RFNC Medicaid Report Part II: Republican plan won't close the gap and will cost more

Republican health care plan could result in thousands losing coverage and is more costly and complex to implement than Medicaid expansion.

- The 2019 Republican health care plan fails to cover thousands of North Carolina families.
  - Most people who lose coverage under work requirement plans are complying with requirements and are dropped due to reporting issues.
  - After Indiana implemented a plan cited as the model for the Republican plan 91,000 people were dropped from coverage
  - 17,000 Arkansans lost coverage under the state's work requirements that were struck down by a federal judge.
- Implementation of Carolina Cares would be more costly and complex than Medicaid Expansion.
  - Work requirements and premiums increase uncompensated care costs for hospitals which treat people regardless of whether or not they are insured. A system that forces more people to use the hospital to get care costs more.
  - States did not save tax dollars when they implemented work requirements and premiums.
  - Work requirements in other states have cost between $70 million and $170 million to implement, the federal government will not pay for much of the cost of implementation.

The 2019 Republican health care plan will result in thousands losing coverage, thus failing to close the coverage gap.

The 2019 Republican health care plan would require participants to be employed or pursuing employment and would require monthly premiums.

Under the plan participants must be employed or pursuing a job to qualify for Medicaid, aligned with the "ABODS" work requirements to received SNAP benefits. "The program would emphasize preventive and wellness care and would include a work requirement for those able to work. Enrollees would have to pay a premium of about 2 percent of their income, as well as co-pays for services. Eligibility would be restricted to people making no more than 133 percent of the federal poverty level, or about $33,400 for a family of four." (WRAL, 4/9/19; H655, filed 4/9/19)

- **Those eligible for Medicaid due to a disability, the elderly, children, and pregnant and postpartum women as well as people who care for minor children, disabled adult children, or disabled adults would be exempt from the work requirement.** "provided that exemptions from mandatory employment activities shall be limited to the following individuals:

a. Individuals caring for a dependent minor child, an adult disabled child, or a disabled parent.
b. Individuals who are in active treatment for a substance abuse disorder.
c. Individuals determined to be medically frail or with an acute medical condition that would prevent the individual from complying with the employment requirements.
d. Pregnant and post-partum women.
e. Indian Health Services beneficiaries.
f. Any other category of individuals required to be exempt by the Centers for Medicare and Medicaid Services." (H655, filed 4/9/19)

The bill would require Medicaid recipients to participate in preventive care and wellness activities. "The program would emphasize preventive and wellness care and would include a work requirement for those able to work. Enrollees would have to pay a premium of about 2 percent of their income, as well as co-pays for services. Eligibility would be restricted to people making no more than 133

percent of the federal poverty level, or about $33,400 for a family of four." (WRAL, 4/9/19; H655, filed 4/9/19)

The plan would ask beneficiaries to pay 2 percent of their household income as a premium for coverage. "The program would emphasize preventive and wellness care and would include a work requirement for those able to work. Enrollees would have to pay a premium of about 2 percent of their income, as well as co-pays for services. Eligibility would be restricted to people making no more than 133 percent of the federal poverty level, or about $33,400 for a family of four." (WRAL, 4/9/19; H655, filed 4/9/19)

After 90 days of nonpayment, participants would be suspended from the program. "Failure of a program participant to make a premium contribution within 90 days of its due date shall result in the suspension of the program participant from the program unless that program participant shows that he or she is exempt from the premium requirements prior to the expiration of that 90-day period.'" (H655, filed 4/9/19)

Most people dropped from coverage under work requirement plans are complying with the requirement but are dropped due to reporting issues.

The Kaiser Family Foundation found that "in all scenarios, most people losing coverage are disenrolled due to lack of reporting rather than not complying with the work requirement." **"**Because the majority of Medicaid adults are already working or exempt, they account for most people losing coverage even though they lose coverage at a lower rate than those not working and subject to the new requirement. Even in the scenario that uses a "low" disenrollment rate among the exempt/working population and a "high" disenrollment rate among those subject to the requirement, 62% of those losing coverage are in the exempt/working category." (KFF, 6/27/18)

In Arkansas "despite a robust outreach campaign conducted by the state, health plans, providers, and beneficiary advocates, many enrollees have not been successfully contacted." "Telephone calls have been a focus of state and health plan outreach efforts, but accurate phone numbers are often not available, or individuals do not answer calls or return messages from the state or health plans. Emails, social media and online videos appear to have had a limited reach among enrollees who may lack access to computers or the internet. Low literacy levels, non-English proficiency and the complexity of the requirements also make outreach, education and compliance more difficult." (KFF, 10/8/18)

The process to set up an online account for enrollees is complicated. "Non-compliance with the new requirements to date is attributed to lack of knowledge and the complexity of new requirements. Lack of computer literacy and internet access among enrollees creates barriers to setting up online accounts as well as ongoing reporting. Providers, health plans, and beneficiary advocates all agreed that a number of enrollees need individualized help to walk through the online setup and reporting process, yet few enrollees are seeking assistance from registered reporters." (KFF, 10/8/18)

After Indiana implemented a plan cited as the model for the Republican plan, 91,000 people were dropped from coverage.

A similar Republican plan introduced last session was based on a health care plan then-Gov. Mike Pence enacted in Indiana. "But this Republican bill proposes a program to be called Carolina Cares – based on the Medicaid expansion then-Gov. Mike Pence enacted in Indiana, which charges premiums to people enrolled in the program. The Carolina Cares plan would also add work requirements. 'I want to do whatever I can to increase access to care for rural areas of our state,' Rep. Josh Dobson of McDowell County said. 'I believe the bill will do that.' Three of the House Health Committee chairmen are

co-sponsors: Reps. Donny Lambeth of Winston-Salem, Greg Murphy of Greenville and Dobson. Rep. Donna White of Clayton is the fourth sponsor. Lambeth is a former hospital administrator, Murphy is a medical doctor, and White is a nurse." (News & Observer, 4/7/17)

The Indiana plan implemented under Gov. Mike Pence required beneficiaries to work and asked them to pay a premium for insurance. "The bill, called Carolina Cares, would expand the state's Medicaid program, although sponsors prefer to say the program would provide insurance options for low income workers. But Medicaid expansion it is, in a manner similar to how the state of Indiana expanded the program, requiring beneficiaries to work, and asking them to pay a small premium, two percent of household income." (NC Health News, 4/11/17)

Since February 2015 more than 91,000 enrollees were kicked off Medicaid for failing to meet requirements to prove whether they still qualify. "Since November 2015, more than 91,000 enrollees in Indiana have been kicked off Medicaid for failing to complete the eligibility redetermination process, according to state records. The process requires applicants to show proof of income and family size, among other things, to see whether they still qualify for the coverage." (NPR, 2/2/18)

These enrollees could reapply for coverage at any time up to 2019; now they will be "locked out." "Until now, these enrollees could simply reapply anytime. Although many of those people very likely weren't eligible anymore, state officials estimate about half of those who failed to comply with its re-enrollment rules still qualified for Medicaid coverage." (NPR, 2/2/18)

In Arkansas, some 17,000 lost coverage for not fulfilling work requirements before federal judges struck down the requirement

17,000 Arkansans lost coverage under the state's work requirements that were struck down by a federal judge. "Recently, a federal judge struck down similar work requirements in the Medicaid expansion programs in Arkansas and Kentucky. In Arkansas, some 17,000 were struck from the state's Medicaid rolls for not fulfilling work requirements." (NC Health News, 4/10/19)

Implementation of this plan will be more costly and complex than Medicaid expansion

Work requirements and premiums increase uncompensated care costs for hospitals.

The Center for Budget and Policy Priorities says Medicaid work requirements will increase uncompensated care costs for hospitals. "Between 2013 and 2015, the country's uninsured rate dropped from 14.5% to 9.4%. During the same period, there was a corresponding 30% decline of uncompensated care costs as a share of hospital operating expenses in all but 2 states. A report released by The Center for Budget and Policy Priorities credited the Affordable Care Act for these results and said gains will be jeopardized once work requirements take effect. "Medicaid serves the most financially vulnerable, low-income patients who are least likely able to pay for medical bills when uninsured, thus leading to hospital uncompensated care costs," the report states." (AJMC, 6/8/18)

Hospitals treat people regardless of whether or not they are insured, so a system that forces more people to use the hospital to get care costs more. "In general, this paper defines uncompensated care as any services for which a provider is not reimbursed. As noted, the hospital uncompensated care data are taken from the March 2018 MACPAC report. The MACPAC estimates are drawn from Medicare hospital cost reports. These reports generally define uncompensated care as the combined cost of charity care (medical service costs which the hospital determines the patient does not have the financial capacity to pay) and bad debt (unpaid medical service costs which the hospital determines the patient does have the financial capacity to pay)." (CBPP, 5/23/18)

States did not save tax dollars when they implemented work requirements and premiums.

Research found that work requirements add to health care costs and waste taxpayer dollars due to administrative expenses. "Medicaid work requirements add to health costs and waste taxpayer dollars by adding layers of administrative expenses vetting a population already working, a package of research published Monday in JAMA Internal Medicine shows. New research letters showed "most Medicaid enrollees were already working or exempt" from work requirements. And when Medicaid work requirements were extrapolated across the country, savings were minimal and the tradeoff could harm patient health, particularly in states that didn't expand Medicaid under the Affordable Care Act, Harvard University researchers and their colleagues wrote." (Forbes, 9/10/18)

New requirements will increase administrative costs and create complexity as states will likely have to design new systems, educate citizens and employers. "New requirements will increase administrative costs, complexity and potential coverage losses among those who remain eligible. States implementing work requirements will likely have to design new systems to reflect changes in eligibility rules, to enable enrollees to report compliance, to interface with other programs (such as SNAP, TANF, or employment training), to implement coverage lock-out periods, and to exchange eligibility information among the state, enrollment broker, health plans, and providers. New staff may be required to conduct beneficiary education, develop notices, evaluate and process exemptions, and review more applications as churn increases and enrollees appeal coverage lockout periods." (KFF, 6/27/18)

Under this system, states could be forced to spend more on administration of health care systems or lose federal Medicaid funds. "These fundamental changes to Medicaid administration may lead to even greater coverage losses than literature on past reporting requirements finds, as that literature is based on more incremental changes to Medicaid administration (e.g., changing the time frame required for renewal). In addition, how well states administratively operationalize these policy changes will affect the magnitude of the enrollment effect. States that face enrollment declines will face loss of federal matching funds for those enrollees (at enhanced federal matching rates for those eligible under the ACA), potentially creating a situation in which states are faced with either spending more on administration or losing federal Medicaid funds." (KFF, 6/27/18)

Research showed "most Medicaid enrollees were already working or exempt" from work requirements, so savings were minimal at the state level. "Medicaid work requirements add to health costs and waste taxpayer dollars by adding layers of administrative expenses vetting a population already working, a package of research published Monday in JAMA Internal Medicine shows. New research letters showed "most Medicaid enrollees were already working or exempt" from work requirements. And when Medicaid work requirements were extrapolated across the country, savings were minimal and the tradeoff could harm patient health, particularly in states that didn't expand Medicaid under the Affordable Care Act, Harvard University researchers and their colleagues wrote." (Forbes, 9/10/18)

The federal government will not pay for the cost of implementing work requirements which have cost between $70 and $170 million to implement in other states

The federal government said it would not pay for "job training or employment services…or other work supports to help beneficiaries," so states will be on the hook for big sums. "But the federal government said in a letter to state Medicaid directors last month that it would not help pay for "job training or other employment services, child care assistance, transportation, or other work supports to help beneficiaries prepare for work or increase their earnings." States will be on the hook for big sums at a time when many state budgets are strapped. According to the Center for Budget and Policy Priorities (CBPP), 32 states operated with a budget shortfall in fiscal year 2017 or 2018." (Governing, 2/19/18)

Tennessee spent more than $70 million to implement a work requirement." Tennessee implemented TANF work requirements, the state spent more than $70 million, according to the Sycamore Institute, a nonpartisan policy institute. In New York City, the cost of just implementing job training programs for welfare recipients was about $17 million." (Governing, 2/19/18)

A work requirement would cost Virginia $100 million for the first two years. "Case in point: Virginia Gov. Ralph Northam released data last week showing the state would be on the hook for $100 million for the first two years if it adds a work requirement to Medicaid. (Northam, a Democrat, wants to expand Medicaid, but his GOP-controlled legislature has signaled it would only consider that if work requirements are attached.)." (Governing, 2/19/18)

Kentucky budgeted about $170 million to implement its waiver. "In Kentucky, the state has reportedly budgeted about $170 million to implement its waiver -- almost 90 percent of which would be reimbursed by the federal government." (Governing, 2/19/18)

Kentucky's Medicaid administration costs jumped 40 percent when it implemented a work requirement. "The new research in JAMA Internal Medicine builds on earlier reports indicating costs of implementing Medicaid work requirements are hurting state budgets. Kentucky's Medicaid administration costs jumped more than 40% after implementing work requirements, a report from Fitch Ratings earlier this year shows." (Forbes, 9/10/18)

###