SUMMARY: House Bill 2138, Printer’s Number 3328, amends the Human Services Code to add work requirements for eligible enrollees in Medical Assistance. This legislation is effective in 60 days.

ANALYSIS: This legislation requires the Department of Human Services (DHS) to apply for a waiver from the federal Centers for Medicare and Medicaid Services (CMS) to institute work requirements for individuals who enroll in Medical Assistance (MA) and do not qualify for an exemption. The waiver application must also align with other assistance programs that have work requirements to reduce the cost of monitoring the work requirements.

Individuals are exempt from the work requirements for any of the following circumstances:
- Attending high-school full time.
- Receiving temporary or permanent long-term disability benefits.
- The individual is under 19 years of age or 65 years of age and older
- Pregnant woman
- Receiving Supplemental Security Income benefits
- Residing in a mental health institution or correctional institution
- Experiencing a crisis, serious medical condition or temporary condition which prohibits employment, including but not limited to, domestic violence or a substance use disorder.
- The primary caregiver to a dependent under 6 years of age
- The primary caregiver to an individual who is permanently disabled or in hospice care.

The work requirements are satisfied by either of the following:
- Work for 20 hours a week
- Complete 12 job training program-related activities a month.

Work requirements shall be verified bi-annually or by request of DHS. An individual who has not complied with the work requirements above may be delayed in enrolling in MA.
Failure to comply with work requirements will result in a loss of benefits for 3 months in year two of enrollment, 6 months in year three of enrollment and 9 months in year four of enrollment.

**FISCAL IMPACT:** According to the Department of Human Services, there are approximately 559,000 MA enrollees without disabilities that could be subject to work requirements. DHS assumes 20% of these individuals would be exempt due to experiencing a crisis or condition that prohibits employment. After accounting for these individuals along with 9,500 Temporary Assistance to Needy Families (TANF) recipients already meeting the TANF work requirements, an estimated 438,000 MA enrollees would be subject to the work requirements.

The CMS guidance to states regarding waivers for MA work requirements requires a state to implement strategies to assist beneficiaries in meeting work requirements and to link individuals to additional resources for job training or other employment services, child care assistance, transportation or other work supports to help beneficiaries prepare for work or increase earnings. CMS also indicates that these waivers cannot utilize federal Medicaid funds for work support activities. Administrative costs are eligible for 50% federal matching funds.

DHS estimates an annual cost per enrollee for services as follows: $4,497 for employment and training; $6,300 for child care and $1,140 for transportation. It is not possible to estimate the number of recipients who would utilize each of these services.

DHS also indicates up to 250 additional County Assistance Office caseworkers and 15 Headquarters Administration staff would be required, along with information technology (IT) system changes and increased postage and printing costs. The majority of these administrative costs would be eligible for 50% federal matching funds, however, some of the IT changes may be eligible for enhanced federal matching funds of 75% or more. DHS estimates the first year administrative costs at $27 million in state funds.

DHS estimates savings of $557 per month for each enrollee that is sanctioned for noncompliance or leaves the MA program. If the enrollee is a traditional MA recipient, the state share of the savings is nearly 48% in FY 2018-2019. If the enrollee is eligible for MA due to the Affordable Care Act expansion, the state share of the savings is 6.5% in FY 2018-2019. It is not possible to estimate the number of recipients who would be sanctioned or leave MA due to increased earnings from employment or the federal/state share of any potential savings.

**PREPARED BY:** Ann Bertolino  
House Appropriations Committee (R)

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*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*