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August 16, 2018

Centers for Medicare and Medicaid Services
Department of Health and Human Services
Attention: Kentucky HEALTH - Application and CMS STCs
P.O. Box 8016
Baltimore, MD 21244-8016

The Heartland Institute is submitting the following comments in response to the Centers for Medicare and Medicaid Services' (CMS) call for comments on re-approval for Kentucky's Medicaid waiver.

Medicaid expansion has placed a severe financial strain on state budgets, especially in those states that expanded the program under the provisions of the Affordable Care Act. Several states—including Arizona, Arkansas, Indiana, Kansas, Kentucky, Maine, New Hampshire, North Carolina, Utah, and Wisconsin—have submitted waivers to the Centers for Medicare and Medicaid Services (CMS) to implement Medicaid overhauls that would include reforms like work requirements and cost sharing.

In January 2018, Kentucky became the first state to have a Medicaid waiver approved by CMS. Kentucky Gov. Matt Bevin first outlined Kentucky's waiver, known as KentuckyHEALTH, in August 2016. The waiver would allow the state to require all "able-bodied working age able-bodied adults without dependents" (ABAWDS) to meet certain work requirements, undergo job training, or perform volunteer community service in order to continue receiving Medicaid benefits. ABAWDS would have to work at least 20 hours per week. Bevin estimates the changes would save the state $2.4 billion over five years.

Moving ABAWDS out of the welfare system and into full-time employment is important for several reasons. First, a well-paying job is more conducive to good health than unemployment. According to the Robert Wood Johnson Foundation (RWJF), a good paying job often provides solid health benefits and makes it easier for workers to "live in healthier neighborhoods, provide quality education for their children, secure child care services, and buy more nutritious food — all of which affect health."[1]

This leads to a longer lifespan. As RWJF notes, "since 1977, the life expectancy of male workers retiring at age 65 has risen 5.8 years in the top half of the income distribution, but only 1.3 years in the bottom half."[2] Conversely, RWJF found laid-off workers are 54 percent more likely to develop a stress-related condition, such as stroke, heart attack, heart disease, or arthritis.[3]

Another study by Raj Chetty et al. in 2016 found that between 2001 and 2014, higher income in the United States "was associated with greater longevity, and differences in life expectancy across income groups increased over time."[4]

Second, while opponents of work requirements also claim these policies push people off Medicaid without reliable access to health care, most individuals leaving Medicaid subsequently enroll in a private, employer-sponsored health insurance plan once they find employment. According to the U.S. Bureau of Labor Statistics, medical care benefits were

available to "69 percent of private industry workers and 89 percent of state and local government workers in March 2018."[5]

The employment-based plans are typically also better than the benefits provided to Medicaid recipients. Doctors are often far more willing to accept people with private insurance than those receiving Medicaid coverage due to the higher reimbursement rates they receive from private health care providers. As an example, according to surveys from the Centers for Disease Control and Prevention, around 30 percent of Illinois physicians refuse to treat patients on Medicaid. In contrast, less than 5 percent of doctors refuse to treat individuals with private coverage.[6]

These predictions are not merely speculative. After Tennessee Gov. Phil Bredesen decided to disenroll 170,000 able-bodied adults from the state's Medicaid program in 2005, a large majority of former recipients returned to the labor force and obtained health insurance from their employers. In a 2013 study by economists from Columbia University, University of Chicago, Northwestern University, the researchers note they found "a steady rise in both employment and health insurance coverage following [Tennessee's Medicaid] disenrollment."[7]

Third, the number of ABAWDS in Medicaid is expanding faster than the program can handle. Thanks to provisions in the Affordable Care Act, the number of able-bodied adults enrolled in Medicaid rose rapidly in recent years, from fewer than 133,000 able-bodied adults in 2013 to more than 633,000 in 2015.[8] Spending on this population increased six-fold from 2013 to 2015, from $667 million to $4 billion.

These out-of-control costs pose a substantial risk for state and federal budgets, including critical spending on education, infrastructure, and welfare. Further, funding redirected to ABAWDS often eats into the funding provided to the traditional Medicaid population: the disabled, aged, and pregnant women, and children.

The Council of Economic Advisers has also found that many of the ABAWDS now enrolled in Medicaid work very little or not at all.[9] The majority, around 53 percent, did not work *any* hours while receiving Medicaid coverage: "An estimated 60 percent worked fewer than 20 hours per week, 69 percent worked fewer than 30 hours, and 78 percent worked fewer than 40 hours."

Work requirements, the center of the approved Kentucky waiver, have proven to be successful in the past when introduced in other entitlement programs. They reduce poverty by encouraging work and raising self-reliance. The new work requirements now being considered by other states are modeled on the work requirements adopted as part of the 1996 welfare reform legislation signed into law by President Bill Clinton. In a study examining the effect of the reform, the Manhattan Institute found the inclusion of work requirements led to substantial reductions in poverty nationwide.[10]

Critics of work requirements often use the argument that there are not enough jobs available for welfare recipients. This is not true, however. According to the Bureau of Labor Statistics, there are nearly seven million job openings currently available for Medicaid enrollees. The new individuals reentering the workforce will also generate new economic activity that will encourage employers to hire even more workers. Researchers at the Department of Agriculture have estimated that every 2.4 million workers moving from welfare to work increases economic growth by 1.6 percent. This means that work requirements will likely help create new jobs to help individuals exiting Medicaid.[11]

In a 2017 study from the Foundation for Government Accountability,[12] Nic Horton and Jonathan Ingram examined Kansas' welfare reforms and found they cause individuals to reenter the labor force. They also determined the incomes of Kansas families exiting TANF increased substantially,[13] more than doubling in the first year. According to the study, as of 2017, families who left TANF are now earning $48 million more per year than they had while receiving cash assistance. The new incomes of those leaving the welfare system increased 104 percent in one year, $20 million more than they had while on welfare. Four years after the reforms, the incomes of these same individuals improved by 247 percent.

The number of welfare recipients in Kansas also decreased due to the tighter work requirements. This is consistent with the experience of other states that have enacted work requirements. According to The Heritage Foundation, many individuals in Maine chose to leave the state's Supplemental Nutrition Assistance Program rather than participate in training or community service, which means these recipients likely had other means of supporting themselves prior to the reforms but chose to rely on government services instead. Since the new reforms were implemented, the caseload in Maine for able-bodied adults without dependent children quickly dropped by 80 percent, falling from 13,332 in December 2014 to 2,678 recipients in March 2015.

Adding work requirements for those who are physically able to perform work, obtain an education, or perform volunteer services is popular with the general public. According to a recent Rasmussen Reports national telephone and online survey, 64 percent of American adults think childless, able-bodied adults in their state should be required to work as a condition for receiving Medicaid, while just 22 percent disagree. Fourteen percent are not sure. The survey was conducted on January 14–15, 2018. The margin of sampling error is +/- 3 percentage points, with a 95 percent confidence level.[14]

Medicaid should focus on encouraging able-bodied recipients who are enrolled in these programs to become more self-sufficient and less dependent on government aid. The real focus of these programs must be to provide temporary or supplemental assistance while encouraging work and independence. The waiver process gives states the flexibility they need to improve health care affordability and quality of care.

For these reasons, The Heartland Institute respectfully submits this comment stating that Kentucky's Medicaid waiver should be re-approved.

Respectfully Submitted,

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