



# Medicaid Work Requirements Would Gut State and Local Economies

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## Introduction

Work requirements are Medicaid cuts by another name. They are one of the most insidious strategies to cut Medicaid because they do so by triggering coverage losses rather than changing the structure of federal Medicaid financing. Nearly three decades of evidence on work requirements in public benefit programs demonstrate that they are excessive, intrusive, and unnecessary government bureaucracy. They do not appreciably improve employment outcomes—their purported purpose—and instead trip people up and then blame them for falling. In a Medicaid context, people must overcome red tape to prove that they are already working or qualify for an exemption, lest they lose their health insurance coverage.<sup>1</sup> Ironically, resulting health insurance coverage losses cut off access to the health services that enable many to work.

Cutting health insurance for millions through Medicaid work requirements would profoundly hurt state and local economies by:

- Gutting already strained [state budgets](#);
- Endangering [state credit ratings](#);
- Causing coverage losses that would increase [uncompensated care](#) at hospitals, clinics, and other providers, narrowing operating margins, risking closures, and reducing health care jobs, especially in rural communities;
- Drastically increasing [medical debt](#), reducing individuals' purchasing power and slowing economic growth; and
- Destabilizing the low-wage and health care [workforce](#).

Our country's economic future depends on keeping work requirements out of Medicaid.

## Medicaid Work Requirements Would Drastically Increase Financial Burdens on State Budgets

**Federal Medicaid funds are the largest source of federal funding in states' budgets, financing just under one-fifth of states' total spending.**<sup>2</sup> The amount of federal Medicaid funding a state receives depends on actual program expenditures; if states cover fewer people, they receive less funding from the federal government.<sup>3</sup> The exact magnitude of coverage losses from work requirements will hinge on their design. For example, when Arkansas tested Medicaid work requirements under a § 1115 waiver, nearly 1 in 4 of those subject to the requirement lost their health insurance coverage during a 7-month period.<sup>4</sup> In Michigan, up to 35% of enrollees subject to work requirements were in danger of losing their health insurance coverage before a court halted implementation.<sup>5</sup> In New Hampshire, had state policymakers not halted implementation, up to 45% of those subject to work requirements would have lost coverage within one year, either because they could not meet the requirements or would have difficulty completing the necessary paperwork.<sup>6</sup> **Coverage losses of that magnitude nationwide would result in drastic cuts in the amount of federal Medicaid funding that states receive.**<sup>7</sup> Most of the inevitable coverage losses would come from Medicaid expansion enrollees, for whom states receive 90% of their costs from the federal government. If Congress enacts work requirements, states will lose much of that infusion of federal funding into their economies.

**Moreover, Medicaid work requirements waste millions on needless bureaucracy that helps no one.** 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> GAO found that if Kentucky implemented their proposed work requirement, 620,000 enrollees would be subject to work or other qualifying activities, with an estimated \$271.6 million in administrative costs.<sup>9</sup> Under Georgia's current "Pathways to Coverage" work requirements experiment, only 6,500 of the 300,000+ low-income Georgians who would have gained coverage through Medicaid expansion were able to enroll in the first 18 months of the program.<sup>10</sup> Administering the work requirements cost taxpayers a total of \$86.9 million in state and federal funds, three-quarters of which has gone to consultants instead of providing health care.<sup>11</sup>

**State budgets are already getting squeezed due to inadequate federal Medicaid funding.** From Fiscal Year (FY) 2023 to 2024, federal spending on Medicaid barely budged, increasing by a mere 0.2%.<sup>12</sup> The federal government phased out extra financial supports provided during the COVID-19 public health emergency, so states' average share of Medicaid spending increased from 30% of all Medicaid dollars in 2022 to 35.7% in FY 2024.<sup>13</sup>

**Work requirements will only squeeze state budgets further by cutting federal funding and putting pressure on states to try and make up the difference.** In 2023, the Congressional Budget Office (CBO) projected one version of a federal legislative Medicaid work requirement proposal would cut federal Medicaid spending by \$109 billion from Fiscal Years 2023–2033.<sup>14</sup> There is no way that states could fill that big a gaping hole in their budgets. CBO estimated that states might respond by increasing their Medicaid spending by \$65 billion, but this would still leave a \$44 billion shortfall, forcing them to cut coverage for millions.

## **Medicaid Work Requirements Would Also Hurt State Credit Ratings**

States frequently borrow funds to pay for critical infrastructure, such as roads and schools, generally by issuing general obligation bonds.<sup>15</sup> Investors generally demand an interest rate consistent with the risk that the state will not be able to repay the bond when it matures, which credit rating agencies assess.<sup>16</sup> The National Association of State Budget Officers estimated that federal funds would be the source of 1/3 of total spending by all states in state FY 2024—and federal Medicaid funds would account for more than half—or \$588 billion—of that amount.<sup>17</sup> **Medicaid work requirements would cut this critical federal funding, straining states' economic and fiscal conditions and likely causing a significant hit to state credit ratings.**<sup>18</sup> **This would jeopardize critical infrastructure and budgetary flexibility during economic downturns.**

## **Medicaid Work Requirements Would Hurt Hospitals and Other Health Care Providers' Financial Standing, Especially in Rural Communities**

Medicaid expansion improves the financial performance of hospitals and other providers, decreasing uncompensated care, increasing reimbursements and revenues, and improving provider operating margins and profitability.<sup>19</sup> These improvements have been most profound for rural and small hospitals.<sup>20</sup> **It follows (and research demonstrates) that cutting Medicaid through work requirements would hurt health care providers' financial standing.** For example, a 2019 study by the Commonwealth Fund found that decreased Medicaid enrollment from work requirements would significantly harm hospital revenues.<sup>21</sup> Further, most enrollees who would lose Medicaid coverage will be ineligible for subsidized Marketplace coverage and lack employer-sponsored health insurance. Their loss of health insurance coverage will drive up uncompensated care costs for hospitals and other health care providers.<sup>22</sup>

Ultimately, reducing Medicaid revenues and increasing uncompensated care costs will narrow providers' operating margins. The Commonwealth Fund estimated that in 2019, implementing work requirements across 18 states would have declined hospitals' operating incomes by up to \$2 billion.<sup>23</sup> Since many rural hospitals are already operating at a loss, they will be hit especially hard by coverage losses from Medicaid work requirements.<sup>24</sup> At present, 46% of rural hospitals nationwide are in the red, with many at risk of closing.<sup>25</sup> In Arkansas, Kansas, Florida, Tennessee, and Mississippi, at least 41% of rural hospitals are at risk of closing.<sup>26</sup> In Georgia, Missouri, Oklahoma, South Carolina, and Texas, at least 31% of rural hospitals are at risk of closing.<sup>27</sup> In Alabama, North Carolina, and South Dakota, at least 26% are at risk.<sup>28</sup>

## **Medicaid Work Requirements Would Worsen the U.S. Medical Debt Crisis, Hurting State and Local Economies**

Numerous studies establish that expanding Medicaid eligibility increases personal earnings and reduces the percentage of people with medical debt, the average size of medical debt, and the probability of having one or more medical bills go to collections over a six-month period.<sup>29</sup> KFF polling shows that people across the political spectrum value their Medicaid coverage because it helps protect them from financial disaster, among other reasons.<sup>30</sup> **Research affirms that cutting Medicaid through work requirements increases medical debt.** For example, a 2020 study found that among those who lost Medicaid in the prior year due to Arkansas' work requirements, nearly 50% reported serious problems paying off medical debt.<sup>31</sup>

According to KFF polling, nearly 2 in 5 adults in the U.S. already have some form of medical debt.<sup>32</sup> Medical debt can negatively affect economic growth by reducing access to credit, which can in turn harm employment opportunities and purchasing power.<sup>33</sup> As well, KFF polling shows that about 3 in 5 adults with health care debt say that they have to cut back spending on food, clothing, and basic household items.<sup>34</sup> Jeopardizing health insurance coverage for millions nationwide through work requirements could significantly increase the number of people who are burdened by medical debt, with ripple effects on state and local economies.

## **Medicaid Work Requirements Would Destabilize the U.S. Workforce**

**Research shows that Medicaid work requirements do not increase employment and actually undermine enrollees' ability to stay employed.**<sup>35</sup> The vast majority of Medicaid enrollees who are able to work already do so, and nearly all remaining enrollees cannot work due to disability, caregiving responsibilities, or because they are in school.<sup>36</sup> Decades of

research on work requirements in public benefit programs including Medicaid demonstrate that exemptions for certain populations (*e.g.*, people with disabilities) do not work.<sup>37</sup> Exemption processes consistently fail, causing people to wrongly lose their coverage.<sup>38</sup>

**Medicaid coverage is essential to building and maintaining a healthy and stable workforce.** Research shows that Medicaid makes it easier for individuals to find and maintain work by helping them stay as healthy as possible.<sup>39</sup> Because low-wage jobs often lack employer-sponsored health insurance and do not pay enough for individuals to qualify for subsidized Marketplace coverage, most Medicaid enrollees count on Medicaid as their only affordable health coverage option. Of the Medicaid enrollees who were employed in 2021, a mere 15% reported having employer-sponsored health insurance.<sup>40</sup> People who lack health care access are more likely to have to take sick days, develop preventable health conditions that ultimately require them to drop out of the workforce, and die prematurely.<sup>41</sup> In contrast, Medicaid increases access to essential preventive services, prescription drugs and other treatments, pregnancy care, and more, improving both health and employment outcomes.<sup>42</sup> **By cutting off health coverage for millions, work requirements could destabilize the low-wage workforce.**

Even if limited to the Medicaid expansion population, work requirements could also destabilize the health care workforce. Research has established that Medicaid expansion increases health care jobs.<sup>43</sup> Further, in rural communities, expansion is associated with substantially better wages for health care workers.<sup>44</sup> Cutting Medicaid through work requirements would endanger these jobs, especially in rural economies.

## Conclusion

**Medicaid work requirements would hurt state and local economies in numerous ways that taxpayers simply cannot afford.** They would worsen existing financial burdens on state budgets; hurt state credit rating; and undercut hospitals and other health care providers' financial standing, especially in rural communities. They would destabilize the workforce and worsen the U.S. medical debt crisis, with broad state and local economic effects. Ultimately, taxpayers will not save money through these cuts but face steep financial and other consequences. While many voters across the political spectrum said the economy was their top voting issue in 2024, recent KFF polling shows that these same voters want policymakers to focus on improving Medicaid instead of cutting it.<sup>45</sup> Likewise, recent Hart Research polling shows that 67% of Trump voters see Medicaid as an important source of health insurance, and not wasteful.<sup>46</sup> Congress must stop Medicaid work requirements or any other program cuts. State and local economies and Medicaid enrollees depend on it.

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ENDNOTES

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- <sup>1</sup> See generally Mara Youdelman, Nat'l Health Law Prog., *Who is Harmed by Medicaid Work Requirements?* (Jan. 2025), <https://healthlaw.org/resource/who-is-harmed-by-medicaid-work-requirements/>.
- <sup>2</sup> Geoffrey Buswick et al., S&P Global, U.S. States 2025 Outlook: Eyes on Washington, Focus on Budgets (Jan. 2025), <https://www.spglobal.com/ratings/en/research/articles/250107-u-s-states-2025-outlook-eyes-on-washington-focus-on-budgets-13360068>; Andy Schneider, Georgetown Ctr. for Children & Fam'ies, Cutting Medicaid Payments to States: Bad News for Their Credit Ratings, <https://ccf.georgetown.edu/2025/01/22/cutting-federal-medicaid-payments-to-states-bad-news-for-their-credit-ratings/> (last visited Feb. 2025).
- <sup>3</sup> Elizabeth Williams et al., KFF, Medicaid Financing: The Basics (Jan. 2025), <https://www.KFF.org/medicaid/issue-brief/medicaid-financing-the-basics/>.
- <sup>4</sup> Joan Alker, Georgetown Ctr. on Children & Fam'ies, Arkansas' Medicaid Work Reporting Rules Lead to Staggering Health Coverage Losses, (Jan. 2019), <https://ccf.georgetown.edu/2019/01/18/arkansas-staggering-health-coverage-losses-should-serve-as-warning-to-other-states-considering-medicaid-work-reporting-requirement/>.
- <sup>5</sup> Leighton Ku & Erin Brantley, The Commonwealth Fund, Medicaid Work Requirements in Nine States Could Cause 600,000 to 800,000 Adults to Lose Medicaid Coverage (June 2019), <https://www.commonwealthfund.org/blog/2019/medicaid-work-requirements-nine-states-could-cause-600000-800000-adults-lose-coverage>.
- <sup>6</sup> *Id.*
- <sup>7</sup> Gideon Lukens & Elizabeth Zhang, Ctr. on Budget & Pol'y Priorities, Medicaid Work Requirements Could Put 36 Million People at Risk of Losing Health Coverage (Feb. 2025), <https://www.cbpp.org/research/health/medicaid-work-requirements-could-put-36-million-people-at-risk-of-losing-health>.
- <sup>8</sup> Gov. Accountability Off., Medicaid Demonstrations: Actions Needed to Address Weaknesses in Oversight of Costs to Administer Work Requirements (Oct. 2019), <https://www.gao.gov/products/gao-20-149#:~:text=We%20found%20that%20costs%20to,supposed%20to%20increase%20Medicaid%20spending>; See generally HHS Off. of the Secretary, *Advisory Opinion 24-01 on Medicaid Section 1115 Demonstrations Imposing Work Requirements* (Dec. 2024), <https://www.hhs.gov/guidance/sites/default/files/hhs-guidance-documents/advisory-opinion-24-01.pdf>.
- <sup>9</sup> *Id.*
- <sup>10</sup> Margaret Coker, *Georgia Touts its Medicaid Experiment as a Success. The Numbers Tell Another Story. Andy Miller, Georgia's Work Requirement Slows Processing of Applications for Medicaid, A Different Story.*, PROPUBLICA (Feb. 19, 2025), <https://www.propublica.org/article/georgia-medicaid-work-requirement-pathways-to-coverage-hurdles>.
- <sup>11</sup> *Id.*
- <sup>12</sup> Brian Sigriz, Nat'l Assoc. of State Budget Officers, *2024 State Expenditure Report 12* (2024), <https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750->

[0fca152d64c2/UploadedImages/SER%20Archive/2024\\_SER/2024\\_State\\_Expenditure\\_Report\\_S.pdf](#).

<sup>13</sup> *Id.*

<sup>14</sup> CBO did not provide any details about which states would do so under their estimates. *Id.*

<sup>15</sup> *See, e.g.,* Schneider, *supra* note 2.

<sup>16</sup> Sussan S. Corson et al., S&P Global, U.S. State Ratings and Outlooks: Current List (Jul. 2024), <https://www.spglobal.com/ratings/en/research/articles/190319-u-s-state-ratings-and-outlooks-current-list-1738758>.

<sup>17</sup> Sigritz, *supra* note 12, at 12.

<sup>18</sup> *See* Buswick, *supra* note 2 (“Thus, any benefit, formula, or reimbursement rate changes to Medicaid, made as an offset to the cost to extend the TCJA, or otherwise, could have state-level credit quality effects as well.”).

<sup>19</sup> *See, e.g.,* Meghana Ammula & Madeline Guth, KFF, What Does the Recent Literature Say About Medicaid Expansion? Economic Impacts on Providers (Jan. 2023), <https://www.KFF.org/medicaid/issue-brief/what-does-the-recent-literature-say-about-medicaid-expansion-economic-impacts-on-providers/>.

<sup>20</sup> *Id.*

<sup>21</sup> *See, e.g.,* Randy Haught et al., The Commonwealth Fund, *How Will Medicaid Work Requirements Affect Hospitals’ Finances?* 3 (Sep. 2019), <https://www.commonwealthfund.org/publications/issue-briefs/2019/sep/how-will-medicaid-work-requirements-affect-hospital-finances-update> (This study focused on predicting the effects of states’ Medicaid work requirement proposals, which varied in design. For example, the Commonwealth Fund found that Medicaid revenues would decline by 11–18% on average for acute care hospitals in Kentucky and 15-23% for acute care hospitals in Virginia).

<sup>22</sup> *Id.* at 4–5.

<sup>23</sup> *Id.* at 6.

<sup>24</sup> *Id.*

<sup>25</sup> CHARTIS, *2025 Rural Health State of the State* 4 (2025) [https://www.chartis.com/sites/default/files/documents/CCRH%20WP%20-%202025%20Rural%20health%20state%20of%20the%20state\\_021125.pdf](https://www.chartis.com/sites/default/files/documents/CCRH%20WP%20-%202025%20Rural%20health%20state%20of%20the%20state_021125.pdf).

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> *See, e.g.,* Madeline Guth et al., KFF, The Effects of Medicaid Expansion Under the ACA: Studies from January 2014 to January 2020 (Mar. 2020), <https://www.kff.org/report-section/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-report/>.

<sup>30</sup> Amaya Diana et al., KFF, The Debate Over Federal Medicaid Cuts: Perspectives of Medicaid Enrollees Who Voted for President Trump and Vice President Harris (Feb. 2025), <https://www.kff.org/medicaid/report/the-debate-over-federal-medicaid-cuts-perspectives-of-medicaid-enrollees-who-voted-for-president-trump-and-vice-president-harris/>.

<sup>31</sup> Benjamin Sommers *et al.*, *Medicaid Work Requirements In Arkansas: Two-Year Impacts On Coverage, Employment, And Affordability Of Care*, 39(9) HEALTH AFFAIRS 1522, 1527 (Sep. 2020), <https://www.healthaffairs.org/doi/10.1377/hlthaff.2020.00538> (hereinafter Two-Year Impacts).

<sup>32</sup> Lunna Lopes *et al.*, KFF, *Americans' Challenges with Health Care Costs* (Mar. 2024), <https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/>.

<sup>33</sup> *See, e.g.*, Cons. Fin. Protection Bur., *Medical Debt Burden in the United States* 24–32 (Feb. 2022), [https://files.consumerfinance.gov/f/documents/cfpb\\_medical-debt-burden-in-the-united-states\\_report\\_2022-03.pdf](https://files.consumerfinance.gov/f/documents/cfpb_medical-debt-burden-in-the-united-states_report_2022-03.pdf).

<sup>34</sup> Lunna Lopes *et al.*, KFF, *Health Care Debt in the U.S.: The Broad Consequences of Medical and Dental Bills* (Jun. 2022), <https://www.kff.org/report-section/kff-health-care-debt-survey-main-findings/>.

<sup>35</sup> *See* Two-Year Impacts, *supra* note 31, at 1526; Benjamin Sommers *et al.*, *Medicaid Work Requirements — Results from the First Year in Arkansas*, 381(11) N.E. J. MED. 1073, 1075 (June 2019), <https://www.nejm.org/doi/full/10.1056/NEJMSr1901772>; *see also* Diana *et al.*, *supra* note 30 (finding that Medicaid enrollees across the political spectrum value the program because it improves their health outcomes and supports their ability to work).

<sup>36</sup> Jennifer Tolbert *et al.*, KFF, *Understanding the Intersection of Medicaid & Work: A Look at What the Data Say* (Feb. 2025), <https://www.KFF.org/medicaid/issue-brief/understanding-the-intersection-of-medicare-and-work-an-update/>; Aiden Lee *et al.*, HHS ASPE, *Medicaid Enrollees Who are Employed: Implications for Unwinding the Medicaid Continuous Enrollment Provision* 1 (Apr. 2023), <https://aspe.hhs.gov/sites/default/files/documents/779b6ef3fbb6b644cdf859e4cb0cedc6/medicaid-esi-unwinding.pdf>.

<sup>37</sup> David Machledt, Nat'l Health Law Prog., *How Medicaid Work Requirements Hurt People with Disabilities* 4 (Dec. 2024), <https://healthlaw.org/resource/unfit-to-work-how-medicare-work-requirements-hurt-people-with-disabilities-2/>.

<sup>38</sup> *Id.*

<sup>39</sup> Suzanne Wikle, Georgetown Ctr. for Children and Fam'ies, *Work Requirements in Medicaid Would Add More Red-Tape and Barriers to Health Coverage*, <https://ccf.georgetown.edu/2017/11/03/work-requirements-in-medicare-would-add-more-red-tape-and-barriers-to-health-coverage/> (last visited Nov. 2017).

<sup>40</sup> *Id.*

<sup>41</sup> *See e.g.*, Lunna Lopes *et al.*, KFF, *Americans' Challenge with Health Care* (Mar. 2024), <https://www.KFF.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/>.

<sup>42</sup> *See generally* Antonisse *et al.*, KFF, *The Effects of Medicaid Expansion Under the ACA: Studies from January 2014 to January 2020* (Mar. 2020), <https://www.KFF.org/medicaid/report/the-effects-of-medicare-expansion-under-the-aca-updated-findings-from-a-literature-review/>; Guth *et al.*, KFF, *Building on the Evidence Base: Studies on the Effects of MedEx, February 2020 to March 2021* (May 2021), <https://www.KFF.org/medicaid/report/building-on-the-evidence-base-studies-on-the-effects-of-medicare-expansion-february-2020-to-march-2021/>; Aubrianna Osorio, Georgetown Ctr. for Children & Fam'ies, *Research Update: It's Simple—Medicaid Helps People Work*,

<https://ccf.georgetown.edu/2023/05/22/research-update-its-simple-medicaid-helps-people-work/> (last visited May 2023).

<sup>43</sup> Scott Loring, University of Chicago S. Pub. Pol’y, *Healthcare Worker Supply Response to Medicaid Expansion* 17 (June 2023),

[https://harris.uchicago.edu/files/scott\\_loring\\_jmp\\_draft.pdf](https://harris.uchicago.edu/files/scott_loring_jmp_draft.pdf); see also Sasmira Matta et al., *Changes in Health Care Workers’ Economic Outcomes Following Medicaid Expansion*, 331(8) JAMA 687, 690–692 (2024), <https://jamanetwork.com/journals/jama/fullarticle/2815404>

(finding that health care workers such as registered nurses, physicians, and managers experienced annual income increases after expansion. Health aides, attendants, service staff, and other health care workers with lower wages were more likely to be without coverage before Medicaid expansion and gain eligibility afterward, which we know improves employment outcomes).

<sup>44</sup> See Loring, *supra* note 43, at 17.

<sup>45</sup> Diana, *supra* note 30; Megan Brenan, Gallup, *Economy Most Important Issue to 2024 Presidential Vote* (Oct. 9, 2024), <https://news.gallup.com/poll/651719/economy-important-issue-2024-presidential-vote.aspx>.

<sup>46</sup> Hart Research, *Key Issues in Healthcare: Where Voters Stand* 8 (last visited Feb. 27, 2025) (reporting findings from a nationally representative survey conducted from January 16–20, 2025), <https://www.protectourcare.org/wp-content/uploads/2025/02/POC-Hart-Poll-Press-Briefing.pdf>.