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TENNESSEE JUSTICE CENTER

Work Reporting Requirement for Tennessee Parents Would Harm Low-Income Families with Children

Key Findings

- Tennessee's proposal doesn't address the most important question: how many parents and children could lose coverage. In Arkansas, which implemented a similar plan, almost one quarter (23 percent) of affected adults lost their health insurance. If Tennessee has a similar outcome, *approximately 68,000 parents will lose their Medicaid coverage in Tennessee.*
- The new rules would predominantly affect Tennessee's poorest mothers. The impact could hit hardest in the state's small towns and rural communities, where parents are more likely to receive Medicaid and where jobs are harder to find.
- Even if these parents work more hours, they are unlikely to have an offer of health coverage from their employers. Only 15 percent of Tennessee adults living in poverty receive employer-sponsored insurance.
- The loss of coverage for parents would affect their children, creating more financial hardship for families and risking children's access to health care. Tennessee was one of nine states to see a significant increase in children lacking health coverage in 2017.

Tennessee is seeking federal permission to impose a work reporting requirement on low-income parents and caregivers receiving health coverage through Medicaid. Under the proposal, these beneficiaries ages 19 to 64 would have to document that they are working at least 20 hours a week or participating in job-training, education, or volunteer activities in order to maintain their TennCare II coverage. One parent in a household with children under age 6 would be exempt. Because Tennessee has not expanded Medicaid under the Affordable Care Act, the only adults targeted are parents whose incomes are at or below 98 percent of the federal poverty level. The impact of the proposal could mean some of the state's poorest parents would lose health coverage altogether. And that loss of coverage will affect their children, who may lose access to care, as well, even though they are technically exempt.

Tennessee's proposal does not provide any estimate of how the new reporting rules would affect enrollment in TennCare if the Centers for Medicare and Medicaid Services (CMS) approve the request to amend the state's section 1115 "TennCare II" demonstration waiver. Nor does the state even mention the real possibility that many of these parents (and some of their children) would become uninsured. Instead the state claims, with no evidence, that some of those leaving the program will obtain employer-based coverage.[1]

Research based on the experience of work reporting requirements in other programs and current data from Arkansas, which is the first state implementing a work

reporting requirement in Medicaid, makes clear that *significant coverage losses are likely.* A study from the Kaiser Family Foundation projects that, in general, an estimated 6 to 17 percent of adults impacted by these new rules would lose coverage.[2] This range may be too low, given that in the first few months of implementation in Arkansas, 23 percent of those affected have lost their Medicaid coverage.[3] Many of those who have lost coverage have likely done so not because they are not working but rather because paperwork requirements and red tape have tripped them up.[4] So far, less than 1 percent of Arkansas adults affected are reporting work hours, suggesting that the approach is failing to achieve its purported objective of helping people find jobs.[5]

If 23 percent of the parents in Tennessee that will be subject to the new rules are disenrolled, as has happened in Arkansas, approximately 68,000 parents can be expected to lose their Medicaid coverage.[6] The vast majority of those parents are likely to become uninsured.

There is little reason to expect that Tennessee will do better than Arkansas. Medicaid beneficiaries in Arkansas are removed if they don't report 20 hours of work for three months in a row. Tennessee's proposal also requires reporting monthly but is assessed with a slightly tougher standard—beneficiaries must report work hours for four months out of a six-month period. In Arkansas all adults in a household with a child under 18 are exempt, in Tennessee just one parent in a household with a child under 6 is exempt.

More importantly, Tennessee is particularly ill equipped to handle this new requirement because it currently lacks a functioning Medicaid eligibility system. Since 2013, Tennessee has relied on the federal Marketplace to enroll individuals in TennCare because of the state's lack of capacity to reliably administer eligibility itself. For the sixth year in a row, TennCare continues to operate under a federal mitigation plan because the state is not in compliance with federal Medicaid law.[7] Tennessee officials do not address these administrative concerns in their request to CMS. A legislative fiscal note estimates that the added case management costs could total $44 million a year, offset by savings of only $10 million according to the official estimate of the Tennessee General Assembly Fiscal Review Committee.[8]

Under federal law, all states must offer Medicaid to some very low-income parents and caregivers. CMS has yet to approve work requirements for these mandatory Medicaid parents who are the only adults that would be targeted by work reporting requirements in a state that has not expanded Medicaid after the passage of the Affordable Care Act (ACA). Tennessee allows only those parents living at or below 98 percent of the poverty line to qualify for Medicaid. That's the equivalent of $20,903 a year for a family of three, or $1,742 a month.

The state's proposal refers to those leaving the program transitioning to private coverage options as their earnings increase but this assertion is unsupported by any facts. Low wage work rarely comes with an affordable offer of health insurance. Only 15 percent of Tennessee adults living in poverty currently have employer-sponsored health insurance.[9]

Tennessee's waiver proposal suggests that a work reporting requirement will decrease the need for hospital stays and emergency room visits for parents who receive Medicaid. However, there is no evidence or compelling rationale to support this. Moreover, if these parents lose health coverage altogether, they may be more likely to use the emergency room. In fact, Fitch Ratings predicts that a work requirement could exacerbate the problems facing Tennessee's hospital systems, which have shut down 10 rural facilities in recent years.[10] The proposal also asserts that the work requirement will help "connect individuals to employment in a way that promotes positive health outcomes." But this research has been misinterpreted with correlation mistaken for causality. In fact the opposite is likely true—better health helps people to be able to work.[11]

A recent review of research found that poor health meant workers were more likely to lose jobs, while access to affordable health insurance was key to finding and keeping employment.[12] Studies of workers who gained health coverage through the Medicaid expansion have found that coverage made it easier to work. About 52 percent of the Ohio residents who enrolled in Medicaid after the expansion said it was

easier to secure and maintain employment.[13] A recent study examining the impact of Michigan's Medicaid expansion found that 69 percent of enrollees said having health insurance through Medicaid helped them do a better job at work and the majority of those who were out of work reported that having Medicaid made them better able to look for a job.[14]

Tennessee received 160 public comments, and it appears that all but one was submitted in opposition to the state's proposal. Yet these comments were largely ignored and the application was submitted to the federal government. The federal comment period is open until February 7.[15]

Who would be affected?

An analysis of the population of parents and caretakers who now rely on Medicaid for health coverage in Tennessee finds that:[16]

- 77 percent are mothers.
- 46 percent report they are already working; 42 percent are not now in the workforce, often because they are caring for someone else or have an illness or disability; 12 percent describe themselves as unemployed.
- 28 percent are African American and 64 percent are White. That compares to the population of nonelderly adults statewide that is 16 percent African American and 75 percent White.
- 33 percent are young parents under age 30.

A separate analysis suggests that the proposal would hit harder in Tennessee's small towns and rural communities, where families are more likely to be covered by Medicaid and jobs are harder to find.[17]

- In Tennessee, about 19 percent of adults in these communities are covered by Medicaid, compared to 14 percent in urban areas.
- Among children, 51 percent in Tennessee's small towns and rural communities have Medicaid coverage, compared to 41 percent in metropolitan areas.
- Jobs remain harder to find in these communities. Nine out of 10 Tennessee counties with the highest unemployment rates in 2017 were rural counties.[18] The proposal gives state officials the right to modify or waive the requirement in "economically distressed" counties, a provision that could lead to disparate treatment across the state.

Figure 1. Percent of Adults with Medicaid Coverage, by County, 2015-2016

Children will suffer when their parents lose coverage.

After years of progress reducing the rate of uninsured children, Tennessee was one of nine states (SD, UT, TX, GA, SC, FL, OH, TN, MA) that saw a significant increase in both the rate and number of children without health coverage in 2017.[19] The United States as a whole also saw the number and rate of uninsured children increase significantly in 2017. The state's rate of uninsured children dropped from 6.8 percent in 2008 to 3.7 percent in 2016, only to climb back up to 4.4 percent in 2017, an analysis of U.S. Census data shows. The coverage losses were worst among African American children and those living in or near poverty.[20] About 71,000 children across the state lack coverage, a number that could grow worse if the state's work reporting proposal moves forward. Parents loss of coverage impacts children in several ways:

- ***Children with uninsured parents are less likely to receive the health care they need and more likely to be uninsured.*** In some cases, they remain insured but don't visit a doctor regularly. In other instances, they lose their health insurance altogether. Research has shown that when a parent is uninsured a child is much more likely to be uninsured.[21]
- ***As parents become uninsured, the entire family is at risk of falling further into poverty because of medical debt or bankruptcy.*** Medicaid improves families' economic security and financial well-being and gives children a better chance for the future.[22]
- ***A healthier parent is more likely to be a better parent***. Parents with access to health care can do a better job supporting and nurturing their children's healthy development. Maternal depression, for instance, can be treated with Medicaid coverage. Without treatment, though, depression can inhibit parent-child bonding in the critical early years of development.

Conclusion

Tennessee's amendment to its three-year Section 1115 demonstration application has already cleared the state and is currently open for public comment at the federal level until February 7. Although CMS has issued guidance encouraging states to establish work reporting requirements in Medicaid, the federal agency has yet to decide on a waiver involving a state, such as Tennessee, that did not accept the Medicaid expansion provided in the Affordable Care Act.

If work reporting requirements are eventually approved, the state legislature's own projections show that Tennessee will spend $34 million more than it saves to implement this misguided policy. The impact will fall squarely on the poorest families, putting their children at risk of losing coverage as well. Families living in rural areas and small towns could be hardest hit because they are more likely to receive Medicaid and have higher rates of unemployment than their counterparts in metro areas. If state officials exercise their option and exempt these areas, there may be racially disparate impacts. As it is, African American families will be disproportionately affected, as they represent 16 percent of the state's adult population but 28 percent of the parent population now receiving Medicaid.

Rather than promote work, the proposed reporting requirements will likely worsen the economic prospects for Tennessee's most fragile families. These families already struggle to provide adequate housing, food and clothing for their children. Stripping these parents, most of them mothers, of their health coverage will not produce the desired results of greater employment.

Endnotes

[1] TennCare II Demonstration, Amendment 36 available at https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/tn/tn-tenncare-ii-pa6.pdf.

[2] R. Garfield, R. Rudowitz and M. Musumeci, "Implications of a Medicaid Work Requirement: National Estimates of Potential Coverage Losses" (Washington: Kaiser Family Foundation, June 2018), available at https://www.kff.org/medicaid/issue-brief/implications-of-a-medicaid-work-requirement-national-estimates-of-potential-coverage-losses/.

[3] J. Alker, "Arkansas' Medicaid Work Reporting Rules Lead to Staggering Health Coverage Losses," January 18, 2019), available at https://ccf.georgetown.edu/2019/01/18/arkansas-staggering-health-coverage-losses-should-serve-as-warning-to-other-states-considering-medicaid-work-reporting-requirement/.

[4] M. Musumeci, R. Rudowitz and B. Lyons, "Medicaid Work Requirements in Arkansas: Experience and Perspectives of Enrollees" (Washington: Kaiser Family Foundation, December 2018), available at https://www.kff.org/medicaid/issue-brief/medicaid-work-requirements-in-arkansas-experience-and-perspectives-of-enrollees/.

[5] Alker, ibid.

[6] To estimate this number, we used analogous assumptions as were used to find Arkansas's coverage loss ratio of 23 percent. We used the number of parents (300,000) estimated to be in the affected parent category from the state's fiscal note and subtracted 2 percent (6,000) who are over 65 and not included. Then we applied the 23 percent coverage loss ratio from Arkansas and got 67,620. It is important to note that Arkansas also has many exemptions and that the 23 percent result includes those who are exempt in the denominator. Fiscal Note HB 1551 – SB 1728, Tennessee General Assembly Fiscal Review Committee, February 12, 2018, available at http://www.capitol.tn.gov/Bills/110/Fiscal/HB1551.pdf.

[7] TennCare Mitigation Plan – April 2017 Update, available at https://www.medicaid.gov/medicaid/program-information/eligibility-verification-policies/downloads/tennessee-mitigation-plan.pdf.

[8] Fiscal Note HB 1551 – SB 1728, Tennessee General Assembly Fiscal Review Committee, February 12, 2018, available at http://www.capitol.tn.gov/Bills/110/Fiscal/HB1551.pdf.

[9] Data retrieved from the American Community Survey Fact Finder, "Health Insurance Coverage Status and Type by Ratio of Income to Poverty Level in the Past 12 Months by Age" (Washington: United States Census Bureau, 2016), available at https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_1YR_B27016&prodType=table.

[10] A. Ellison., "Fitch: Medicaid work requirements put pressure on LifePoint, Quorum and CHS," Becker's Hospital CFO Report, February 1, 2018 available at https://www.beckershospitalreview.com/finance/fitch-medicaid-work-requirements-put-pressure-on-lifepoint-quorum-and-chs.html.

[11] L. Antonisse and R. Garfield, "The Relationship Between Work and Health: Findings from a Literature Review" (Washington: Kaiser Family Foundation, August 2018), available at https://www.kff.org/medicaid/issue-brief/the-relationship-between-work-and-health-findings-from-a-literature-review/.

[12] Ibid.

[13] "Ohio Medicaid Group VIII Assessment: A Report to the Ohio General Assembly," Ohio Department of Medicaid, (2017), available at https:// medicaid.ohio.gov/Portals/0/Resources/Reports/Annual/Group-VIII- Assessment.pdf.

[14] R. Tipirneni, J.T. Kullgren, J.Z. Ayanian, et al., "Changes in Health and Ability to Work Among Medicaid Expansion Enrollees: A Mixed Methods Study," *Journal of General Internal Medicine* (2018), available at https://doi.org/10.1007/s11606-018-4736-8.

[15] TennCare II Demonstration, see pps. 8-20 of the state's application, available at https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/tn/tn-tenncare-ii-pa6.pdf.

[16] These estimates are based on an analysis of American Community Survey (ACS) data. We use an augmented version of the 2015 and 2016 ACS, the Integrated Public Use Microdata Series (IPUMS), prepared by the University of Minnesota Population Center (IPUMS-USA, University of Minnesota, www.ipums.org). We establish two-year state-level estimates of health coverage and demographic characteristics for parents. Parents are between 19 and 64 years old, have a child who is under 19 years old, are covered through Medicaid, and live in a household with income below 99 percent FPL. Individuals receiving supplementary security income and individuals for whom poverty status could not be determined are excluded.

[17] J. Hoadley et al., "Medicaid in Small Towns and Rural America: A Lifeline for Children, Families, and Communities" (Washington: Center for Children and Families, June 2017), available at https://ccf.georgetown.edu/wp-content/uploads/2017/06/Rural-health-final.pdf.

[18] This information was derived from comparing the analysis of county population characteristics in Georgetown/UNC study with 2017 unemployment information from the U.S. Bureau of Labor Statistics, available at https://data.bls.gov/map/MapToolServlet?survey=la.

[19] J. Alker and O. Pham, "Nation's Progress on Children's Health Coverage Reverses Course" (Washington: Georgetown University Center for Children and Families, November 2018), available at https://ccf.georgetown.edu/wp-content/uploads/2018/11/UninsuredKids2018_Final_asof1128743pm.pdf.

[20] Georgetown University CCF analysis of the 2016 and 2017 American Community Survey Public Use Microdata from IPUMS-USA. The analysis shows the uninsured rate for Tennessee children rose from 2.6 to 4.9 percent for African Americans, while climbing from 3.8 to 4.2 percent for white kids. For children in households below the poverty line, the rate rose from 4.4 to 5.9 percent. For those in households between 100 and 137 percent of poverty, the rate of uninsured kids jumped from 3.9 to 6.6 percent.

[21] M. Karpman and G. Kenney, "Quicktake: Health Insurance Coverage for Children and Parents: Changes Between 2013 and 2017" (Washington: The Urban Institute, September 7, 2017), available at http://hrms.urban.org/quicktakes/health-insurance-coverage-children-parents-march-2017.html.

[22] K. Wagnerman, "Medicaid: How Does It Provide Economic Security for Families?" (Washington: Georgetown University Center for Children and Families, March 2017), available at https://ccf.georgetown.edu/wp-content/uploads/2017/03/Medicaid-and-Economic-Security.pdf.

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