost twice as many total patients compared to 2015, while Glacier Community Health Center added about 300. Medicaid expansion increased the share of patients insured by Medicaid while shrinking the share uninsured. This helped the centers expand services to serve more patients overall, including low-income American Indian and non-American Indian members of the community. Bighorn Valley was able to add dental care services.

Table 3. Key Facts About Two Montana Community Health Centers

	Bighorn Valley Health Center (Hardin & Ashland)		**Glacier Community Health Center (Cut Bank)**	
County Unemployment Rate (Dec 2018)	**7.8%**		**7.7%**	
	2015	**2017**	**2015**	**2017**
Total Patients	**2,046**	**4,010**	**3,132**	**3,409**
% Adults 18-64 Yrs	58%	56%	56%	57%
% Medicaid	27%	40%	29%	43%
% Uninsured	26%	15%	16%	8%
% Indian	56%	59%	38%	40%

Source: HRSA, Uniform Data System, 2015 and 2017. Montana Dept of Labor & Industry.

[12] Sommers B, et al. Three-Year Impacts of the Affordable Care Act: Improved Medical Care and Health Among Low-Income Adults. *Health Affairs*. 2017: 36(6): 1119-28.

[13] Sommers B, Gawande A, Baicker K. Health Insurance Coverage and Health — What the Recent Evidence Tells Us. *New England Journal of Medicine*. 2017; 377:586-593

We estimate that about 500 patients were HELP enrollees in each center in 2017. Based on our estimate that 52% to 59% of HELP beneficiaries could lose coverage, we estimate that 260 and 300 patients in each center would have lost Medicaid and become uninsured, had HB658 been in effect in 2017. Rough calculations indicate that Bighorn Valley could have lost between $170,000 to $200,000 in Medicaid revenue in 2017, while Glacier could have lost $125,000 to $150,000. Given inflation and likely continued growth, the losses would be larger today. But the loss of Medicaid does not mean that patients' health needs go away; most will still seek care from these health centers, which by law cannot turn them away just because they are uninsured. Thus, the centers' uncompensated care costs will grow, while their Medicaid revenue shrinks.

To absorb such losses, the health centers would have to cut the number of patients served, reduce services and/or reduce staff costs. Because health centers are required by law to serve patients regardless of ability to pay, they cannot selectively cut services to those who lose Medicaid. Reductions in services would harm all health center patients, and since the centers are located in medically underserved areas, would have broader implications for health care in these communities. Loss of Medicaid coverage would undermine the fragile finances of safety net health facilities.

Conclusions

HB658 would extend Montana's Medicaid expansion. Representative Ed Buttrey expressed the intent that "I'm not trying to do something that's going to cause enrollment numbers to drastically change."[14] Our analysis suggests that more than half of those who gained coverage under HELP, over 50,000 Montanans, would lose Medicaid if his bill is adopted.

At the same time, the bill would require substantial administrative effort and costs in order to adopt the new work requirement system and other changes. As noted by the Center on Budget and Policy Priorities, work requirement systems proposed by other states have estimated administrative costs ranging from $78 to $600 million.[4] In addition, Montana is proposing other reporting, such as health risk and employment assessments, that will further increase costs.

Montana's 2016 Medicaid expansion succeeded in increasing the number of Montanans who have health insurance and access to medical care. It helped stabilize the health care marketplace. Most of the expansion is federally-financed, which also helps foster economic and employment growth.[15] A particularly noteworthy feature of HELP was the development of a successful voluntary employment assistance program, HELP-Link, that helped unemployed beneficiaries look for and find work, without threatening their health insurance coverage.[16] [17] Montana's model serves as an example for the rest of the nation and Maine is following Montana's lead. In contrast, extensive

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[14] Michels H. Bill Draft Outlines Potential Elements of GOP Medicaid Expansion Plan. *Billings Gazette,* January 30, 2019, https://billingsgazette.com/news/state-and-regional/govt-and-politics/bill-draft-outlines-potential-elements-of-gop-medicaid-expansion-plan/article_5ca9146a-fa01-5787-adfe-b79c13deb037.html.

[15] Ward B, Bridge B. The Economic Impact of Medicaid Expansion in Montana: Updated Findings. Bureau of Business and Economic Research at the University of Montana. Jan. 2019. https://mthcf.org/2019/01/blog-economic-impact-of-medicaid-expansion/

[16] Montana Dept of Labor and Industry. HELP-Link Program. 2016 Annual Report. https://lmi.mt.gov/Portals/135/Publications/LMI-Pubs/Special%20Reports%20and%20Studies/HELP-Link%20Year%20End%20Report.pdf

[17] Montana Dept. of Labor and Industry. Montana HELP-Link Reports. https://montanaworks.gov/help-link/program-reports

research has demonstrated that mandatory work programs do not improve participants' long term employment, incomes or self-sufficiency, but instead creates hardships for the many who lose benefits.[18] HB658 would reverse a majority of the gains generated by the 2016 law.

[18] See the discussion in our February 13, 2019 report.