



# Who Could Be Affected by Kentucky's Medicaid Work Requirements, and What Do We Know about Them?

*Anuj Gangopadhyaya and Genevieve M. Kenney*

*February 2018*

**In January 2018, the Centers for Medicare & Medicaid Services approved Kentucky's Section 1115 Medicaid demonstration waiver, which allows the state to require some beneficiaries to participate in "community engagement" activities for at least 80 hours a month to retain their Medicaid coverage.<sup>1</sup> Qualifying activities are (among others) working, participating in community service, searching for jobs, attending school or vocational training programs, or receiving treatment for a substance use disorder.<sup>2</sup> This is an unprecedented step for Medicaid, but such requirements may become increasingly common given that other states have also submitted waivers that would make coverage conditional on such activities (Hahn et al. 2017). An analysis of the state's Medicaid enrollment projections following the waiver's implementation estimates a 15 percent drop in Medicaid enrollment by its fifth year.<sup>3</sup>**

Children under age 19, adults age 65 and over, and enrollees who qualify for Medicaid because they receive disability benefits will not be subject to work requirements. Among the remaining nonelderly adults (those ages 19–64) in Kentucky's Medicaid program, the groups who will be exempt from the pending work requirements include pregnant women, full-time students, people who are "medically frail," and primary caregivers of a dependent minor or a disabled adult. Kentucky is one of 32 states (including the District of Columbia) that opted to expand Medicaid eligibility to nondisabled, nonelderly low-income adults under the Affordable Care Act (ACA). Given the exemption for primary caregivers and pregnant women in Kentucky's waiver, the work requirement provision would primarily apply to the "expansion" group of beneficiaries.

Recent national estimates from the Current Population Survey (Garfield et al. 2017) found that among nonelderly adult Medicaid enrollees without Supplemental Security Income (SSI), approximately 60 percent were working either part or full time. Among those who were not working, more than one-third cited illness or disability as a reason for not working; another 30 percent reported taking care of an ill or disabled family member. A separate national analysis (Ku and Brantley 2017) used the National Health Interview Survey to examine nonelderly, nondisabled, nonpregnant adult Medicaid enrollees and found that 36 percent of this group was neither working nor looking for work. Despite excluding enrollees receiving SSI from their analysis, the authors note that 46 percent of nonworking adult Medicaid enrollees reported serious health problems. Their analysis also found that the primary reasons enrollees were not working or looking for work were that they were caring for a family member (29 percent) or had a disability (33 percent).

No published analysis has examined the size and composition of the groups who could be affected by work and community engagement requirements in Kentucky's Medicaid program. In this brief, we use the American Community Survey (ACS) to estimate the number of nonelderly adult Medicaid enrollees in Kentucky, statewide and by region, who are in one of three groups:

- **Group 1:** Enrollees who fall into one of three categories that would be exempt from the waiver's work requirements: they are in school, a primary caregiver of a dependent child, or a primary caregiver of a household member who is receiving SSI (meaning they meet the prescribed criteria for being disabled)
- **Group 2:** Enrollees who do not fall into one of these three categories and are working
- **Group 3:** Enrollees who do not fall into one of these three categories but are not working

Kentucky will exempt other groups (such as people who are pregnant or medically frail) from the work requirements, but these classifications are not available in the ACS. This means that some in the second and third groups may qualify for an exemption. Considering the potential challenges associated with obtaining exemptions, especially for medical frailty, and the difficulties nonworking enrollees may face complying with the work requirements, we expect that people in the third group would be at highest risk of losing Medicaid coverage if work requirements were implemented in their state. However, all three enrollee groups will be affected by the new requirements, given the need to understand and document exemptions and compliance with work requirements and the difficulties working enrollees may have consistently complying with the requirements. We therefore assess the characteristics of Kentucky Medicaid enrollees in each group. We focus on several characteristics that may pose barriers to documenting exemptions, obtaining and maintaining employment, or monthly reporting of completed work or community engagement hours. These characteristics include low educational attainment, health limitations, and lack of access to a vehicle and the internet.

## Key Findings

- We estimate that approximately 653,000 nonelderly adults were enrolled in Kentucky's Medicaid program in 2016. About 122,000 (or 19 percent) of these enrollees receive SSI and would be unaffected by the waiver. About 174,000 (or 27 percent) of these enrollees are in group 1 and therefore likely exempt from the waiver's work requirements. About 169,000 (or 26 percent) of enrollees are in group 2. The remaining 188,000 enrollees (28 percent) are in group 3.
- **Medicaid enrollees likely to be exempt from work requirements:** Although 38 percent of enrollees who fall into group 1 (that is, those who are exempt because they are students or primary caregivers of a dependent child or household member receiving SSI) are already working, 40 percent are in deep poverty (that is, they have incomes below 50 percent of the federal poverty level). About 20 percent have one or more serious health limitation, 42 percent have at least one serious health limitation or are living with someone who does, and 73 percent are primary caregivers of a dependent child. Some in this group may face more difficulty securing and maintaining their exemption status given that 17 percent lack access to the internet in their household, 10 percent lack access to a vehicle, and 15 percent do not have a high school degree.
- **Medicaid enrollees potentially subject to work requirements and already working:** Among the enrollees who are in group 2 (those who are not in group 1 and are working), enrollees averaged 36 hours of work a week during the weeks they had work, far surpassing the waiver's work requirements in months in which they had at least three weeks of work. However, only about 64 percent of this group worked both 50 weeks and 20 hours a week in the previous year. Thus, 36 percent of these enrollees would not meet the minimum threshold of year-round work required by the waiver (defined as at least 80 hours a month for each month of coverage) and would be at risk of experiencing coverage gaps. Despite their employment, about 41 percent of potentially nonexempt and working enrollees had incomes below the federal poverty level.
- **Medicaid enrollees potentially subject to work requirements and not working:** Group 3 enrollees (those who are not in group 1 and are not working) are predicted to be at the highest risk of losing coverage. Forty-eight percent of these enrollees are above age 50. Forty-one percent report one or more serious health limitation, including 21 percent who report serious problems concentrating, remembering, or making decisions and 26 percent who report serious problems walking or climbing stairs. Sixty-one percent have at least one serious health limitation or live with someone who does. One-quarter do not have a high school degree, 26 percent lack internet access, and 12 percent lack access to a vehicle. Altogether, 76 percent of the nonelderly adults in this group do not have access to a vehicle or the internet in their household, have not completed high school, or have a serious health limitation or live with someone who does, indicating that many in this group could face substantial barriers to complying with the work requirements.

## Data and Methods

We use data from the US Census Bureau's 2016 American Community Survey, which has the requisite statistical power to conduct state and regional analyses.<sup>4</sup> We restrict our analysis sample to nonelderly adults reporting Medicaid coverage and living in Kentucky.<sup>5</sup> In our main analysis, we exclude enrollees who report receiving SSI because this group will be exempt from work requirements under the waiver. As a point of reference, the sociodemographic, labor market, health, information access, and transportation access characteristics of Kentucky's nonelderly Medicaid enrollees receiving SSI are contained in table A.1.

We have proxy information for three criteria that earn an exemption from community engagement requirements in Kentucky (attending school, being the primary caregiver of a child, or being the primary caregiver of a household member receiving SSI); people meeting any of those three criteria constitute group 1 in this brief.<sup>6</sup> For our analysis, we classify all nonelderly adult enrollees who do not satisfy at least one of these criteria as "nonexempt;" they therefore would be subject to the work requirements under the waiver. Using employment status, we further distinguish between nonexempt enrollees who are likely to meet Kentucky's community engagement requirements and those who are not (groups 2 and 3, respectively). Our estimates may understate the number of enrollees expected to comply with the state's work requirements because the ACS does not capture information about community service and other activities that will count as community engagement under the waiver.<sup>7</sup>

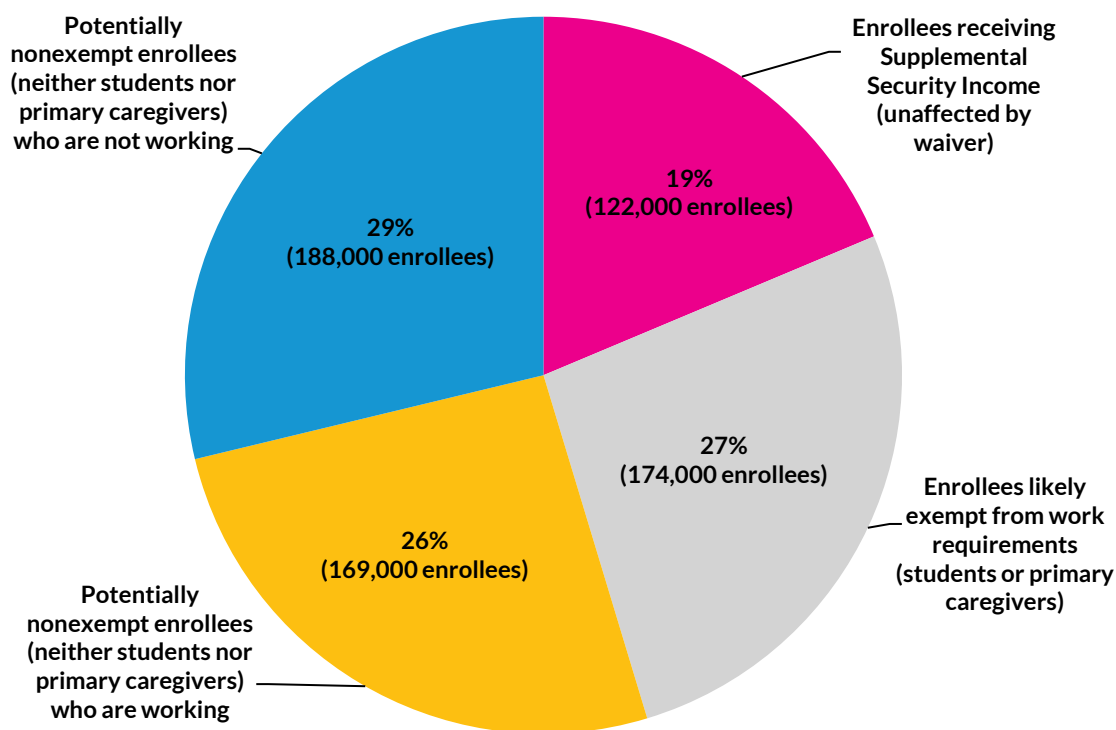
Our approach has several limitations. First, as highlighted by Allen and colleagues (forthcoming), the waiver's language defines exemptions ambiguously. For example, it is unclear which health limitations will define individuals as medically frail. Second, only full-time students are exempt from the work requirements in Kentucky, but we only observe school attendance rather than full-time status. We classify all school-attending adults as full-time students, likely leading to an overestimate for this exemption category. Third, pregnant women are exempt from the work requirements, but we cannot identify this group in the ACS. Fourth, according to the waiver's terms and conditions, someone will be deemed compliant if "the beneficiary meets the requirements of the Supplemental Nutrition Assistance Program (SNAP) and/or Temporary Assistance for Needy Families (TANF) employment initiatives or is exempt from having to meet those requirements."<sup>8</sup> We do not model how many enrollees could be deemed compliant with the waiver's work requirements under this provision because we do not have enough information on how it would be implemented.<sup>9</sup> Finally, nonexempt individuals need to report 80 hours of work or community engagement activities each month to comply with the waiver's requirements. The ACS asks respondents how many hours they usually worked per week over the prior year, but it does not ask them how many hours they are working per week at the time of the survey. Estimates of the number of weeks worked per year and hours worked per week are based on employment in the past year. In addition to these issues, receipt of SSI, caregiver status, and employment may be measured with error if respondents do not accurately recall circumstances during the period of the survey or if they fail to understand survey questions. Because of these limitations, some Medicaid enrollees are likely misclassified across our groups.

# Findings

Figure 1 shows the composition of nonelderly adult Medicaid enrollees in Kentucky in 2016. Based on available survey data, we estimate that approximately 653,000 nonelderly adults in Kentucky were enrolled in Medicaid at some point in 2016. About 19 percent of this group, or 122,000 enrollees, were receiving SSI and therefore would not be affected by the new waiver. Twenty-seven percent (about 174,000) of nonelderly adult Medicaid enrollees in Kentucky are identified in the ACS as either students or primary caregivers (group 1). These enrollees will likely be exempt from the waiver’s work requirements. About 26 percent (169,000 enrollees) are not students nor primary caregivers and were working at the time of the survey (group 2). The remaining 29 percent (188,000 enrollees) are not students nor primary caregivers and were not working at the time of the survey (group 3). These individuals are likely most at risk of losing coverage.

FIGURE 1

Composition of Nonelderly Adult Medicaid Enrollees in Kentucky by Disability, Exemption, and Work Status, 2016



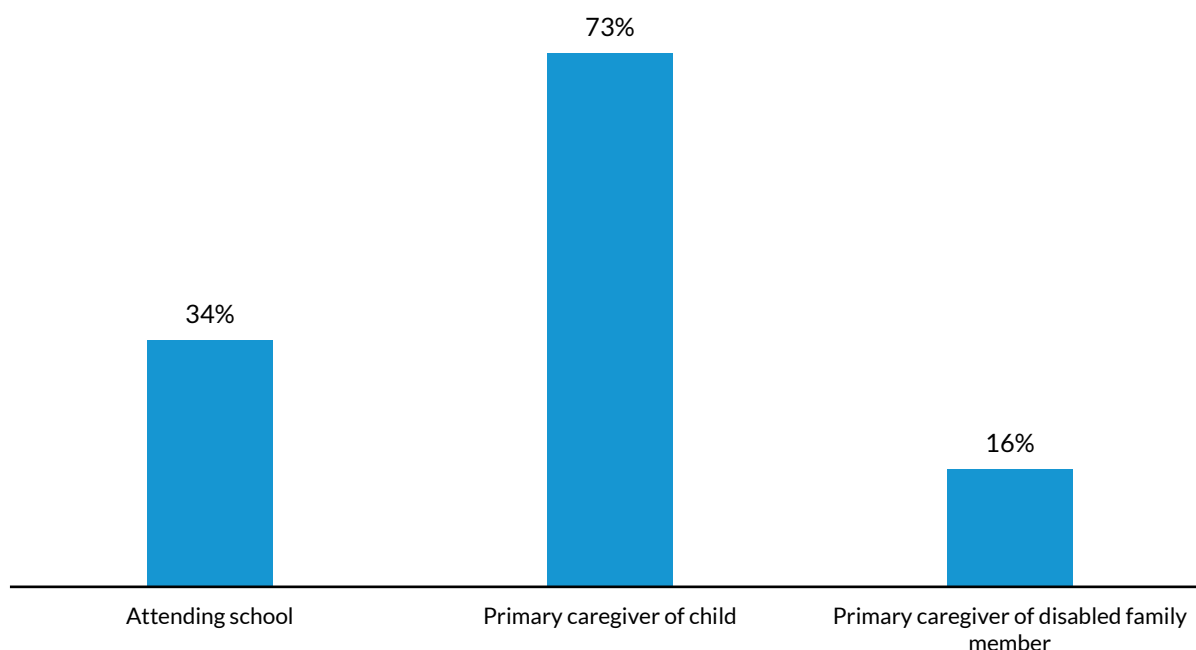
Source: Urban Institute tabulations of the 2016 American Community Survey.

Notes: Sample limited to adults ages 19 to 64 with Medicaid coverage and residing in Kentucky. Enrollees are classified as qualifying for an exemption if they are attending school, primary caregivers of children under 18, or primary caregivers of disabled family members receiving Supplemental Security Income. Group population estimates are rounded to the nearest thousand.

Enrollees in group 1, who are likely exempt from the waiver, comprise students, primary caregivers of children, and primary caregivers of family members who receive SSI. Figure 2 shows that among these, 34 percent are students, 73 percent are primary caretakers of children, and 16 percent are primary caretakers of a family member receiving SSI. The percentages do not sum to 100 because these categories are not mutually exclusive.

FIGURE 2

**Exemption Category among Nonelderly Adult Kentucky Medicaid Enrollees Who Are Likely Exempt from Work Requirements (Group 1), 2016**



**Source:** Urban Institute tabulations of the 2016 American Community Survey.

**Notes:** Sample limited to adults ages 19 to 64 who have Medicaid coverage, reside in Kentucky, do not receive Supplemental Security Income, and qualify for one of the three exemption criteria. Percentages do not sum to 100 because the criteria are not mutually exclusive.

Table 1 shows the sociodemographic, labor market, health, and information and transportation access characteristics for the nonelderly adult Medicaid enrollees not receiving SSI in each of the three groups we define for this brief.

TABLE 1

**Selected Characteristics of Nonelderly Kentucky Medicaid Enrollees  
by Waiver Exemption and Work Status**

| Enrollee characteristic   | Likely exempt enrollees (group 1) | Potentially nonexempt, working enrollees (group 2) | Potentially nonexempt, nonworking enrollees (group 3) |
|---|-----------------------------------|--|---|
| <b>Age</b>  |                                   |  |   |
| Average (years)   | 33.70                             | 37.55*   | 44.98 <sup>†</sup>                                    |
| 19-29   | 41%                               | 33%*   | 20% <sup>††</sup>                                     |
| 30-39   | 31%                               | 25%*   | 14% <sup>††</sup>                                     |
| 40-49   | 18%                               | 20%  | 18%   |
| 50-64   | 10%                               | 21%*   | 48% <sup>††</sup>                                     |
| <b>Race and ethnicity</b>   |                                   |  |   |
| White, non-Hispanic   | 78%                               | 84%*   | 86%*  |
| Black, non-Hispanic   | 15%                               | 10%*   | 10%*  |
| Hispanic  | 2%                                | 2%   | 2%  |
| Other race, non-Hispanic  | 5%                                | 4%   | 2% <sup>††</sup>                                      |
| <b>Gender</b>   |                                   |  |   |
| Male  | 26%                               | 53%*   | 49% <sup>††</sup>                                     |
| Female  | 74%                               | 47%*   | 51% <sup>††</sup>                                     |
| <b>Marriage and family</b>  |                                   |  |   |
| Married   | 26%                               | 43%*   | 32% <sup>††</sup>                                     |
| Divorced, separated, or widowed   | 27%                               | 21%*   | 34% <sup>††</sup>                                     |
| Never married   | 47%                               | 36%*   | 34%*  |
| Childless <sup>a</sup>  | 31%                               | 57%*   | 79% <sup>††</sup>                                     |
| Parents of children age 18 and under                                    | 69%                               | 43%*   | 21% <sup>††</sup>                                     |
| Parents of children age 6 and under                                     | 37%                               | 22%*   | 4% <sup>††</sup>                                      |
| <b>Income and education</b>   |                                   |  |   |
| Income <50% FPL   | 41%                               | 13%*   | 39% <sup>†</sup>                                      |
| Income ≥50% and <100% FPL   | 26%                               | 28%  | 24% <sup>†</sup>                                      |
| Income ≥100% FPL  | 33%                               | 60%*   | 37% <sup>†</sup>                                      |
| Less than high school education   | 15%                               | 15%  | 25% <sup>††</sup>                                     |
| High school degree  | 38%                               | 52%*   | 53%*  |
| Greater than high school education                                      | 47%                               | 33%*   | 22% <sup>††</sup>                                     |
| <b>Labor market</b>   |                                   |  |   |
| Employed at time of survey  | 39%                               | 100%*  | 0% <sup>††</sup>                                      |
| Worked in prior year  | 55%                               | 100%*  | 17% <sup>††</sup>                                     |
| Worked at least 50 weeks in prior year <sup>b</sup>                     | 48%                               | 68%*   | 6% <sup>††</sup>                                      |
| Worked at least 50 weeks and 20 hours a week in prior year <sup>b</sup> | 44%                               | 64%*   | 6% <sup>††</sup>                                      |
| Usual hours worked a week in prior year (if working) <sup>b</sup>       | 31.13                             | 35.83*   | 32.30 <sup>†</sup>                                    |
| Unemployed  | 11%                               | 0%*  | 17% <sup>††</sup>                                     |

| <b>Enrollee characteristic</b>  | <b>Likely exempt enrollees (group 1)</b> | <b>Potentially nonexempt, working enrollees (group 2)</b> | <b>Potentially nonexempt, nonworking enrollees (group 3)</b> |
|---|--|---|--|
| Not in labor force  | 50%                                      | 0%*   | 83%*†  |
| Looking for work  | 22%                                      | 21%   | 19%*†  |
| At least one member of household is employed                                    | 74%                                      | 100%*   | 35%*†  |
| <b>Health limitations</b>   |  |   |  |
| Serious difficulty concentrating, remembering, or making decisions              | 11%                                      | 7%*   | 21%*†  |
| Serious difficulty walking or climbing stairs                                   | 10%                                      | 6%*   | 26%*†  |
| Serious difficulty doing errands  | 7%                                       | 3%*   | 18%*†  |
| Serious difficulty bathing or dressing  | 4%                                       | 1%*   | 9%*†   |
| Blind or serious vision difficulty  | 3%                                       | 3%  | 9%*†   |
| Deaf or serious hearing difficulty  | 4%                                       | 2%*   | 8%*†   |
| Reports one or more serious health limitation                                   | 20%                                      | 14%*  | 41%*†  |
| Reports two or more serious health limitations                                  | 11%                                      | 5%*   | 23%*†  |
| Household member (including self) reports one or more serious health limitation | 41%                                      | 40%   | 61%*†  |
| <b>Internet and vehicle access</b>  |  |   |  |
| Household has no internet access  | 17%                                      | 14%   | 26%*†  |
| Household has no broadband (cable/DSL/fiber-optic) internet access              | 81%                                      | 75%*  | 79%†   |
| Household has no access to vehicle  | 10%                                      | 6%*   | 12%†   |
| <b>Estimated number of enrollees</b>  | <b>174,000</b>                           | <b>169,000</b>  | <b>188,000</b>   |

**Source:** Urban Institute tabulations of the 2016 American Community Survey.

**Notes:** Sample limited to adults ages 19 to 64 who have Medicaid coverage, live in Kentucky, and do not receive Supplemental Security Income. Enrollees are classified as qualifying for an exemption if they are attending school, are primary caregivers of children under 18, or are primary caregivers of disabled family members receiving Supplemental Security Income. See the appendix for more detail on definition of these variables. Population numbers have been rounded to the nearest thousand.

\* / † Estimate differs significantly ( $p < 0.05$ ) from exempt enrollees and nonexempt working enrollees, respectively.

<sup>a</sup> Childless adults are not living with dependent children age 18 or under, but they may be noncustodial parents of children age 18 or under or parents of children age 19 and older.

<sup>b</sup> Estimates of work intensity are conditional on having worked in the prior year.



## **Group 1—Enrollees Likely Exempt from Work Requirements**

Among the group 1 Medicaid enrollees in Kentucky, the average age is 34. Seventy-two percent are under age 40. Seventy-eight percent are non-Hispanic white. Seventy-four percent are female. Twenty-six percent of these enrollees are married, while 27 percent are divorced, separated, or widowed. Sixty-nine percent are parents.

More than two-thirds (67 percent) of group 1 enrollees are in poverty, and 41 percent are in deep poverty. Eighty-five percent of these enrollees have at least a high school degree. Despite their low incomes, about 39 percent of the group was employed at the time of the survey. Among those who worked in the previous year, the average number of hours worked a week was about 31 hours. About half of those working in the previous year did not work for the entire year; just 48 percent of these enrollees worked at least 50 weeks. Nearly three-quarters (74 percent) of these enrollees are either employed or live with an employed household member.

About 11 percent of group 1 enrollees have serious difficulty concentrating, remembering, or making decisions. Also, 1 in 10 have serious difficulty walking or climbing stairs. Nearly one in five report having at least one serious health limitation, and 41 percent report that they or another household member has a serious health limitation. About 17 percent of group 1 enrollees have no internet access, and 81 percent are without broadband high-speed internet access. About 1 in 10 do not have access to a vehicle.

## **Group 2—Potentially Nonexempt Enrollees Who Are Working**

Among group 2, the average age is 38. Relative to group 1, these enrollees are more likely to be non-Hispanic white (84 percent are) and less likely to be non-Hispanic black (10 percent are). Fifty-three percent are male, a stark difference from group 1. Forty-three percent are married, and 21 percent are divorced, separated, or widowed. In strong contrast with group 1 enrollees, about 57 percent of these adults do not have dependent children under age 18.

Although this group is less likely than those in group 1 to be in poverty, 13 percent of these enrollees are in deep poverty, and about 41 percent are in poverty. Eighty-five percent of group 2 enrollees have at least a high school degree.

Group 2 enrollees are, by definition, working at the time of the survey. We find that about 64 percent report working at least 50 weeks and 20 hours a week in the previous year. Consequently, more than one-third (36 percent) of this enrollee group does not appear to meet the minimum threshold of working 80 hours a month throughout the year and could therefore face interruptions in Medicaid coverage. In the weeks that group 2 enrollees did work, however, they worked nearly 36 hours a week, far exceeding the rate of work needed to satisfy the waiver's work requirements for months when they worked at least three weeks.

Group 2 enrollees have lower rates of serious health limitations relative to group 1 enrollees. Seven percent of this group have difficulty concentrating, remembering, or making decisions, and 6 percent

have difficulty walking or climbing stairs. Fourteen percent of these enrollees report one or more serious health limitations (slightly less than the share of group 1 enrollees reporting such limitations), and only 5 percent report two or more limitations (half the share of group 1 enrollees). Fourteen percent of group 2 enrollees report having no access to the internet (less than among group 1), and approximately three-quarters have no broadband internet access. Nonexempt working enrollees have better transportation access than group 1 enrollees; just 6 percent report having no access to a vehicle.

### **Group 3—Potentially Nonexempt Enrollees Who Are Not Working**

Relative to the other two groups, group 3 enrollees are substantially older. They average about 45 years old, and just under half (48 percent) are older than age 50. Group 3 enrollees are more likely to be non-Hispanic white (86 percent are) than group 1 enrollees. Forty-nine percent of this group is male, reasonably similar to group 2. Group 3 enrollees are evenly distributed across the three marital categories: 32 percent are married; 34 percent are divorced, separated, or widowed; and 34 percent have never been married. At 79 percent, a very high proportion of group 3 enrollees is not living with dependent children age 18 or under, indicating that many likely gained Medicaid eligibility following Kentucky's Medicaid expansion under the ACA.

Thirty-nine percent of this group is in deep poverty, and 63 percent has incomes below 100 percent of the federal poverty level, which is closer to the income profile of group 1 than of group 2. Group 3 enrollees are relatively less educated than the two other groups, which may reflect their relatively older ages. A quarter have less than a high school education, and just 22 percent have educational attainment beyond high school. Seventeen percent are unemployed. Because no enrollee in group 3 is working, however, most (83 percent) identify as not being in the labor force. Accordingly, the share of group 3 enrollees who are looking for work (19 percent) is similar to the share who are unemployed. Just over one-third (35 percent) of these enrollees have at least one employed household member.

Although no enrollees in group 3 receive SSI, they still report high rates of serious health limitations. Just over one-fifth (21 percent) report serious difficulty concentrating, remembering, or making decisions, and just over a quarter (26 percent) report serious difficulty walking or climbing stairs. Forty-one percent of this group report that they have at least one serious health limitation, more than twice the rate of group 2 enrollees. Sixty-one percent report that at least one person in the household has a serious health limitation.

This enrollee group also faces relatively worse information and transportation access relative to the two other groups. Just over one-quarter (26 percent) of group 3 enrollees have no internet access, and more than three-quarters (79 percent) have no access to broadband internet. Twelve percent of these enrollees report having no access to a vehicle, a higher share than among the two other enrollee groups.

### **Potential Barriers Facing the Three Medicaid Enrollee Groups**

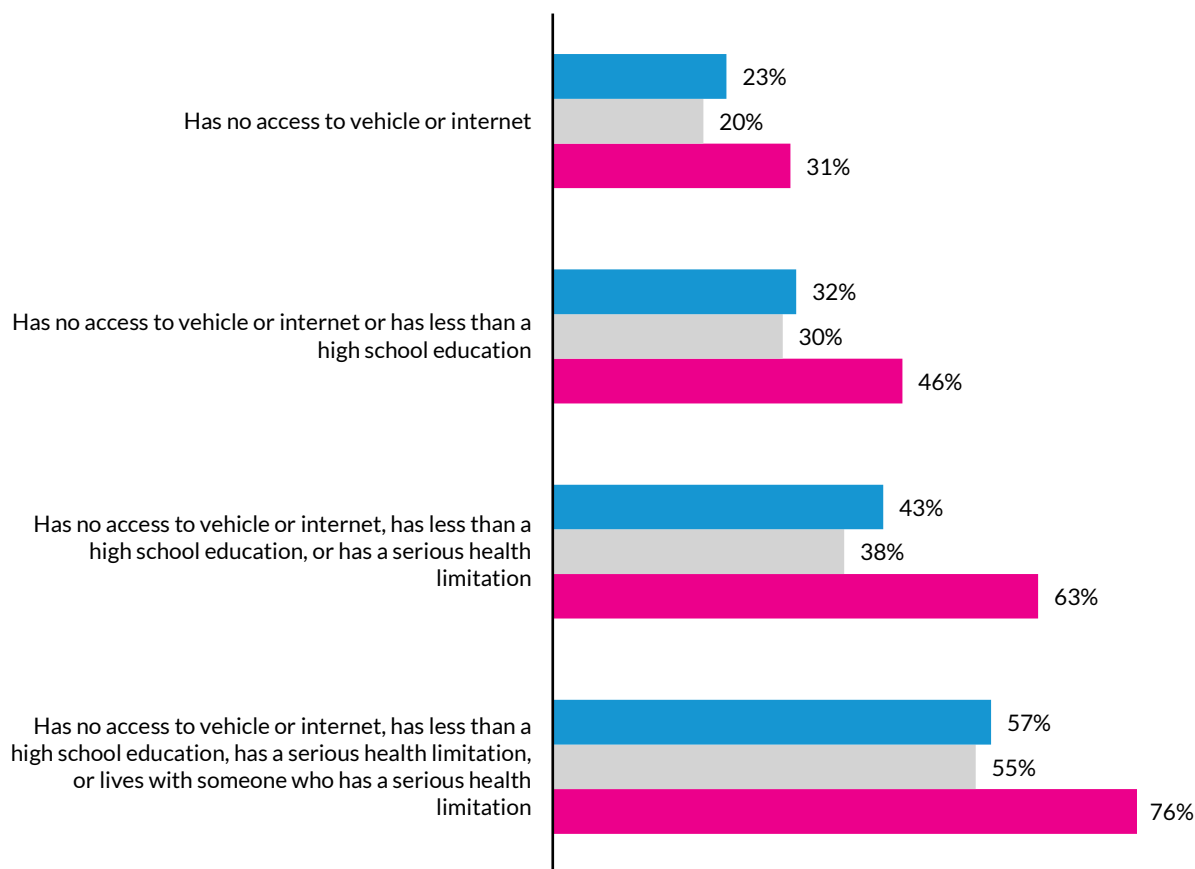
Table 1 identifies several characteristics, such as low educational attainment levels, serious health limitations and limited internet and vehicular access, that may present challenges to complying with the

waiver’s community engagement requirements and would be difficult for enrollees to overcome regardless of their exemption status. To maintain consistent Medicaid coverage under the pending waiver, many nonelderly adult Medicaid enrollees not receiving SSI would be required to either document their exemption status, obtain and retain work, or fulfill community engagement activities and report completed activity hours monthly if they are nonexempt. Figure 3 shows summary measures that combine information on vehicular and internet access, completion of high school, and presence of serious health limitations to identify some potential barriers these enrollee groups may face to complying with the waiver’s community engagement requirements.

**FIGURE 3**

**Potential Barriers Facing Nonelderly Adult Medicaid Enrollees in Kentucky**

- Group 1: Likely exempt enrollees (students or primary caregivers)
- Group 2: Potentially nonexempt enrollees (not students and not primary caregivers) who are working
- Group 3: Potentially nonexempt enrollees (not students and not primary caregivers) who are not working



**Source:** Urban Institute tabulations of the 2016 American Community Survey.

**Notes:** Sample limited to adults ages 19 to 64 who have Medicaid coverage, reside in Kentucky, and are not receiving Supplemental Security Income. Enrollees are classified as qualifying for an exemption if they are: attending school, are primary caregivers of children under 18, or are primary caregivers of disabled family members receiving Supplemental Security Income.

Across all three groups, 23 to 31 percent report having no access to either a vehicle or the internet, and 32 to 46 percent report having no access to either a vehicle or the internet or have less than a high school degree. Overall, more than three-quarters (76 percent) of the group 3 enrollees (those who do not fall into one of the three exemption categories and are not working) have no household access to either a vehicle or the internet, are less than high school educated, or have at least one serious health limitation in their household, suggesting that they may experience several challenges associated with meeting the new work requirements. Group 1 enrollees (those who are likely exempt) and group 2 enrollees (those who are likely nonexempt and are working) do not differ markedly from one another in the information and transportation barriers they face. Group 3 enrollees, however, are qualitatively worse off across all four measures relative to the other enrollee groups.

TABLE 4

**Nonelderly Adult Kentucky Medicaid Enrollees Exempt, Nonexempt and Working, and Nonexempt and Not Working, by Region**

| Kentucky region               | Likely exempt<br>(group 1) |                      | Potentially<br>nonexempt, working<br>(group 2) |                      | Potentially<br>nonexempt, not<br>working<br>(group 3) |                      |
|-------------------------------|----------------------------|----------------------|--|----------------------|---|----------------------|
|                               | Enrollees                  | Percent<br>of region | Enrollees                                      | Percent<br>of region | Enrollees   | Percent<br>of region |
| Western Kentucky              | 23,000                     | 30.4%                | 28,000   | 37.0%                | 25,000  | 32.6%                |
| Greater Louisville            | 14,000                     | 30.7%                | 19,000   | 40.6%                | 13,000  | 28.7%                |
| Jefferson County (Louisville) | 27,000                     | 33.8%                | 26,000   | 32.8%                | 27,000  | 33.4%                |
| Northern Kentucky             | 12,000                     | 31.5%                | 12,000   | 32.0%                | 14,000  | 36.5%                |
| Greater Lexington             | 22,000                     | 41.2%                | 15,000   | 27.8%                | 17,000  | 31.0%                |
| Fayette County (Lexington)    | 14,000                     | 45.4%                | 10,000   | 31.6%                | 7,000   | 23.0%                |
| Eastern Kentucky              | 41,000                     | 29.9%                | 37,000   | 27.5%                | 58,000  | 42.6%                |
| South-Central Kentucky        | 22,000                     | 31.2%                | 22,000   | 31.6%                | 26,000  | 37.2%                |
| <b>Total</b>                  | <b>174,000</b>             | <b>32.8%</b>         | <b>169,000</b>                                 | <b>31.8%</b>         | <b>188,000</b>  | <b>35.4%</b>         |

Source: Urban Institute tabulations of the 2016 American Community Survey.

Notes: Sample limited to adults ages 19 to 64 who have Medicaid coverage, live in Kentucky, and are not receiving Supplemental Security Income. Enrollees are classified as qualifying for an exemption if they are attending school, are primary caregivers of children under 18, or are primary caregivers of disabled family members receiving Supplemental Security Income. See the appendix for more detail on the definition of these variables, a reference map for each region, and the methodology for region construction. Population numbers have been rounded to the nearest thousand.

Table 4 shows the distribution of the three Medicaid enrollee groups across eight regions of the state. While the group compositions are fairly similar across regions, some differences stand out. Medicaid enrollees in Greater Lexington are less likely to be in group 2 than enrollees in the state as a whole (28 percent versus 32 percent), while enrollees in Western Kentucky and Greater Louisville are more likely to be in group 2 (at 37 percent and 41 percent, respectively). Eastern Kentucky, an area containing many persistent-poverty counties,<sup>10</sup> has the largest aggregate number of Medicaid enrollees; the distribution of enrollees across the three groups in this region is broadly similar to the distribution at the state level but with proportionately more in group 3 (43 percent vs. 35 percent,

respectively). Regional differences may reflect differences in the composition of Medicaid enrollees in each region as well as differences in local labor market conditions.

## Discussion

This brief describes the demographic, income, education, labor market, and serious health limitations of nonelderly adult Medicaid enrollees in Kentucky who would be affected by the recently approved work requirements. The waiver is likely to have the greatest impact on group 3 Medicaid enrollees (i.e., those who are not students or primary caregivers of a dependent child or disabled individual and are not working). When comparing them to other groups of Medicaid enrollees, we find that this group is older and has lower incomes, less internet and vehicular access, and lower educational attainment levels. They also have a higher incidence of serious health limitations, which is notable given that our main analytic sample excludes enrollees receiving SSI. Moreover, although the ACS captures several serious health limitations, other dimensions of enrollees' health (such as chronic illness, oral health issues, or mental health status) are not considered in this analysis, which means that we may be understating the potential job-limiting health problems that enrollees in Kentucky's Medicaid program are facing. Although some of these enrollees will likely be eligible for an exemption because of their poor health status (if they qualify as medically frail),<sup>11</sup> at this point, it is unclear how the state will determine whether enrollees qualify for an exemption based on their health status and what type of documentation will be required (Allen et al., forthcoming). In addition, at this point, it is unclear how enrollees who also receive SNAP could be deemed compliant with Medicaid's new work requirement. This could particularly affect Medicaid enrollees age 60 and older who are currently exempt from work requirements under SNAP.<sup>12</sup>

For enrollees in group 3 who will not qualify for an exemption, finding and retaining work may be challenging. Nearly half of these enrollees indicate they have no access to a vehicle, no access to the internet, or are less than high-school educated, which could limit their job prospects and make it more difficult for them to report on community engagement activities that they do fulfill. Moreover, 61 percent report either having a serious health limitation or living with someone who does, which may limit the scope of activities they can fulfill outside of the household. These considerations raise the risks that some enrollees will lose Medicaid despite qualifying for an exemption or satisfying the waiver's work requirements, which in turn could adversely affect their health and ability to work and participate in other activities.

We find that more than one-third of group 2 enrollees (those who are potentially nonexempt and working at the time of the survey) are not working at least 50 weeks a year and 20 hours a week, which would fulfill the waiver's work requirements year-round. However, these enrollees average high work output (36 hours) in the weeks that they do have work. The lack of consistent work hours may reflect high rates of turnover or a high prevalence of seasonal work among this population. Currently, the waiver indicates that if enrollees work more than 80 hours a month, the surplus hours cannot be applied to the following month. While nonexempt enrollees can make up missed hours in the following month, complete a state-approved health or financial literacy course, or apply for a "good-cause" exemption,

working enrollees who have problems finding consistent work throughout the year could be at risk of falling in and out of compliance with waiver's work requirements and of experiencing starts and stops in Medicaid coverage and attendant gaps in access to health care.

The approved waiver involves complex policy changes. Even if Kentucky communicates the requirements of the waiver to Medicaid enrollees as clearly as possible, the complexity of the policy and the need to document hours each month to maintain enrollment may create confusion and pose barriers that lead to enrollment reductions even among enrollees who could qualify for an exemption or who are not exempt but are in compliance. Decisions the state makes as it operationalizes the waiver, such as those concerning exemptions; employment and training services, job search assistance, and related supports that will be available to enrollees; and documentation and reporting requirements and processes, will be critical to determining the impacts of these provisions on the health and well-being of low-income adults in Kentucky (Allen et al., forthcoming).

## Appendix

### Assessing Medicaid Coverage in the 2016 ACS

Estimates are derived from the 2016 ACS, an annual survey fielded by the US Census Bureau. This analysis is limited to noninstitutionalized civilians. We use an augmented version of the ACS prepared by the University of Minnesota Population Center, known as the Integrated Public Use Microdata Sample, which uses the public use sample of the ACS and contains edits for family relationships and other variables (Ruggles et al. 2017).

Health insurance coverage is measured as status at the time of the survey. Though data are collected continuously over 12 months, the coverage estimates represent an average day in the calendar year. We applied a set of logical coverage edits if other information collected in the ACS implies that coverage for a sample case is misclassified; for instance, a low-income adult who does not have access to employer-sponsored insurance, is enrolled in another means-tested program, and reports private nongroup coverage but likely could not afford such coverage is reclassified as having Medicaid (Lynch et al. 2011).

### Classification of Nonelderly Adult Medicaid Enrollees

Using 2016 American Community Survey information from Kentucky, this analysis classifies Medicaid enrollees by waiver exemption status and, among those who are thought to be non-exempt, working status. To estimate exemption status, we identify the following groups:

- Students
- Primary caregivers of children
- Primary caregivers of family members with SSI

Identifying students is straightforward, although one discrepancy with the waiver’s language is that only “full-time” students are exempt. Full-time school-attending status is not available in the ACS. For this analysis, we have classified all individuals attending school as exempt from the waiver’s work requirements.

Regarding exemptions for primary caregivers, the Kentucky HEALTH waiver states that “primary caregiver of a dependent including either a dependent minor child or adult who is disabled (limited to only one exempt beneficiary per household).” To reflect this, the logic rules assigning primary caregiver status are the following:

1. For each child identify whether both parents are in the household.
2. Assign a parent as the primary caregiver of the child
  1. if that parent is the only parent in the household, or
  2. if both parents are in the household,
    - a. if one parent is working, assign the nonworking parent as a primary caregiver,
    - b. if both parents are working, randomly assign one parent as a primary caregiver, and
    - c. if both parents are not working, randomly assign one parent as a primary caregiver.
3. If more than one individual in the household is assigned as a primary caregiver (e.g., in households with more than one child), randomly reassign to ensure just one family member is designated as the primary caregiver (per waiver’s rule).
4. Determine whether anyone in the household is receiving SSI.
5. In families with at least one member of the household receiving SSI, randomly assign one nonelderly, nonworking adult in the household as the primary caregiver of this person.
6. Because the waiver says households can have just one primary caregiver (for either children or disabled adults), if a household already has a primary caregiver of a child, remove anyone’s status as primary caregiver of a disabled adult (per waiver’s rule).

Because we assign statuses as primary caregivers of children *first* and reassign statuses as primary caregivers of disabled household members if there are already primary caregivers of children in the household, this approach will mechanically report more primary caregivers of children than disabled family members.

Enrollees who do not fit one of the three classification criteria listed above are classified as potentially nonexempt. We further subdivide individuals based on their working status, which we determine by individuals reporting having worked for pay in the prior week. Under the waiver, people who are not exempt from the work requirements are required to participate in 80 hours of community engagement activities a month. In the ACS, we do not observe the number of hours individuals are currently working (if any). Questions about work intensity are only asked about the previous calendar year. Thus, we simply classify whether nonexempt Medicaid enrollees are working or not working at the time of the survey.

## Descriptions of Other Measures

Income measures are developed to approximate modified adjusted gross income.

“Employed” is an indicator for whether the individual reports employment at the time of the survey. ACS measures on the hours worked (employed 50 weeks a year, employed 50 weeks a year and 20 hours a week, and usual hours worked per week) are conditional on having worked in the previous calendar year. Individuals who are not working at the time of the survey may report positive working hours in the past. In the ACS, individuals who are not working or who are temporarily absent from work are asked whether they have actively been looking for work in the past four weeks. “Unemployed” is an indicator for whether individuals are not employed and are looking for work. Individuals who are not employed at the time of the survey nor actively looking for work are counted as not being in the labor force.

The six health limitation measures in the ACS are whether respondents have serious difficulty concentrating, remembering or making decisions; serious difficulty walking or climbing stairs; serious difficulty doing errands; serious difficulty bathing or dressing; blindness or serious vision difficulty even when wearing glasses; or deafness or serious hearing difficulty.

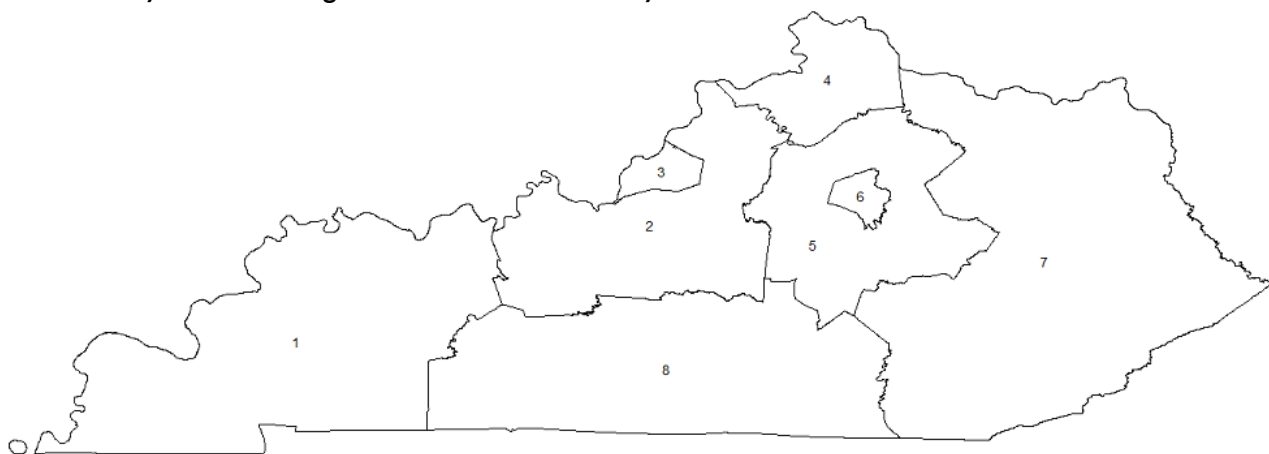
Internet access questions are assessed at the household level. Broadband internet refers to cable, DSL, or fiber-optic internet connections.

## Regional Analysis

We aggregated public-use microdata areas to designate eight substate regions. Two regions are metropolitan counties (Jefferson county, which contains Louisville, and Fayette County, which contains Lexington), and we’ve labeled areas surrounding these regions as “Greater Louisville” and “Greater Lexington.” Figure A.1 outlines the boundaries of the eight regional substate areas defined.

FIGURE A.1

Map of Kentucky Reference Regions Defined for This Analysis



Source: Authors' delineations.



TABLE A.1

**Selected Characteristics of Nonelderly Adult Medicaid Enrollees Receiving Supplemental Security Income in Kentucky**

| <b>Enrollee characteristic</b>  | <b>Enrollees with SSI</b> |
|---|---------------------------|
| <b>Age (years)</b>  |                           |
| Average   | 46.46                     |
| 19-29   | 14%                       |
| 30-39   | 17%                       |
| 40-49   | 18%                       |
| 50-64   | 52%                       |
| <b>Race and ethnicity</b>   |                           |
| White, non-Hispanic   | 84%                       |
| Black, non-Hispanic   | 11%                       |
| Hispanic  | 1%                        |
| Other race, non-Hispanic  | 3%                        |
| <b>Gender</b>   |                           |
| Male  | 43%                       |
| Female  | 57%                       |
| <b>Marriage and family</b>  |                           |
| Married   | 24%                       |
| Divorced, separated, or widowed   | 39%                       |
| Never married   | 37%                       |
| Childless <sup>a</sup>  | 72%                       |
| Parents of children under age 18  | 28%                       |
| Parents of children under age 6   | 7%                        |
| <b>Income and education</b>   |                           |
| Income < 50% FPL  | 58%                       |
| Income ≥ 50 and < 100% FPL  | 17%                       |
| Income ≥ 100% FPL   | 25%                       |
| Less than high school education   | 37%                       |
| High school degree  | 44%                       |
| Greater than high school education  | 19%                       |
| <b>Labor market</b>   |                           |
| Employed at time of survey  | 6%                        |
| Worked in prior year  | 8%                        |
| Worked at least 50 weeks in prior year <sup>b</sup>                               | 42%                       |
| Worked at least 50 weeks and 20 hours a week in prior year <sup>b</sup>           | 38%                       |
| Usual hours worked per week in prior year (if working in prior year) <sup>b</sup> | 29.23                     |
| Unemployed  | 3%                        |
| Not in labor force  | 92%                       |
| Looking for work  | 3%                        |
| <b>Health limitations</b>   |                           |
| Serious difficulty concentrating, remembering, or making decisions                | 43%                       |
| Serious difficulty walking or climbing stairs                                     | 43%                       |
| Serious difficulty doing errands  | 40%                       |
| Serious difficulty bathing or dressing  | 19%                       |
| Blind or serious vision difficulty  | 14%                       |
| Deaf or serious hearing difficulty  | 11%                       |
| Reports one or more serious health limitation                                     | 71%                       |
| Reports two or more serious health limitations                                    | 49%                       |
| Household member (including self) reports one or more serious health limitation   | 79%                       |

| Enrollee characteristic  | Enrollees with SSI |
|--|--------------------|
| <b>Internet and vehicle access</b>                                 |                    |
| Household has no internet access                                   | 32%                |
| Household has no broadband (cable/DSL/fiber-optic) internet access | 83                 |
| Household has no access to vehicle                                 | 24%                |
| <b>Estimated number of enrollees</b>                               | <b>122,000</b>     |

**Source:** Urban Institute tabulations of the 2016 American Community Survey.

**Notes:** SSI = Supplemental Security Income. Sample limited to adults ages 19 to 64 who have Medicaid coverage, reside in Kentucky, and receive SSI. Population numbers have been rounded to the nearest thousand.

<sup>a</sup> Childless adults are not living with dependent children age 18 or under, but they may be noncustodial parents of children age 18 or under or parents of children age 19 and older.

<sup>b</sup> Estimates of work intensity are conditional on having worked in the prior year.

## Notes

1. Kentucky received approval to implement other new provisions for populations covered under the waiver, including premiums; “lock-out periods” of up to 6 months; required use of new health care accounts for access vision, dental, or drug benefits; and the elimination of retroactive eligibility. See Brian Neale, deputy administrator, Center for Medicaid & CHIP Services, [letter to Brian Neale](#) (office of Kentucky Governor Matt Bevin), January 12, 2018. A class-action lawsuit has been filed challenging the legality of the Centers for Medicaid & Medicare Services’s approval of the Kentucky waiver. See Zachary Tracer, John Tozzi, and Erik Larson, [“Trump Administration Challenged in Court on Medicaid Overhaul,” Bloomberg](#), January 24, 2018.
2. The waiver requires nonexempt Medicaid enrollees to report their community engagement hours monthly. Beneficiaries who do not meet community engagement hours may make up the missed hours in the following month, complete a state-approved health- or financial-literacy course, or apply for a “good-cause” exemption. Otherwise, beneficiaries may have their eligibility suspended. See Allen et al. (forthcoming) for details on the waiver’s provisions.
3. The state’s waiver modification request projects that enrollment will drop by 1.14 million member months. See Adam Meier (office of Kentucky Governor Matt Bevin), letter to Brian Neale, director, Center for Medicaid & CHIP Services, [“Re: Kentucky HEALTH §1115 Demonstration Modification Request,”](#) July 3, 2017. Solomon (2018) estimates that this is roughly equivalent to a 15 percent decrease in the number of enrollees covered for a full year.
4. For example, the 2016 March Current Population Survey has a sample size of 210 nonelderly adult Medicaid beneficiaries in Kentucky. The ACS has a sample size of 5,822, which enables state-specific and regional analysis of this population.
5. Medicaid coverage is estimated using a methodology developed by Victoria Lynch of the Urban Institute; see Kenney et al. (2012) for more details.
6. See the appendix for more detail on our methodological approach.
7. The waiver specifies the following activities as community engagement: job skills training; job search activities; education related to employment; general education; vocational education and training; self-employment; subsidized or unsubsidized employment; community work experience; community service/public service; caregiving services for a nondependent relative or other person with a disabling medical condition; and participation in substance use disorder treatment.
8. See page 33 of the approved waiver, available at <https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/1115/downloads/ky/ky-health-ca.pdf>

9. Self-reported estimates from the ACS suggest that of the 357,000 enrollees who are potentially nonexempt from the waiver's work requirements, 151,000 (42 percent) were receiving assistance from SNAP in 2016, though prior research has found that SNAP receipt is underreported in the ACS (see, for example, <https://www.ers.usda.gov/publications/pub-details/?pubid=45371>).
10. Persistent poverty counties are counties where at least 20 percent of residents are in poverty. A high concentration of such counties are located in the Eastern Kentucky region. For more details on this measure, see the persistent poverty section of "[County Typology Codes – Descriptions and Maps](#)," United States Department of Agriculture, Economic Research Service, last updated May 31, 2017.
11. According to information that is currently available, "Medically frail" individuals who will be exempt from work requirements in Kentucky will include those with: a disabling mental health diagnosis; a chronic substance use disorder; a serious and complex medical condition; significant impairment in the ability to perform activities of daily living; a diagnosis of HIV/AIDS; eligibility for Social Security Disability Insurance; chronic homelessness; or refugee status (up to 1 year after entering the US). See: <https://kentuckyhealth.ky.gov/Pages/FAQ.aspx>.
12. Ongoing changes in SNAP rules for work requirements and time limits for able-bodied adults without dependent children make it difficult to predict who would be deemed compliant with the program's work requirements at this juncture.

## References

- Allen, Eva, Genevieve M. Kenney, Rachel Burton, Elaine Waxman, Heather Hahn, and Eleanor Pratt. Forthcoming. "What to Watch for as Kentucky Implements Work and Community Engagement Requirements in Medicaid." Washington, DC: Urban Institute.
- Garfield, Rachel, Robin Rudowitz, and Anthony Damico. 2017. "Understanding the Intersection of Medicaid and Work." Last updated January 5, 2018. Menlo Park, CA: Kaiser Family Foundation. <http://files.kff.org/attachment/Issue-Brief-Understanding-the-Intersection-of-Medicaid-and-Work>
- Hahn, Heather, Eleanor Pratt, Eva Allen, Genevieve M. Kenney, Diane Levy, and Elaine Waxman. 2017. *Work Requirements in Social Safety Net Programs*. Washington, DC: Urban Institute. <https://www.urban.org/sites/default/files/publication/95566/work-requirements-in-social-safety-net-programs.pdf>
- Lynch, Victoria, Genevieve M. Kenney, Jennifer Haley, and Dean M. Resnick. 2011. *Improving the Validity of the Medicaid/CHIP Estimates on the American Community Survey: The Role of Logical Coverage Edits*. Washington, DC: US Census Bureau. <https://www.census.gov/content/dam/Census/library/working-papers/2011/demo/improving-the-validity-of-the-medicaid-chip-estimates-on-the-acs.pdf>
- Kenney, Genevieve M., Victoria Lynch, Jennifer Haley, and Michael Huntress. 2012. "Variation in Medicaid Eligibility and Participation among Adults: Implications for the Affordable Care Act." *Inquiry* 49 (3): 231–53.
- Ku, Leighton and Erin Brantley. "Medicaid Work Requirements: Who's At Risk?" *Health Affairs Blog*, April 12, 2017.
- Ruggles, Steven, Katie Genadek, Ronald Goeken, Josiah Grover, and Matthew Sobek. 2017. *Integrated Public Use Microdata Series: Version 7.0* [dataset]. Minneapolis: University of Minnesota. <https://doi.org/10.18128/D010.V7.0>.
- Solomon, Judith. 2018. "Kentucky Waiver Will Harm Medicaid Beneficiaries." Washington, DC: Center on Budget and Policy Priorities. <https://www.cbpp.org/sites/default/files/atoms/files/1-16-18health.pdf>

## About the Authors



**Anuj Gangopadhyaya** is a research associate in the Health Policy Center at the Urban Institute. His primary research investigates links between health and human capital. His work has focused on whether subsidized public health insurance improves health, family income, and education achievement outcomes for children in low-income families. Published and submitted work includes analysis of whether comparing standard deviation estimates in education research is appropriate across studies, assessing whether recent Affordable Care Act Medicaid expansions to adults affected labor markets. Current research includes assessing the impact of parental-involvement laws on teen births and whether increased health insurance eligibility to parents improves child health and education outcomes. Gangopadhyaya received his PhD in economics from the University of Illinois at Chicago.



**Genevieve M. Kenney** is a senior fellow and codirector of the Health Policy Center. She has conducted policy research for more than 25 years and is a nationally renowned expert on Medicaid, the Children's Health Insurance Program (CHIP), and broader health insurance coverage and health issues facing low-income children and families.

Kenney has led several Medicaid and CHIP evaluations and published more than 100 peer-reviewed journal articles and scores of briefs on insurance coverage, access to care, and related outcomes for low-income children, pregnant women, and other adults. In her current research, she is examining the implications of the Affordable Care Act, how access to primary care varies across states and insurance groups, and emerging policy questions related to Medicaid and CHIP.

She received a master's degree in statistics and a doctoral degree in economics from the University of Michigan.

# Acknowledgments

This brief was funded by the Robert Wood Johnson Foundation. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Robert Wood Johnson Foundation or the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at [urban.org/fundingprinciples](http://urban.org/fundingprinciples).

The authors appreciate the helpful suggestions of Michael Marazzi, Stephen Zuckerman, Stacey McMorrow, Elaine Waxman, Rachel Burton, Eva Allen, Linda Giannerelli, Jason Gates, Michael Karpman, Judith Solomon, Sara Rosenbaum, Kathy Hempstead, and Giridhar Mallya.



2100 M Street NW  
Washington, DC 20037

[www.urban.org](http://www.urban.org)

## ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is a leading research organization dedicated to developing evidence-based insights that improve people’s lives and strengthen communities. For 50 years, Urban has been the trusted source for rigorous analysis of complex social and economic issues; strategic advice to policymakers, philanthropists, and practitioners; and new, promising ideas that expand opportunities for all. Our work inspires effective decisions that advance fairness and enhance the well-being of people and places.

Copyright © February 2018. Urban Institute. Permission is granted for reproduction of this file, with attribution to the Urban Institute.