



## Protect Medicaid Funding Issue #14: Medicaid Work Requirements Hurt State Economies

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### Introduction

Medicaid helps people live healthier and more economically secure lives. It increases the diagnosis and early treatment of chronic conditions, enhances educational achievement and future earnings for covered children, reduces health care inequities, and provides comprehensive, high-quality, and cost-effective care.<sup>1</sup> Medicaid coverage is tailored to the unique needs of individuals and families with low-incomes, but still costs less per beneficiary than private insurance.<sup>2</sup> Medicaid's core beneficiary protections make the program work for enrolled populations, including children, parents, pregnant people, low-income workers, older adults, and people with disabilities. Despite Medicaid's proven success and efficient use of funds, detractors repeatedly seek to cut or cap funding for the program. These proposals seriously jeopardize the health and financial security of the more than 80 million people who benefit from Medicaid and CHIP.<sup>3</sup>

This fact sheet explains how Medicaid work requirements would hurt state economies.

### Medicaid Work Requirements Destabilize Our Workforce

**Medicaid work requirements destabilize our workforce.** The majority of Medicaid enrollees who are able to work are actively engaged in work or other qualifying activities.<sup>4</sup> The remaining enrolled face barriers to work such as caregiving responsibilities, school attendance, illness or disability, retirement, inability to find work or other reasons.<sup>5</sup> Many of these enrollees are enrolled in jobs that have low rates of employer-sponsored health insurance, and therefore, Medicaid may be their only option to receive health care.<sup>6</sup> According to research from expansion states, Medicaid has been shown to make it easier for individuals to find and maintain work.<sup>7</sup> Work requirements hurt employment outcomes by adding extensive administrative red-tape that enrollees have to maneuver to maintain their coverage.

## Medicaid Work Requirements Would Drastically Increase State Spending

**Medicaid work requirements are extremely expensive to implement and would drastically increase state spending.** According to the Government Accountability Office (GAO), the cost to administer Medicaid work requirements can range from millions to hundreds of millions per state.<sup>8</sup> For example, GAO found that if Kentucky implemented their work requirement, 620,000 enrollees would be subject to work or other qualifying activities to the state, with an estimated administrative cost of \$271.6 million.<sup>9</sup> Administrative costs would also be high for smaller states. GAO estimates that if New Hampshire implemented a work requirement, an estimated 50,000 people would be subject to the requirement.<sup>10</sup> Administering the work requirement would cost New Hampshire over \$6 million.<sup>11</sup> But, we do not only have to rely on estimates regarding the cost to administer work requirements.

In Georgia, the only state with a current Medicaid work requirement, only about 3,500 are subject to the requirement as of August 2024; however, the state has spent over \$26 million to implement the program, 90% of which would be administrative costs.<sup>12</sup> Administrative costs related to implementing work requirements can sometimes eclipse the cost of simply administering the benefit outright. In Iowa, research from the Legislative Services Agency found that when it added work requirements to its SNAP program, the cost to administer the work requirement was \$17 million, which was 2.5 times more than Iowa would have otherwise spent on SNAP during that same time period.<sup>13</sup> The high estimated and actual cost of work requirements demonstrates that the administrative cost alone can be high for states, especially for a requirement that has little benefit.

**Medicaid work requirements would increase state spending on insurance.** The Congressional Budget Office (CBO) estimates that if the federal government implements Medicaid work requirements, 15 million people would be subject to them.<sup>14</sup> Some may technically qualify for exemptions but will likely have difficulty securing them. Work requirements would ultimately leave 1.5 million people ineligible for federal funding for their Medicaid coverage.<sup>15</sup> CBO estimated that some states would cover the cost of maintaining coverage for affected beneficiaries (roughly 60% of those subject to the requirements nationally), costing them about \$65 billion from 2023–2033.<sup>16</sup> The remaining 40% would lose coverage.<sup>17</sup> The Kaiser Family Foundation estimates that if all states that elect to use state funds to maintain coverage for those who would lose it under federal work requirements, the policy would shift \$10.3 billion from federal spending to state spending in 2024.<sup>18</sup> Based on both these estimates, work requirements could cost states billions each year, harming the economy.

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ENDNOTES

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- <sup>1</sup> Robin Rudowitz et al., Kaiser Fam. Found., *10 Things to Know about Medicaid* (Jun. 30, 2023), <https://www.kff.org/mental-health/issue-brief/10-things-to-know-about-medicaid/>; MACPAC, *Access in Brief: Children’s Experience in Accessing Medical Care* 5 (Nov. 2021), <https://www.macpac.gov/wp-content/uploads/2016/06/Access-in-Brief-Childrens-Experiences-in-Accessing-Medical-Care.pdf>.
- <sup>2</sup> Heidi Allen et al., *Comparison of Utilization, Costs and Quality of Medicaid vs. Subsidized Private Health Insurance for Low-Income Adults*, 4 JAMA Network Open (2021), <https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2774583> (“[O]verall health care spending was more than 80% higher among Marketplace eligible adults than among Medicaid-eligible adults. This difference was no longer significant when claims were adjusted to Medicaid prices, indicating that the cost differences were driven by higher prices for the same services in the Marketplace compared with Medicaid.”). See also Ark. Ctr. for Health Improvement, *Arkansas Health Care Independence Program (“Private Option”) Section 1115 Demonstration waiver Interim Report* 49 (Jun. 16, 2016), <https://achi.net/wp-content/uploads/2018/10/Arkansas-Health-Care-Independence-Program-Section-1115-Demonstration-Waiver-Interim-Report-June-2016.pdf> (noting a 78.3% difference between the commercial and Medicaid per patient\_per month payments).
- <sup>3</sup> CMS, *May 2024 Medicaid & CHIP Enrollment Data Highlights* (Aug. 30, 2024), <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>.
- <sup>4</sup> Madeline Guth et. al, Kaiser Fam. Found., *Understanding the Intersection of Medicaid & Work: A Look at What the Data Say* (Apr. 23, 2024), [https://www.kff.org/medicaid/issue-brief/understanding-the-intersection-of-medicaid-work-a-look-at-what-the-data-say/#:~:text=KFF%20analysis%20of%20federal%20survey,%E2%80%9CMedicaid%20adults%E2%80%9D\)%20were%20worki](https://www.kff.org/medicaid/issue-brief/understanding-the-intersection-of-medicaid-work-a-look-at-what-the-data-say/#:~:text=KFF%20analysis%20of%20federal%20survey,%E2%80%9CMedicaid%20adults%E2%80%9D)%20were%20worki).
- <sup>5</sup> *Id.*
- <sup>6</sup> *Id.*
- <sup>7</sup> Suzanne Wikle, Georgetown Center for Children and Families, *Work Requirements in Medicaid Would Add More Red-Tape and Barriers to Health Coverage* (Nov. 3, 2017), <https://ccf.georgetown.edu/2017/11/03/work-requirements-in-medicaid-would-add-more-red-tape-and-barriers-to-health-coverage/>.
- <sup>8</sup> Gov. Accountability Off., *Medicaid Demonstrations: Actions Needed to Address Weaknesses in Oversight of Costs to Administer Work Requirements* (Oct. 10, 2019), <https://www.gao.gov/products/gao-20-149#:~:text=We%20found%20that%20costs%20to,supposed%20to%20increase%20Medicaid%20spending>.
- <sup>9</sup> *Id.*
- <sup>10</sup> *Id.*
- <sup>11</sup> *Id.*
- <sup>12</sup> Andy Miller & Renuka Rayasam, *Georgia’s Medicaid Work Requirements Costing Taxpayers Millions Despite Low Enrollment*, Kaiser Fam. Found Health News (March 20, 2024),

<https://kffhealthnews.org/news/article/georgia-medicaid-work-requirements-experiment-high-cost-low-enrollment/>.

<sup>13</sup> Lily Roberts, Ctr. Am. Prog., *Work Requirements Are Expensive for the Government To Administer and Don't Lead To More Employment* (Apr. 25, 2023),

<https://www.americanprogress.org/article/work-requirements-are-expensive-for-the-government-to-administer-and-dont-lead-to-more-employment/>.

<sup>14</sup> Congressional Budget Off., *CBO's Estimate of the Budgetary Effects of Medicaid Work Requirements Under H.R. 2811, the Limit, Save, Grow Act of 2023* 2 (Apr. 26, 2023),

<https://www.cbo.gov/system/files/2023-04/59109-Pallone.pdf>.

<sup>15</sup> *Id.*

<sup>16</sup> CBO did not provide any details about which states would do so under their estimates. *Id.*

<sup>17</sup> Congressional Budget Office, *supra* note 15 at 3.

<sup>18</sup> Alice Burns et. al, Kaiser Fam. Found., *Tough Tradeoffs Under Republican Work Requirement Plan: Some People Lose Medicaid or States Could Pay to Maintain Coverage* (May 5, 2023), <https://www.kff.org/medicaid/issue-brief/tough-tradeoffs-under-republican-work-requirement-plan-some-people-lose-medicaid-or-states-could-pay-to-maintain-coverage/#:~:text=In%20summary%2C%20CBO%20stated%20that,and%20state%20costs%20would%20increase.%E2%80%9D>.