

Potential Enrollment Impacts of Michigan's Medicaid Work Requirement

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To date, Section 1115 waivers that condition Medicaid eligibility on beneficiaries' meeting work and community engagement (CE) requirements have been approved by the Centers for Medicare & Medicaid Services (CMS) for eight states: Arizona, Arkansas, Indiana, Kentucky, Maine, Michigan, New Hampshire, and Wisconsin. Some of the waiver applications and approvals do not include projections of coverage impacts, an important consideration as these waivers move forward. Information that is now available on actual experience in Arkansas¹ offers key insights for other states. This brief provides new estimates of potential impacts of Michigan's work requirement based on the Arkansas experience and data available on the composition and demographics of the Michigan beneficiaries subject to the requirement, with adjustments that reflect differences between the states.

Key Findings

- An estimated 61 percent of the 680,000 people enrolled in the Healthy Michigan Plan (HMP),² which covers the State's Medicaid expansion group, will be required to self-report an exemption or qualifying activities. For the remaining 39 percent, the State will provide exemptions using information it already has available on beneficiaries (referred to as administrative determinations in this brief).
- An estimated 174,000 people each month will be found noncompliant for failure to meet the reporting obligations of Michigan's work requirement.
- Depending on how many months their reporting issues continue, an estimated 61,000 to 183,000 people—between 9 and 27 percent of the State's Medicaid expansion population—will lose Medicaid coverage in Michigan over a one-year period. The high end is consistent with the experience in Arkansas to date, but the range reflects the uncertainty of impacts as work requirements are implemented and policies and practices evolve over time.

Michigan's waiver application seeking approval of work requirements did not include projected enrollment impacts,³ nor did a Senate Fiscal Agency analysis of the State's legislation.⁴ A House Fiscal Agency analysis forecasted HMP enrollment reductions of 4 to 8 percent but noted that without actual experience from other states, there were not data with which to provide a more precise impact.⁵ (Arkansas's experience was not known at the time of the Senate or House fiscal analysis.) As this brief describes in further detail, information from Arkansas suggests that Michigan could see enrollment reductions that are more than three times the upper bound of the legislative estimate.

Michigan's Medicaid Expansion and Work Requirement

Michigan expanded Medicaid coverage to adults with incomes up to 138 percent of the federal poverty level (FPL) effective as of April 2014, using waiver authority to establish the Healthy Michigan Program with features not otherwise permitted in Medicaid, including new premiums

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for beneficiaries and incentives to encourage healthy behaviors. In early 2018, State law⁶ required the Michigan Medicaid agency to seek and implement a work requirement waiver.⁷ The waiver was approved at the end of December 2018.⁸

Michigan’s legislation makes HMP beneficiaries subject to a work requirement—consisting of 80 hours per month of qualifying activities—as a condition of Medicaid eligibility beginning January 1, 2020. A number of exemptions are provided, and there is a monthly reporting obligation for beneficiary verification of qualifying activities (Exhibit 1). After 3 months of noncompliance (including noncompliance with reporting) in any 12-month period, individuals are disenrolled; they may re-enroll once than have become compliant for at least 1 month.

Exhibit 1. Exemptions and Qualifying Activities for Michigan’s Medicaid Work Requirement

Exemptions	Qualifying activities
<ul style="list-style-type: none"> • Meeting Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF) requirement through work or exemption • Age 62 or older • Medically frail • Pregnant • Caretaker of child under age 6 (only 1 parent at a time) • Receiving private or government disability benefits • Full-time student • Caretaker of a dependent with a disability or an incapacitated individual • Medical condition resulting in work limitation • Incarcerated in last 6 months • Receiving unemployment benefits • Age 19-20 and previously in foster care in the State • Good cause temporary 	<ul style="list-style-type: none"> • Employment, self-employment, or income equal to 80 hours at minimum wage • Education • Job training • Vocational training • Unpaid workforce engagement, such as an internship • Tribal employment programs • Community service with a tax-exempt nonprofit organization (limited to 3 out of 12 months) • Job search directly related to job training • Substance use disorder treatment

Note: The good cause temporary exemption can apply to individuals who are unable to meet the work requirement due to their own disability (as defined under federal disability laws), hospitalization, or serious illness; or to that of an immediate family member in the home.

Source: Section 1115 waiver special terms and conditions and State law.^{9,10}

Based on Manatt’s review of Michigan’s legislation and information provided by the State, it is expected that the State will administratively determine exemptions based on age; “medical frailty”; pregnancy; current incarceration;¹¹ or meeting SNAP/TANF requirements through work or an exemption. Administrative determinations will be made by identifying exempt status through data matching capacities. Other exemptions will be self-reported. Compliance (for those not already meeting SNAP/TANF requirements) also will be self-reported and must be verified by beneficiaries on a monthly basis. Reporting is expected to be primarily through an existing online portal (MIBridges), and an expanded call center with automated reporting functionality.

Arkansas's Experience with Medicaid Work Requirements

Arkansas's work/CE waiver was approved in March 2018 and has been implemented on a phased-in basis beginning in June 2018. As with Michigan, the State's work/CE requirement is 80 hours per month and applies to expansion adults, but Arkansas's exemptions and qualifying activities are more expansive.¹² Similarly, Arkansas beneficiaries who are required to report work/CE activities must do so monthly, but the State has less frequent reporting in some cases and more extensive administrative determinations than Michigan (see below).¹³ Initially Arkansas only permitted online reporting but as of December, people were permitted to also report by phone. If a beneficiary has three months of non-compliance or non-reporting in the calendar year, the individual loses coverage for the remainder of that year.

To date, Arkansas data show:

- Before the State began disenrolling beneficiaries, approximately two-thirds of those who were subject to the work/CE requirement had an administrative determination of compliance or exemption, meaning only one-third had a reporting obligation.¹⁴
- Among those who were required to report work/CE activities, 75 percent were disenrolled.¹⁵
- In total, 23 percent of beneficiaries subject to the work/CE requirement since June 2018—more than 18,000 out of 79,000—were disenrolled.¹⁶ Less than 300 individuals reported noncompliant activities in any given month, meaning that nearly all of the 18,000 lost coverage because they did not meet the reporting requirement.

Estimates of Enrollment Impact in Michigan

Using a combination of Michigan-specific data and Arkansas experience to date (adjusted to account for similarities and differences between the states), an estimated 61,000 to 183,000 HMP beneficiaries—between 9 and 27 percent of Michigan's Medicaid expansion population—will lose Medicaid coverage over a one-year period. As shown in Exhibit 2:

- An estimated 39 percent of HMP beneficiaries will have an administratively determined exemption.
- Another 9 percent will qualify for an exemption that must be self-reported. If verifications are required monthly (as with qualifying activities), the likelihood of retaining an exemption is lower.
- The remaining 52 percent of HMP beneficiaries will be required to verify 80 hours of qualifying activities each month. It is estimated that just under half (174,000) will not report in any given month and will be at risk of disenrollment.¹⁷
- For the people who do not report qualifying activities that meet the work requirement or must self-report exemptions in a given month, annual disenrollment estimates of 25, 50, and 75 percent are applied. This reflects the fact that not all individuals will have 3 months of reporting or compliance problems that trigger disenrollment. As noted above, this results in 9 to 27 percent disenrollment of HMP beneficiaries overall. The high end is consistent with the experience in Arkansas, but the range reflects the uncertainty of

impacts, both in the near term as work requirements are implemented and over the longer run as the policies and practices mature.

Exhibit 2. Among Michigan Medicaid Expansion Beneficiaries Subject to Work Requirement, Estimated Compliance and Exemptions by Administrative and Self-Report Status

	Number	Percent of total
Subject to requirement (average during year)	680,000	100%
No reporting obligation, administrative determination of exemption*	262,000	39%
Has reporting obligation	418,000	61%
Qualifies for an exemption**	63,000	9%
No exemption	355,000	52%
Does not report	174,000	26%
Reports and meets work requirement	174,000	26%
Reports and does not meet work requirement	7,000	1%
Disenrollment of those who do not report qualifying activities that meet the work requirement or must report exemption (ever during year)		
Assumption of 25%	61,000	9%
Assumption of 50%	122,000	18%
Assumption of 75%	183,000	27%

Notes: Sums of components may not equal totals due to rounding. Figures reflect Michigan Department of Health and Human Services administrative data and the application of assumptions developed from a variety of sources (e.g., Medicaid work requirement experience in Arkansas, SNAP work requirement experience in Michigan, survey data on characteristics of the HMP population).

* SNAP/TANF is the largest component at 22% (includes beneficiaries either meeting or exempt from work requirements for those programs); medically frail is 12%; age 62 or older, pregnant women, and currently incarcerated combined are 4%. Figures are adjusted to account for overlap between the groups.

** Percent of total for each exemption type ranges from less than 1% to approximately 3%.

Source: Manatt Health analysis.

Key inputs and considerations in Manatt’s development of estimated enrollment impacts for Michigan’s Medicaid work requirement included:

- Data provided by the State on the number of HMP beneficiaries likely to have an exemption determined administratively.
- Michigan’s less expansive exemption criteria (regarding the breadth of exemptions as well as the frequency of beneficiary verification) and qualifying activities relative to Arkansas.
- Michigan’s more limited administrative determinations of compliance, which leaves more beneficiaries with a monthly reporting obligation and affects the mix of individuals who must report.¹⁸

- The fact that Michigan will have more avenues for self-reporting of compliance and exemptions than were available during first six months of Arkansas implementation, when the main option was an online portal with restricted hours of operation.
- Uncertainty with regard to the trajectory of reporting and compliance over time.

Conclusion

Work requirements are new to Medicaid, but Arkansas’s experience provides valuable insight into how such requirements may affect coverage in other states. This analysis, based on a review of Arkansas and Michigan data with adjustments for differences and similarities between the states, projects large coverage losses in Michigan that result from the challenge of identifying people who the state has sought to exempt or who have met the conditions of the work requirement.

¹ Arkansas figures in this brief reflect Manatt Health analysis of ARWorks monthly reports at <https://humanservices.arkansas.gov/newsroom/toolkits>.

² As of January 21, 2019; see Michigan Department of Health and Human Services, *Healthy Michigan Plan Enrollment Statistics*, https://www.michigan.gov/mdhhs/0,5885,7-339-71547_2943_66797---,00.html.

³ State of Michigan, *Section 1115 Demonstration Extension Application: Healthy Michigan Plan* (Sep. 10, 2018), <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/mi/mi-healthy-michigan-pa3.pdf>.

⁴ Michigan Senate Fiscal Agency, *S.B. 897: Summary As Enacted* (Jun. 27, 2018), <https://www.legislature.mi.gov/documents/2017-2018/billanalysis/Senate/pdf/2017-SFA-0897-N.pdf>.

⁵ Michigan House Fiscal Agency, *Senate Bill 897 (H-2) as Passed by the House* (Jun. 7, 2018), <https://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-0897-78EF78F9.pdf>.

⁶ Michigan Public Act 208 of 2018, [https://www.legislature.mi.gov/\(S\(dzgj11hcp4ddp0q0eg4jzuzp\)\)/mileg.aspx?page=getobject&objectname=2018-SB-0897](https://www.legislature.mi.gov/(S(dzgj11hcp4ddp0q0eg4jzuzp))/mileg.aspx?page=getobject&objectname=2018-SB-0897).

⁷ Michigan describes its policy as a “workforce engagement” requirement, which is referred to throughout this brief as a work requirement.

⁸ Centers for Medicare & Medicaid Services, *Healthy Michigan Plan*, Section 1115 waiver approval (Dec. 21, 2018), <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/mi/mi-healthy-michigan-ca.pdf>.

⁹ *Ibid.*

¹⁰ Michigan Public Act 208 of 2018, [https://www.legislature.mi.gov/\(S\(mqvshirtuepdoagvwdkvziug\)\)/mileg.aspx?page=getobject&objectname=2018-SB-0897](https://www.legislature.mi.gov/(S(mqvshirtuepdoagvwdkvziug))/mileg.aspx?page=getobject&objectname=2018-SB-0897).

¹¹ These individuals are eligible only for coverage of inpatient care provided in a community hospital.

¹² For example, all individuals over age 49 are exempt in Arkansas, compared to those over age 61 in Michigan; anyone living with a child under age 18 is exempt in Arkansas, compared to caretakers of children under age 6 (limited to 1 parent at a time) in Michigan; see Centers for Medicare & Medicaid Services, *Arkansas Works*, Section 1115 waiver approval (Mar. 5, 2018), <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ar/ar-works-ca.pdf> and Centers for Medicare & Medicaid Services, *Healthy Michigan Plan*, Section 1115 waiver approval (Dec. 21, 2018), <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/mi/mi-healthy-michigan-ca.pdf>.

¹³ MaryBeth Musumeci, Robin Rudowitz, and Cornelia Hall, *An Early Look at Implementation of Medicaid Work Requirements in Arkansas*, Kaiser Family Foundation (Oct. 2018), <http://files.kff.org/attachment/Issue-Brief-An-Early-Look-at-Implementation-of-Medicaid-Work-Requirements-in-Arkansas>.

¹⁴ Based on data for August 2018. The percentage in later months is higher as people with administrative determinations remained enrolled while many of those with a reporting requirement were disenrolled.

¹⁵ The number required to report work/CE activities reflects those who had a reporting obligation and no exemption in December 2018, plus the cumulative number disenrolled.

¹⁶ Based on cumulative disenrollment as a share of beneficiaries enrolled in December 2018 plus those who were disenrolled.

¹⁷ The share of Arkansas beneficiaries who were required to report work/CE activities and failed to do so was in excess of 90 percent in some months, partly because many working people had administrative determinations of compliance and were not required to report. When those workers are added in and assumed to report at a high rate, the non-reporting percentage is lower, which is reflected in the Michigan figure of approximately 50 percent applied here.

¹⁸ As noted earlier, the group of beneficiaries with a reporting obligation in Arkansas excluded many workers with administrative determinations of compliance, which likely contributed to the high percentage of non-reporters among remaining individuals with an obligation.