States Should Consider High Costs of Work Requirements

Ian McDonald

Multiple courts have held it unlawful to condition Medicaid coverage on a work requirement. Yet, some states continue to consider them. In addition to the litigation history to date, policy makers in those states should consider the practical realities of work requirements.

Some states say they intend to target work requirements to Medicaid enrollees who are able work but are not doing so. However, according to the non-partisan Kaiser Family Foundation, this group amounts to only about 6% of the Medicaid population. The vast majority of enrollees are either already working or unable to work. That makes effective targeting extremely difficult, if not impossible.

Additionally, a study by the Commonwealth Fund found that loss of Medicaid coverage will have a significant impact on Medicaid revenues for hospitals." Estimated annual average revenue loss per hospital could be millions of dollars, and at least hundreds of thousands of dollars in some states.

As the chart below shows, there are also significant costs associated with administering work requirements. Sources are available upon request.

State	Actual and/or estimated costs	Costs included[ab]
Arkansas	Over $26 million (initial implementation); $400,000 (outreach, for 2018 alone).	Eligibility verification/enrollment system; tech upgrades and online system.
Colorado	$170 million (total): $55 million (first year); $115 million (second year).	Eligibility systems and caseworker costs.

[a] The costs and the reasons for costs often excluded critical expenses, such as outreach and/or compliance monitoring. See GAO, *Medicaid Demonstrations: Actions Needed to Address Weaknesses in Oversight of Costs to Administer Work Requirements* (Oct. 2019), https://www.gao.gov/assets/710/701885.pdf.

[b] While some costs are often counted as time-limited or one-time costs (new systems, for example), other costs are longer term and ongoing (maintenance, compliance monitoring, case workers, etc.).

Indiana	$35.1 million (over three years).	Initial costs; managed care activities/payments; IT systems.
Kentucky	$276 million (five years).	Mostly IT costs; admin payments to managed care orgs; evaluation costs.
Michigan	$15 million to $30 million (annual).	IT system upgrades; increased admin casework to verify hours, exemptions, other things.
Minnesota	$121 million (2020); $163 million (2021).	Significant staff hours to process exemptions and compliance (over $1,000 per beneficiary).
New Hampshire	$6.1 million (initial implementation); $187,000 (outreach).	Mostly IT systems and contracts; evaluation costs.
Ohio	$380 million (over five years).	Technology and case management services.
Pennsylvania	$600 million.	Increased staff; implementation of systems and employment supports.
Tennessee	$34 million (annual); $5.6 million (initial).	Implementation and new eligibility systems.
Virginia	Between $7 million to 200 million (annual); $5 million (initial).	Employment supports, system changes, and case management.
Wisconsin	$69.4 million (over two years).	Mostly outreach, evaluation, and other services; less money for IT systems.