Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 897 (as enacted) **PUBLIC ACT 208 of 2018**
Sponsor: Senator Mike Shirkey
Senate Committee: Michigan Competitiveness
House Committee: Appropriations

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CONTENT

The bill amends the Social Welfare Act to add workforce engagement requirements to the Healthy Michigan Plan (HMP) and change HMP eligibility requirements for certain recipients with incomes between 100% and 133% of the Federal poverty level. Specifically, the bill amends Section 105d (which governs the HMP) and enacts Section 107b to do the following:

- **Require the Department of Health and Human Services (DHHS), by October 1, 2018, to apply for a new Federal waiver to change HMP eligibility requirements for recipients with incomes between 100% and 133% of the Federal poverty level who have been enrolled in the HMP for at least 48 months (which will replace the waiver that took effect on April 1, 2018).**
- **Require the DHHS, by October 1, 2018, to apply for a Federal waiver and submit subsequent waivers to prohibit and prevent a lapse in the workforce engagement requirements as a condition of receiving medical assistance under the Act.**
- **Require the DHHS, after the waiver is approved, to include in its implementation of the workforce engagement requirements a requirement of 80 hours per month of qualifying activities and a requirement that recipients be in compliance with the workforce engagement requirements during at least nine months within any 12-month period.**
- **Provide for an exemption from the work requirements for a recipient who is any of the following: pregnant; receiving disability benefits; a full-time student; medically frail; the caretaker of a family member under six years old, of a dependent with a disability who needs full-time care, or of an incapacitated individual; a recipient who meets a good cause temporary exemption; a recipient with a medical condition that results in a work limitation; a recipient who has been incarcerated within the last six months; a recipient of unemployment benefits; or a recipient under 21 years old who was previously in foster care.**
- **Include a requirement that able-bodied recipients verify compliance with the workforce engagement requirements on a monthly basis.**
- **Prohibit a recipient from receiving medical assistance for one year if he or she misrepresents his or her compliance with the workforce engagement requirements.**
- **Allow the DHHS to enforce the workforce engagement requirements through a compliance review process on HMP recipients subject to the requirements of the bill.**
- **Require the DHHS to implement Section 107b by January 1, 2020, and to give 90 days' advance notice of the workforce engagement requirements to recipients who likely will be subject to them.**

-- Require nonexempt applicants for medical assistance to be in compliance by January 1, 2020.
-- Create a trigger ending the HMP if the HMP eligibility waiver for those between 100% and 133% of the Federal poverty level is not approved, is denied, is canceled by the Federal government, or is invalidated.
-- Require the DHHS, beginning in January 2020, to execute a survey to obtain information needed to determine how many recipients have left the Medical Assistance Program and the Healthy Michigan Plan as a result of obtaining employment and medical benefits.
-- Require the DHHS to execute a survey to obtain the information needed to report to the Legislature annually, beginning in January 2021, the number of exemptions from workforce engagement requirements granted to individuals receiving medical assistance or Healthy Michigan Plan medical assistance.
-- Specify that meeting the workforce engagement requirements will count toward meeting the work requirements of other public assistance.
-- Require that the estimate of annual State and other non-Federal net savings referred to in Section 105d be published each January 15, and require the HMP to be terminated at the end of any fiscal year in which the State costs exceed those savings.

The bill also enacts Section 107a to state the purpose of adding work requirements, and to define terms used in Section 107b.

The bill will take effect on September 20, 2018.

Definitions

"Able-bodied adult" is defined as an individual who is at least 19 to 62 years of age, who is not pregnant, and who does not have a disability that makes him or her eligible for medical assistance under Section 105d of the Act (the Healthy Michigan Plan).

"Qualifying activity" means any of the following:

-- Employment or self-employment, or having income consistent with being employed or self-employed (which means making at least minimum wage for an average of 80 hours per month).
-- Education directly related to employment, including high school equivalency test preparation program and postsecondary education.
-- Job training directly related to employment.
-- Vocational training directly related to employment.
-- Unpaid workforce engagement directly related to employment, including an internship.
-- Tribal employment programs.
-- Participation in substance use disorder treatment.
-- Community service (subject to limitations described below).
-- Job search directly related to job training.

"Caretaker" means a parent or an individual who is taking care of a child in the absence of a parent or an individual caring for a disabled individual as described in a exemption (for a recipient who is the caretaker of a dependent with a disability needing full-time care based on a licensed medical professional's order). A caretaker is not subject to the workforce engagement requirements if he or she is not a Healthy Michigan Plan recipient.

"Child" means an individual who is not emancipated, who lives with a parent or caretaker, and who is either 1) under the age of 18, or 2) age 18 and a full-time high school student.

"Good cause temporary exemption" means any of the following:

-- The recipient is an individual with a disability as described in the Americans with Disabilities Act, the Rehabilitation Act, or the Patient Protection and Affordable Care Act who is unable to meet the workforce engagement requirement.
-- The recipient has an immediate family member in the home who has a disability described under Federal laws and is unable to meet the workforce engagement requirement for reasons related to the disability of that family member.
-- The recipient or an immediate family member living in the same home experiences a hospitalization or serious illness.

Waiver Request

The bill requires the DHHS, by October 1, 2018, to apply for a waiver under Section 1115 of the Social Security Act, and submit subsequent waivers to prevent a lapse in the workforce engagement requirements as a condition of receiving medical assistance through the Healthy Michigan Plan.

(Section 1115 of the Social Security Act authorizes the Secretary of the U.S. Department of Health and Human Services to waive specific provisions of health and welfare programs, including Medicaid, for certain experimental, pilot, or demonstration programs in a state.)

The waiver must be a request to allow for a requirement of 80 hours average per month of qualifying activities or a combination of any qualifying activities, to count toward the workforce engagement requirements.

The waiver also must be a request to allow for a requirement that able-bodied recipients verify that they are meeting the workforce engagement requirements by the 10th of each month for the previous month's qualifying activities, and verify family income quarterly through MiBridges (an online site for recipients) or any other subsequent system. A recipient will be allowed up to three months of noncompliance in a 12-month period. A recipient will be considered not to be in compliance in a given month either by self-reporting that he or she is not in compliance that month or by not reporting compliance for that month. If a recipient uses three noncompliance months in a 12-month period, he or she will lose coverage for at least one month until he or she becomes compliant.

In addition, the waiver must include a request to allow for the following:

-- To count toward the workforce engagement requirements, substance use disorder treatment that is court-ordered or prescribed by a licensed medical professional that impedes the ability to meet the requirements.
-- A requirement that community service be completed with a nonprofit corporation that is exempt from taxation under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, subject to a provision limiting the use of community service as a qualifying activity to not more than three months in a 12-month period.
-- A requirement that a recipient who is also a recipient of the Supplemental Nutrition Assistance Program (SNAF) or the Temporary Assistance for Needy Families (TANF) program and in compliance with the work requirements of SNAF or TANF will be considered to be in compliance with or exempt from the workforce engagement requirements.

The waiver also must include a request to allow an exemption for recipient who is one or more of the following:

-- The caretaker of a family member under the age of six years.

-- A current recipient of temporary or permanent long-term disability benefits from a private insurer or from the government.
-- A full-time student who is not a dependent of a parent or guardian or whose parents qualify for Medicaid, including a student in a postsecondary institution or certificate program.
-- Pregnant.
-- The caretaker of a dependent with a disability who needs full-time care based on a licensed medical professional's order.
-- The caretaker of an incapacitated individual, even if he or she is not a dependent of the caretaker.
-- A recipient who has proven that he or she has met the good cause temporary exemption.
-- A recipient who has been designated as medically frail.
-- A recipient who has a medical condition that results in a work limitation according to a licensed medical professional's order.
-- A recipient who has been incarcerated within the last six months.
-- A recipient who is receiving unemployment benefits from the State.
-- A recipient under 21 years or age who has previously been in a foster care placement in the State.

The exemption for a caretaker of a family member under six years old will allow only one parent at a time to be a caretaker, no matter how many children are being cared for. The exemption for a caretaker of a dependent with a disability will be allowed only one time per household. The exemption for a recipient who is receiving unemployment benefits will apply during the period he or she receives unemployment benefits and end when the recipient is no longer receiving the benefits.

"Incapacitated individual" means that term as defined in Section 1105 of the Estates and Protected Individuals Code. (That definition includes individuals who are impaired by reason of mental illness, physical illness or disability, chronic use of drugs, chronic intoxication, or other cause to the extent of they lack sufficient understanding or capacity to make or communicate informed decisions.)

"Medically frail" means that term as described in Federal regulations. (That description includes individuals with: disabling medical disorders; chronic substance use disorders; serious and complex medical conditions; a physical, intellectual, or developmental disability that significantly impairs their ability to perform one or more activities of daily living; or a disability determination based on Social Security criteria or, in a state with more restrictive criteria, the state plan criteria.)

Beginning October 1, 2018, and each year the DHHS submits a waiver to prohibit and prevent a lapse in the workforce engagement requirements after that, the Medicaid Director must submit to the Governor, the Senate Majority Leader, and the Speaker of the House of Representatives a letter confirming the submission of the waiver request.

The DHHS is prohibited from withdrawing, terminating, or amending any waiver submitted under Section 107b without the express approval of the Legislature in the form of a bill enacted by law.

<u>Implementation of Workforce Engagement Requirements</u>

After the requested waiver is approved, the DHHS will have to include in its implementation of the workforce engagement requirements, as approved in the waiver, at least all of the requirements and provisions that must be included in the waiver request.

The Department may first direct recipients to existing resources for job training or other employment services, child care assistance, transportation, or other supports. The DHHS may develop strategies for assisting recipients to meet workforce engagement requirements under Section 107b.

The DHHS must implement the requirements of Section 107b by January 1, 2020, and give 90 days' advance notice of the workforce engagement requirements to recipients to whom the requirements are likely to apply.

The bill exempts the initial implementation costs and up to $5.0 million per year in ongoing administrative costs from the calculation of the State costs of the Healthy Michigan Plan. (Section 105d of the Act requires termination of the HMP once State costs exceed non-Federal net savings.)

Enforcement & Compliance

The DHHS must enforce the provisions of Section 107b by conducting the compliance review process on HMP recipients who are required to meet the workforce engagement requirements. If a recipient is found to have misrepresented his or her compliance, he or she will be barred from HMP eligibility for a one-year period.

Beginning January 1, 2020, both of the following will apply:

-- Medical assistance recipients who are not exempt from the workforce engagement requirements will have to be in compliance.
-- A medical assistance applicant who is not exempt will have to be in compliance within 30 days after an eligibility determination is made.

Evaluation

Beginning January 1, 2020, the DHHS must execute a survey to obtain the information needed to complete an evaluation of the HMP to determine how many recipients have left the Healthy Michigan Plan as a result of obtaining employment and medical benefits.

The Department also must execute a survey to obtain the information needed to submit to the Legislature beginning January 1, 2021, and every January 1 after that, a report on the number of exemptions from workforce engagement requirements granted to individuals in that year and the reason the exemptions were granted.

Purpose

The bill states that the purpose of adding workforce engagement requirements to the Medical Assistance Program "is to assist, encourage, and prepare an able-bodied adult for a life of self-sufficiency and independence from government interference".

Changes to Waivers for Certain Healthy Michigan Plan Recipients

The bill amends the original HMP language in Section 105d to require a new waiver to be submitted by October 1, 2018, for individuals with incomes between 100% and 133% of the Federal poverty level who have been enrolled in the HMP for at least 48 months. (At present, a waiver that took effect on April 1, 2018, has shifted these individuals (estimated at about 10,000 recipients) from the HMP to the health exchanges established under the Federal Affordable Care Act.)

Under the new waiver required under the bill, those recipients will remain in the HMP but will have to complete a healthy behavior with intentional effort toward making subsequent year healthy behaviors incrementally more challenging. Recipients also will be required to pay a premium of 5.0% of income. Individuals not compliant with the healthy behavior or premium requirement will be ineligible for the HMP until they become compliant.

In addition, the bill includes provisions ending the Healthy Michigan Plan if the waiver for those between 100% and 133% of the Federal poverty level who have been enrolled for at least 48 months is not approved, is denied, or is canceled by the Federal government, or is invalidated. The HMP will remain in effect for 16 months after the date of submission of the waiver. If, after 12 months, the waiver has not been implemented for any reason, HMP recipients will be given four months' notice that the program will be terminated. Also, if the new waiver is approved but does not comply with the other requirements described in the bill, coverage will be terminated four months after the waiver has been determined to be in noncompliance.

Under Section 105d, the HMP will no longer be in effect once the State costs due to the reduction in the Federal match rate exceed the annual State and other non-Federal net savings. The bill requires the calculation of annual State and other non-Federal net savings to be published by the State Budget Office on January 15 of each year. If the savings no longer exceed the State costs tied to the reduction in the Federal match rate, the HMP will be terminated at the end of that fiscal year. (The original HMP legislation included no specific timeline for ending the expansion under the circumstances described in Section 105d.)

MCL 400.105d et al.

BACKGROUND

In a letter to State Medicaid Directors dated January 11, 2018, the Centers for Medicare and Medicaid Services (CMS) announced "a new policy designed to assist states in their efforts to improve Medicaid enrollee health and well-being through incentivizing work and community engagement among non-elderly, non-pregnant adult Medicaid beneficiaries who are eligible for Medicaid on a basis other than disability".

According to the letter, CMS will support state demonstration projects under Section 1115 of the Social Security Act that require eligible adult beneficiaries to engage in work or community engagement activities (e.g., skills training, education, job search, caregiving, or volunteer service) in order to determine whether those requirements assist beneficiaries in obtaining sustainable employment or other community engagement, and whether sustained employment or other productive community engagement leads to improved health outcomes.

According to the Kaiser Family Foundation, as of June 11, 2018, CMS had approved a work requirement waiver for Arkansas, Indiana, Kentucky, and New Hampshire, and seven other states--Arizona, Kansas, Maine, Mississippi, Ohio, Utah, and Wisconsin--had pending waiver requests that would require work as a condition of eligibility for Medicaid-expansion adults and/or traditional Medicaid populations ("Medicaid Waiver Tracker: Which States Have Approved and Pending Section 1115 Medicaid Waivers?"). These approved or proposed waivers generally require beneficiaries to verify their participation in approved activities, such as employment, job search, or job training programs, for a certain number of hours per week in order to receive health coverage, and typically exempt certain populations.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

If the necessary Federal waivers are approved, the legislation will likely lead to an indeterminate but likely net marginal reduction in State expenditures. There are numerous elements in this estimate: 1) administrative costs, both one-time and ongoing, to implement the work requirement; 2) reduced Medicaid expenditures due to individuals, subject to the work requirement, who either do not meet the requirement and are rendered ineligible or increase their hours of work enough so their income exceeds the Medicaid eligibility threshold; 3) potential supportive services costs, in particular job training, child care, and transportation; 4) indirect revenue effects, including reduced Health Insurance Claims Assessment (HICA) and Insurance Provider Assessment (IPA) revenue and, to the extent employment increases, increased income tax and sales and use tax revenue; and 5) potential secondary effects tied to changed incentives and increased income.

The magnitude of the nonadministrative costs and savings will depend on how many Medicaid-eligible individuals subject to the work requirement will increase their working hours to comply, how many such individuals will fail to comply and will be removed from Medicaid eligibility, the number of the newly employed who will need supportive services, and the potential secondary behavior effects.

While various states have discussed implementation of Medicaid work requirements, there is no experience in other states with such requirements, so it is not possible to provide anything approaching a precise estimate of costs and savings. As a result, this fiscal analysis is vague. The key factors in any more precise estimate would include: the percentage of those subject to the requirements who fail to comply and are removed from Medicaid, the percentage of those subject to the requirements who increase their income sufficiently to leave Medicaid, the potential increased tax revenue from those who increases their income (whether or not they leave Medicaid), the percentage of the work requirement population who will need and seek child care and other supportive services, and administrative costs to implement and administer the work requirement.

Administrative Costs

The State has implemented work requirements for the Food Assistance Program (FAP) population, so one might expect that the administration of a Medicaid work requirement could be "grafted" onto administrative and systemic changes that were used to create a FAP work requirement. However, the populations, while they overlap, are handled differently in terms of eligibility and information technology. Eligibility for FAP is a group eligibility process handled by the Department of Health and Human Services BRIDGES system, while Medicaid eligibility is determined on an individual basis and is handled by the Community Health Automated Medicaid Processing System.

While there has not yet been any direct experience with a Medicaid work requirement, a number of states and cities have estimated the administrative costs of implementing work requirements for human services programs. These estimates include $37.5 million in state funding for systems changes in Wisconsin, $70.0 million Gross (no state amount specified) for Medicaid work requirements in Tennessee, $17.5 million in state funding for Medicaid work requirements in Kentucky, and up to $23.1 million in state funding for Medicaid work requirements in the first full year in Virginia.

After discussions with the Snyder Administration, it appears that the expected administrative costs for the workforce engagement provision will be in the range of $10.0 million to $11.0 million GF/GP per year. The costs for the new HMP waiver will be in the range of $6.0 million

to $7.0 million GF/GP per year. Therefore, total administrative costs for the bill will be in the range of $16.0 million to $18.0 million GF/GP per year. This estimate, given information from other states, appears to be a reasonable one.

Estimating the Base Population

The legislation will apply to nonexempt HMP enrollees up to age 62 with exemptions built in for full-time students, pregnant women, medically frail individuals as defined by Federal rule, those engaged in job training, individuals receiving unemployment benefits, individuals being treated for substance use disorders, caretakers of children under six years old, caretakers of a dependent with a disability, individuals with work limitations according to a licensed medical professional's order, and individuals recently released from imprisonment.

When attempting to estimate the caseload, one finds about 690,000 individuals who are enrolled in the Medicaid expansion program, the Healthy Michigan Plan, who could be subject to the workforce engagement requirements.

Due to the exemptions, especially those for full-time students, caretakers, and pregnant women, the 690,000 figure should be considered to be a maximum well in excess of the actual number of people who will be subject to the work requirement. Due to the age maximum of 62 years, the starting point will be closer to 660,000.

The population covered by the other exemptions is more difficult to estimate. For instance, the exemption for medically frail is tied to the definition in Federal rule 42 CFR 440.315(f), which mentions "individuals with chronic substance use disorders, individuals with serious and complex medical conditions, individuals with a physical, intellectual or developmental disability that significantly impairs their ability to perform 1 or more activities of daily living". Many of these people are eligible for Medicaid in the aged, blind, and disabled category and so will already be exempt from the provisions of the bill. Others with often less severe conditions such as diabetes might potentially be exempt but the determination will likely be on a case-by-case basis and tied to diagnoses or an attestation from a physician, so it is difficult to estimate the population subject to the medically frail exemption.

The bill contains an exemption for those enrolled in postsecondary education related to employment. It appears that about 6.0% of the adult population in Michigan (not just the Medicaid population) is enrolled full-time at a community college, college, or university. However, this estimate reflects the percentage of the entire population enrolled full-time, not the percentage of the adult nondisabled Medicaid population.

The bill also contains an exemption for one parent in families with children under the age of six. It appears that there are about 100,000 single-parent families with children under the age of six and about 170,000 two-parent families with children under the age of six in Michigan. This combined total of 270,000 families represents about 8% of the households in Michigan. This estimate is based on overall population, not Medicaid population, so is certainly not precise.

There are a number of other exemptions whose impact is even more difficult to estimate. What is clear is that a significant portion of the 660,000 who will potentially be subject to the provisions of the legislation will be exempt. It is possible that half the population will be exempt, depending on how medical exemptions are handled.

The exemption of a large portion of the population will reduce both the costs and the savings tied to the bill but will not have a major effect on the net fiscal impact as both the increases and decreases in expenditures will be reduced in magnitude

Medicaid Costs for the Base Population

An examination of Michigan's Medicaid physical health and behavioral health capitation rates for the Healthy Michigan Plan (HMP) indicates that costs to cover these people average about $5,500 Gross per person per year. Healthy Michigan Plan services are reimbursed at a match rate that is currently 94.0% but will drop to 90.0% on January 1, 2020, the date the workforce engagement requirement is to take effect. Therefore, the GF/GP cost for the population potentially subject to the work requirement, on average, will be about $550 per person per year.

Caseload Reduction: How Many Will Leave Assistance under the Work Requirement?

This question is by far the most difficult to address, although it is key in doing a fiscal analysis of the legislation. There have not been any long-term studies on work requirements for Medicaid as no such work requirements have yet been implemented on any significant scale.

States have implemented work requirements for FAP benefits. In January 2017, Michigan implemented FAP work requirements in four counties. During a time that the FAP caseload in non-work-requirement counties dropped by almost 5.5% in Michigan, the caseload in those four counties dropped by 12.0%. One could assume that the 6.5% difference was due to the work requirement, with some recipients increasing their working hours and no longer being eligible due to income and others not meeting the work requirement and no longer being eligible due to violating the work requirement.

However, there are numerous factors that make that 6.5% figure an approximation with a potentially wide variance. First, the portion of the FAP caseload subject to the work requirement was a subset of the entire FAP caseload in those counties. Second, those counties may have seen better or worse economic growth than other counties, leading to an impact on the caseload for reasons aside from the work requirement. On the other hand, studies in other states on FAP work requirements have shown an impact of similar magnitude.

Caseload Reduction Savings

For the purposes of this analysis, the SFA has not attempted to estimate the impact of a work requirement that has not been implemented, especially on a population that overlaps but is still significantly distinct from the FAP population. Instead, the SFA analysis examines the impact of each 1.0% change in the affected caseload. If one starts with an assumed caseload of 660,000, each 1.0% reduction in the caseload due to the work requirement will reduce State Medicaid expenditures by an average of $36.3 million Gross and $3.6 million GF/GP. If there is a 6.5% reduction in State Medicaid expenditures, the average estimated savings will be $236.0 million Gross and $23.6 million GF/GP. Given that the population subject to the requirements will likely be much smaller than 660,000, the actual savings for a given 1.0% reduction in caseload will be smaller. This will be the case whether the individuals are no longer eligible for Medicaid due to violating the work requirement or due to having increased income.

HICA and IPA Offset

The State presently has a 1.0% tax on paid medical claims known as HICA. For each 1.0% reduction in caseload, the State will see a reduction in HICA revenue of $363,000, which will increase GF/GP costs by the Federal share of this amount (due to actuarial soundness requirements) or about $326,700. Under Enacted Senate Bills 992, 993, and 994 (Public Acts 193, 194, and 195 of 2018), assuming Federal approval, the HICA will be repealed well before

January 1, 2020, and replaced by a new tax known as the Insurance Provider Assessment (IPA). The IPA will apply a varying rate to Medicaid managed care organizations and the revenue loss may vary widely depending on whether an individual who leaves the HMP due to the legislation was enrolled in a high enrollment Medicaid health plan or a lower enrollment one. The revenue loss may vary from $300,000 to $5.2 million per 1.0% caseload change depending on the size of the health plan.

Supportive Services Costs

The most significant supportive services cost will be child care for those covered by the legislation who have children and who increase working hours. It is important to note that the vast majority of those covered by the legislation either will not have child care needs because they do not have children under 18 requiring child care, are already subject to work requirements, or have access to alternative child care arrangements. The average State cost of full-time child care is about $5,000 per year. This amount will be far less for children who are enrolled in school and, again, will apply only to a limited subset of the covered population.

Other Secondary Effects

It is possible that some recipients will choose to apply for Social Security Income (SSI) benefits to avoid the work requirement. If a person currently eligible under HMP applies for and receives SSI, then the increased capitation rate and lower Federal match rate will lead to an average GF/GP cost increase of $4,000.

It should be noted that the magnitude of the SSI payment itself, which is over $9,000 per year (almost all Federal) for those in the independent living category, already provides a strong incentive to individuals to apply for SSI benefits even without a work requirement. The work requirement itself will likely have only a marginal impact on individual decisions to apply for SSI.

To the extent that people increase their working hours due to the work requirement, State income and sales and use tax revenue will increase. If a person increases his or her income by $10,000 per year, the State will gain about $250 in income tax revenue (after adjusting for the personal exemption) and an indeterminate but likely similar amount of sales and use tax revenue. Furthermore, for those receiving Family Independence Program (FIP) payments, increased income will lead to a reduction in their FIP grant.

People who are sanctioned and forced to leave Medicaid will likely not be able to afford health insurance, which may lead to an increase in uncompensated care, especially at hospitals. This will lead to a negative State or local fiscal impact for public hospitals.

Changes to the Current HMP Waiver

The fiscal year 2018-19 DHHS budget reflects the shift of 10,000 people to the health exchanges pursuant to the 2015 waiver. Because health exchange products are more expensive than the HMP, the budget includes $12.0 million Gross, $810,000 GF/GP to cover the cost. If a new waiver is approved, retaining these people in the HMP, the State will save $810,000 GF/GP. To the extent that HMP recipients are not compliant with the healthy behavior and premium components of the waiver, they will be disenrolled, which will result in savings to the State as well.

Summary

The potential net costs or savings of the legislation, if fully implemented, are tied to the degree to which people will leave Medicaid as a result of the work requirement, whether due to increased income or due to failure to meet the work requirement. There is a highly complex set of factors to analyze because no state has yet implemented such a work requirement.

To the extent that individuals begin to work or increase their hours, there will be cost reductions as some will migrate off of Medicaid, there will be marginal increases in tax revenue, and there will be supportive services costs, especially for child care. To the extent that individuals are removed from Medicaid due to failure to comply with the work requirements, there will be reduced Medicaid costs but potential increases in uncompensated care for hospitals, with a State and local fiscal impact on publicly owned hospitals. The savings for those leaving the Medicaid caseload for whatever reason will average $550 GF/GP per case. The costs, in particular child care costs, will be focused on a much narrower subset of the population. Increased income for those in the FIP population will reduce FIP grants and State spending on the FIP. Finally, there will be administrative costs for both the workforce engagement requirement and the new HMP waiver that the SFA estimates will be in the range of $16.0 million to $18.0 million GF/GP per year. Overall, the SFA believes that the net fiscal impact will be an indeterminate reduction in State costs.

While it is not certain that the overall impact will be a slight reduction in State expenditures, past experience with various work requirements for non-Medicaid programs does indicate that a nontrivial reduction in caseload will occur, which will lead to savings on Medicaid. It is now certain that these savings will exceed the various possible costs, but that does appear likely, unless the Medicaid work requirement experience prove to be significantly different from the experience with other work requirements.

This remains a very basic and, as noted, an indeterminate analysis. As more information becomes available, particularly from other states, the SFA will provide updated estimates to the Legislature and the public.

Fiscal Analyst: Steve Angelotti

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