



# Kentucky Medicaid Work Requirements: What Are the Coverage Risks for Working Enrollees?

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In January 2018, the Centers for Medicare & Medicaid Services (CMS) approved a Section 1115 Medicaid demonstration waiver for Kentucky that requires some Medicaid beneficiaries to participate in work or community engagement activities for at least 80 hours a month to retain their coverage. The waiver's goals are to "promote individual independence and reduce reliance on public assistance" by "encouraging and supporting employment" and "creating incentives for individuals to obtain and maintain coverage through private, employer-sponsored insurance,"<sup>1</sup> but Medicaid funding cannot be used to cover job training or education expenses, job search assistance, or supports that could help enrollees obtain and retain jobs.<sup>2</sup> Although the waiver was approved for a July 2018 implementation date, a district court decision in late June halted implementation of the waiver on the basis that the state had not adequately determined whether the waiver would ultimately help or hinder the program's ability to address enrollees' medical needs. In its submission to CMS, Kentucky projected the waiver would reduce Medicaid enrollment by 1.14 million member-months by 2023.<sup>3</sup> Based on the state's numbers, Solomon (2018) estimates this is roughly equivalent to a decrease of 95,000 in the number of enrollees covered for a full year.

In a previous brief, we found that of the estimated 498,000 nondisabled nonelderly adult Medicaid enrollees in Kentucky in 2016, about one-third would likely qualify for an exemption based on being a student or a caregiver (Gangopadhyaya and Kenney 2018). This group's ability to maintain coverage will

depend on whether they understand that they qualify for an exemption and can document and maintain their exempt status. Among those who do not appear to qualify for a student or caregiver exemption and thus could be subject to the work requirements, roughly half are working and half are not. We identified this last group, enrollees who may be subject to Medicaid work requirements and are not working, as those most at risk of losing coverage under the Kentucky waiver. These enrollees could still maintain coverage if they qualify for an exemption that we did not model (e.g., pregnancy or medical frailty) or if they receive Supplemental Nutrition Assistance Program (SNAP) or Temporary Aid to Needy Families (TANF) and either satisfy or are exempt from the work requirements in those programs. Otherwise, to avoid losing Medicaid coverage, they would have to find a job or fulfill other qualifying activities for at least 80 hours each month to satisfy the new Medicaid work requirements. Enrollees seeking to maintain coverage over the course of a year would therefore be required to work or participate in other qualifying activities for at least 960 hours annually.

In this brief, we focus on the risks of Medicaid coverage losses among enrollees who do not appear to qualify for a student or caregiver exemption and are working. For this group, Medicaid coverage losses may arise because enrollees work too few hours or because of how those hours are distributed throughout the year. Some enrollees may respond to the new work requirements by increasing the number hours they work, working more consistently, or participating in qualifying engagement activities to meet eligibility requirements. For the working enrollees who are not able to meet the work requirements, the consequences of Medicaid coverage losses will depend in part on whether those who are cut from the program's rolls have jobs that provide access to affordable health insurance to substitute for Medicaid coverage.

We use 2016 data from the American Community Survey (ACS) to examine patterns of work among Kentucky Medicaid enrollees who are already working and to assess how well those patterns align with the requirements under the waiver. To explore whether those who could be at risk of losing Medicaid could feasibly gain employer-sponsored insurance (ESI), we also examine health insurance offers and required premium contributions for part-time workers and for full-time workers at different types of private firms in Kentucky using 2017 data from the Medical Expenditure Panel Survey Insurance Component. Our analysis has several important limitations. We do not observe the number of hours enrollees worked in each month of the past year, so we must rely on the number of reported weeks worked in the past year (in intervals) and the number of usual hours worked each week to assess likely compliance with the waiver. We rely on self-reported data from the 2016 ACS, which may not reflect the work status of Medicaid enrollees in 2018. The ACS data provide a representative snapshot of Medicaid enrollees in 2016, but given the underlying flux in economic and household circumstances, they understate the number of people who would have been enrolled at some point during 2016. Further, we are not able to model some exemptions under the waiver (such as those related to medical frailty or receipt of substance-use services), and we do not observe the ESI options available to specific people. Although this analysis is intended to highlight potential coverage risks for working Medicaid enrollees who could be subject to work requirements under Kentucky's waiver, these findings are not estimates of the projected coverage losses that could result from the implementation of the waiver's provisions.

## Key Findings

- We estimate that 110,000 enrollees appeared to be working enough weeks and hours in 2016 to satisfy the work requirements under the waiver, representing about two-thirds of all nondisabled, nonelderly working Medicaid enrollees who do not appear to qualify for a student or caregiver exemption in Kentucky's Medicaid program.
- We find that the remaining one-third of nondisabled, nonelderly working enrollees who do not appear to qualify for a student or caregiver exemption in Kentucky's Medicaid program (about 55,000 enrollees) could be at risk of losing Medicaid coverage at some point during the year under the work requirements because they worked fewer than the required 960 hours or because, despite working more than 960 hours, they may not work consistently enough throughout the year to comply with the waiver. Given the structure of Kentucky's work requirements, these working enrollees may face one or more breaks in coverage at some point over the course of a year, particularly if they experience a gap in work that extends beyond two consecutive months. To avoid this risk, some enrollees may try to increase the number hours they work, work more consistently throughout the year, or participate in qualifying engagement activities to meet eligibility requirements.
- Some working enrollees who are unable to comply with the Medicaid work requirements and are not eligible to receive subsidized coverage through the ACA Marketplace may seek out ESI. Overall, in 2017, 80.8 percent of full-time private-sector employees in Kentucky were eligible for ESI, but only 13.3 percent of part-time private-sector employees in Kentucky were eligible for ESI.
- ESI eligibility rates for full- and part-time employees varied across firms based both on firm size and the share of low-wage employees. Eligibility rates for part-time employees were particularly low at low-wage firms (4.0 percent) and small firms (2.6 percent).
- Average annual employee premium contributions for ESI in Kentucky were \$1,453 for single-coverage plans, constituting 11 percent of a person's income if he or she worked full time (35 hours a week) at the minimum wage (\$7.25 an hour) and 22 percent of a person's income if he or she worked half as many hours. These premiums are (1) above the income limits established by the ACA for Marketplace premiums, which were capped at 2.04 percent of income for people earning 100 percent of the federal poverty level (FPL) and 9.69 percent of income for people earning 400 percent of FPL in 2017 and (2) above the premiums that were approved for Medicaid under the waiver.<sup>4</sup>

For some working Medicaid enrollees, the waiver does not seem to reflect the reality of their work lives. Many are working more than enough hours each year to satisfy the terms of the requirements but simply not in enough weeks or in the right weeks; others are working part time or part year and are not meeting the total required number of hours. Our findings on the availability of ESI and its costs to employees at private-sector firms in Kentucky suggest it is far from certain that the working enrollees who lose Medicaid coverage would have access to affordable ESI.

# Background

Under the approved waiver, Medicaid enrollees subject to work requirements in Kentucky are required to participate in 80 hours of work or community engagement activities a month and document those hours each month they are enrolled. Beyond paid work (including self-employment), approved activities include job skills training, job search, education related to employment, vocational education and training, community service, and caregiving. If enrollees do not meet the 80 hours required for a month, they can make up the shortfall in the next month, but they must also fulfill the hours required for that month. For example, if a nonexempt enrollee completes 60 hours of work in January, he or she would be required to complete 100 hours of work or community engagement in February to remain enrolled.<sup>5</sup> Enrollees may also satisfy waiver requirements following an incomplete month by completing a state-approved reenrollment education course in either health or financial literacy, but this option is only available to enrollees once every 12 months.

Nonexempt enrollees seeking to maintain coverage throughout a full year will need at least 960 total hours of work or work-related activities annually (12 months of work with 80 hours of work a month). However, the monthly hours requirement can create inequities among enrollees working the same number of hours a year. An enrollee who is working 80 hours each month and can document those hours would be able to stay enrolled for a full year. But another worker with a full-time (160 hours a month) seasonal job for six months of the year would not be able to stay enrolled during all the months in which he or she is not working despite also working 960 hours in the year. Evidence from Butcher and Schanzenbach (2018) shows that irregular work schedules that could contribute to these types of inequities are not unusual for workers receiving benefits from Medicaid or SNAP.

## Results

### Work Patterns

Using 2016 data from the ACS, we assess the work patterns of Medicaid enrollees who do not appear to qualify for a student or caregiver exemption<sup>6</sup> in Kentucky and are working at the time of the survey (table 1). For detail on categorizing exemption criteria and classifying Medicaid enrollees, see the appendix. We divide these working Medicaid enrollees into those who were working at least 960 hours a year and at least 48 weeks a year and would most likely meet the work requirements over a full year (Group A in Table 1); those who were working at least 960 hours a year but not working at least 48 weeks a year and could be at risk of not meeting the work requirements in some months (Group B); and those who were not working at least 960 hours a year and would almost certainly not maintain coverage throughout the full year under the waiver's work requirements (Group C).<sup>7</sup>

We find that about two-thirds of nonelderly, nondisabled working Medicaid enrollees in Kentucky (110,000 enrollees) who are potentially subject to work requirements (i.e., they do not appear to qualify for a student or caregiver exemption) appeared to be working enough hours every month to satisfy full-

year compliance with the waiver’s work requirements (Group A in table 1). For the working enrollees with this level of work effort who do not qualify for an exemption, maintaining Medicaid coverage will depend on their awareness of and ability to comply with monthly reporting requirements.<sup>8</sup> As noted by Hahn (2018), evidence from past work requirements in safety net programs indicates that each additional administrative step requiring interaction from enrollees leads to more enrollees dropping from the program.

Among the nonelderly, nondisabled enrollees who do not appear to qualify for a student or caregiver exemption and are working, we estimate that one-third (about 55,000) could be at risk of experiencing gaps in Medicaid coverage throughout the year because they either do not work enough hours annually or may not work consistently enough throughout the year to satisfy the waiver’s work requirements (Groups B and C in table 1). Of these 55,000 workers, 20.4 percent report having one or more serious health limitations and thus may qualify for a medical frailty exemption (data not shown).

**TABLE 1**  
**Average Weekly Work Hours and Annual Weeks Worked among Working Nonelderly, Nondisabled Adult Medicaid Enrollees Who Will Likely Not Qualify for a Student or Caregiver Exemption**

<b>Nondisabled, nonelderly working enrollee group</b>	<b>Number of enrollees (% of group)</b>	<b>Average total hours worked a week when working</b>	<b>Average weeks worked a year</b>
Group A: Enrollees working at least 48 weeks a year and at least 960 hours annually	110,000 (66.7%)	39.4 hours	50.9 weeks
Group B: Enrollees working less than 48 weeks a year but work at least 960 hours annually	21,000 (12.7%)	38.1 hours	38.1 weeks
Group C: Enrollees working less than 960 hours annually	34,000 (20.6%)	23.4 hours	24.3 weeks

**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, do not receive Supplemental Security Income, are not dually enrolled in Medicare and Medicaid, do not appear to qualify for an exemption based on school attendance or caregiver status, and are working at the time of the survey. Caregiver exemptions are available to caregivers of dependent children under age 18 and for disabled household members, but the waiver limits exemptions to one per household. See the appendix of Gangopadhyaya and Kenney (2018) for additional information on our classification of caregiver exemptions within households in our sample. Population totals have been rounded to the nearest thousand.

Among nondisabled, nonelderly working enrollees who do not appear to qualify for a student or caregiver exemption, we estimate that approximately 21,000 enrollees do not report working at least 48 weeks a year but were working beyond the number of total work hours required by the waiver annually (Group B in table 1). When working, this group works full time (averaging nearly 38 hours of work a week) but worked approximately 38 weeks a year on average. Given the structure of Kentucky’s work requirements, these working enrollees may face one or more breaks in coverage at some point over the course of a year, particularly if they experience a gap in work that extends beyond two

consecutive months. We find that 21.0 percent of these enrollees report having one or more serious health limitations, possibly meaning that some enrollees in the group will be able to qualify for a medical frailty exemption (data not shown). For the working enrollees in this group who do not obtain an exemption from the work requirements, maintaining Medicaid coverage under Kentucky's waiver will depend not just on their hours worked but also on their ability to spread work hours consistently across the calendar year or to supplement work hours with other qualifying community engagement activities permitted under the waiver.

The remaining 34,000 working Medicaid enrollees who do not appear to qualify for a student or caregiver exemption were not working at least 960 hours in the year (the minimum threshold of aggregate work hours required by the waiver) based on their reported work activity in 2016 (Group C in table 1). In the weeks these enrollees were working, they averaged about 23 hours of work a week and worked about 24 weeks in the year. Of these enrollees, 20.1 percent report one or more serious health limitations, and they may thus be able to obtain an exemption from the waiver's work requirements (data not shown).<sup>9</sup> Among working enrollees who are potentially subject to the work requirements in Kentucky and do not qualify for an exemption, those working less than 960 hours are likely to be at the highest risk of losing Medicaid coverage at some point in the year. Maintaining Medicaid coverage would require these enrollees to increase their work hours to meet the minimum threshold under the waiver or fulfill community engagement activities.

## Potential Access to Employer-Sponsored Insurance

As shown, the structure of the waiver puts some working Medicaid enrollees at risk of losing coverage. For working enrollees who do not appear to qualify for a student or caregiver exemption and who either work too few hours a year or too few weeks a year, maintaining Medicaid coverage throughout the year will depend on their ability to increase their work intensity or engage in other qualifying activities while they are not working. If they are unable to maintain their Medicaid coverage, they will likely be ineligible to receive subsidized Marketplace coverage because the ACA established that subsidies for premiums are not available in Medicaid expansion states for people with incomes below 138 percent of FPL.<sup>10</sup> Without subsidies, Marketplace coverage would constitute 42 percent of income for someone whose income is at 100 percent of FPL given that benchmark premiums were \$5,064 for single coverage in 2018.<sup>11</sup> ESI may be a potential coverage alternative but, as the data we present below show, it is also likely unaffordable for many current Medicaid enrollees. Although ESI may be an option for people with more consistent part-time work schedules, it would not be an option in all months for those who lose Medicaid because of irregular work schedules since they will not have an employer who can provide coverage during periods without work.<sup>12</sup>

We assess potential access to and affordability of ESI from a sample of private Kentucky employers in 2017 using information from the Medical Expenditure Panel Survey Insurance Component focused on the health insurance plans they offer their employees (table 2).<sup>13</sup> To substitute ESI for Medicaid, employees would need to both receive an offer and be eligible for coverage through their employer. We find that 91.7 percent of full-time private-sector employees in Kentucky worked at a firm that offered

health insurance in 2017, but only 67.7 percent of part-time private-sector employees worked at firms offering insurance. Moreover, among firms that offer insurance, not all employees are eligible for coverage: common criteria to determine eligibility include length of employment and number of hours worked per pay period. In 2017, 80.8 percent of full-time private-sector employees in Kentucky were eligible for ESI, but only 13.3 percent of part-time employees were eligible for coverage.<sup>14</sup>

Employer coverage eligibility rates for full- and part-time employees varied across firms based both on firm size and the share of low-wage employees. Eligibility rates for part-time employees were particularly low at low-wage firms (4.0 percent) and small firms (2.6 percent), and many employees in Kentucky work at such firms: 59 percent of part-time employees work at low-wage firms and 41 percent work at small firms (data not shown). To the extent that these types of firms are the potential employers for Medicaid enrollees with part-time or irregular work schedules who cannot meet the waiver's work requirements, these low rates of eligibility for ESI present a meaningful barrier to their ability to remain insured.

TABLE 2

Access to Employer-Sponsored Insurance among Private-Sector Employees in Kentucky by Firm and Employee Characteristics, 2017

	FIRM SIZE						SHARE OF LOW WAGE EMPLOYEES			
	All Private-Sector Firms		Private-Sector Firms with Fewer than 50 Employees		Private-Sector Firms with 50 or More Employees		Private-Sector Firms with Less than 50% Low-Wage Employees		Private-Sector Firms with 50% or More Low-Wage Employees	
	Full-time employees	Part-time employees	Full-time employees	Part-time employees	Full-time employees	Part-time employees	Full-time employees	Part-time employees	Full-time employees	Part-time employees
Percentage of private-sector employees in establishments that offer health insurance	91.7	67.7	64.0	31.7	99.2	92.4	94.0	78.7	82.8	60.1
Percentage of private-sector employees eligible for health insurance in establishments that offer health insurance	88.1	19.7	88.1	8.2	88.1	22.4	88.7	34.1	85.7	6.6
Percentage of private-sector employees eligible for a health insurance offer in all establishments	80.8	13.3	56.4	2.6	87.4	20.7	83.4	26.8	71.0	4.0

Source: Urban Institute analysis of Medical Expenditure Panel Survey Insurance Component tables generated using MEPSnet/IC.

Notes: “Low-wage employee” is defined as an employee earning at or below the 25th percentile for all hourly wages in the United States (\$12.00 in 2017). Minimum wage in Kentucky is \$7.25. “Full time” is defined as 35 or more hours worked a week. “Part time” is defined as less than 35 hours worked a week. The percentage of employees eligible for a health insurance offer in all establishments is calculated by multiplying the percentage of employees in establishments that offer health insurance by the percentage of employees eligible for health insurance in establishments that offer health insurance.



For Medicaid enrollees who lose Medicaid coverage under the work requirements policy but are working enough to be eligible for ESI, the required employee premium contribution would be a key factor in determining affordability of that coverage. We find that, on average, annual employee contributions were \$1,453 for single-coverage plans, or 11 percent of a person’s full-time (35 hours a week) income if he or she earns the minimum wage of \$7.25 an hour (table 3).<sup>15</sup> A minimum-wage employee who works part time (and half as many hours) but is still eligible for ESI would have to pay 22 percent of his or her income to remain insured provided the firm did not prorate the employer contribution to align with hours worked. If the employer contribution were prorated, the employee contribution would rise further. Again, these contributions vary with firm size and the share of low-wage employees in the firm. These premium shares are above the limits established by the ACA for Marketplace premiums, which were capped at 2.04 percent of income for individuals earning 100 percent of FPL and 9.69 percent of income for individuals earning 400 percent of FPL in 2017.

**TABLE 3**  
**Average Annual Employee Contributions to Employer-Sponsored Health Insurance among Those with Coverage in Kentucky by Firm Characteristics, 2017**

	All private-sector firms	Firm Size		Share of Low-Wage Employees	
		Private-sector firms with fewer than 50 employees	Private-sector firms with 50 or more employees	Private-sector firms with less than 50% low-wage employees	Private-sector firms with 50% or more low-wage employees
Single plans (\$)	\$1,453	\$1,811	\$1,384	\$1,396	\$1,692
Single plans (as % of annual income at full-time minimum wage)	11.0%	13.7%	10.5%	10.6%	12.8%
Single plans (as % of annual income at half-time minimum wage)	22.0%	27.4%	21.0%	21.2%	25.6%

**Source:** Urban Institute analysis of Medical Expenditure Panel Survey Insurance Component (MEPS-IC) Tables generated using MEPSnet/IC.

**Notes:** “Low-wage” employee is defined as an employee earning at or below the 25th percentile for all hourly wages in the United States (\$12.00 in 2017). Minimum wage in Kentucky is \$7.25. “Full time” is defined as 35 or more hours worked a week. “Part time” is defined as less than 35 hours worked a week. The share of annual income is calculated using the 2017 federal poverty level for a single individual household, \$12,060.

## Discussion

Work requirements in Kentucky’s Medicaid program are intended to “promote individual independence and reduce reliance on public assistance” by “encouraging and supporting employment” and “creating

incentives for individuals to obtain and maintain coverage through private, employer-sponsored insurance.”<sup>16</sup> However, our analysis indicates that up to 55,000 of Kentucky’s working nondisabled, nonelderly enrollees who do not appear to qualify for a student or caregiver exemption could be at risk of losing Medicaid coverage at some time during the year unless they qualify for and obtain an exemption or can align their work schedules or participate in other qualifying activities to meet the requirements. Based on the information presented here on offer rates and the costs of ESI to employees, it appears that many working enrollees who could lose Medicaid coverage would not have access to an employer plan, let alone one affordable to them. Taking into account uncertainties in enrollees’ ability to successfully claim exemptions, meet work requirements, and successfully report work hours, Aron-Dine (2018) estimates that 5,000 to 16,000 working enrollees who are meeting the work requirements could lose coverage under the waiver because they fail to report or successfully document work hours and that an additional 15,000 to 30,000 enrollees could lose coverage because, despite working, they are not meeting the requirements year-round.<sup>17</sup>

The working enrollees most at risk of losing Medicaid coverage work part time or are working full time but have months during the year when they are not working. Those who do not maintain consistent employment throughout the year are unlikely to have access to ESI during the months they are not working. For enrollees with more consistent, part-time employment, the available data indicate that many are likely to lack eligibility for ESI because so few firms (especially small firms and those with a high share of low-wage workers) in Kentucky offer employer coverage to part-time employees. Even for employees eligible for ESI, access to it is lower at smaller and low wage-firms, and obtaining ESI would be cost prohibitive for many, with costs above the affordability thresholds established under the ACA even for households with much higher incomes.<sup>18</sup>

In line with the goal of the waiver, nonexempt enrollees may respond by increasing the number hours they work, working more consistently, or participating in qualifying engagement activities to meet the eligibility requirements and maintain Medicaid coverage. However, the ability of enrollees to change their work patterns depends on the availability of additional jobs or additional work hours for part-time or seasonal workers at existing jobs. As recently as December 2016, 48 of Kentucky’s 120 counties were designated as labor surplus areas by the US Department of Labor, indicating a consistent lack of jobs for people seeking work. Moreover, even in areas with more job openings, some groups may face consistently tighter labor markets.<sup>19</sup> This suggests that some enrollees may be unable to work more hours in order to satisfy the work requirements—likely a particular challenge during economic downturns.

Activities such as community service, job training, or GED preparation classes, which count toward the hours requirement under the waiver, may not be subject to the same volatility as opportunities for work. The state has reached out to businesses and nonprofits to post volunteer and work opportunities on their community engagement website and has posted resources for enrollees to help locate job or training opportunities, GED classes, substance-use disorder treatment options, and other supports.<sup>20</sup> How well these community engagement activities mitigate the risk of coverage losses following the waiver’s implementation will depend on the availability and accessibility of these activities throughout

the state and on the ability of enrollees to successfully maintain their work effort while undertaking these additional activities. Enrollees will also be required to successfully document the hours spent working and engaging in these different activities each month. The nature of these nonworking activities will also determine how well they help enrollees “attain greater self-sufficiency” as the waiver intends.

The structure of Kentucky’s Medicaid waiver does not seem to align with the reality of some working enrollees’ lives. Many are working more than enough hours a year to satisfy the terms of the requirements but just not in enough weeks or in the right weeks; others are working part time or part year and are not meeting the total required number of hours. Implicitly, the waiver assumes that these outcomes are based on enrollees’ choices to not work enough. But as noted by Butcher and Schanzenbach (2018), Medicaid enrollees tend to work in occupations with higher rates of turnover or displacement and shorter tenure rates, so finding steady work for 80 hours a month could be a persistent challenge for some enrollees no matter how work requirements are structured.

## Appendix: Data and Methods

We use data from the 2016 ACS to assess work patterns among working, nonelderly, nondisabled adults covered by Medicaid in Kentucky who would potentially be subject to work requirements under the waiver because they do not appear to qualify for one of the exemptions we can model.<sup>21</sup> We use proxy information for three criteria that earn an exemption from community engagement requirements in Kentucky (attending school, being a primary caregiver of a child, or being the primary caregiver of a household member receiving Supplemental Security Income, or SSI). We focus on nonelderly, nondisabled adults who could be subject to work requirements who report working at the time of the survey.<sup>22</sup>

### Classification of Nonelderly Adult Medicaid Enrollees

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

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

For this analysis, we classify all individuals attending school as exempt from the waiver’s work requirements. Regarding exemptions for primary caregivers, the Kentucky 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, we designate the following rules for assigning primary caregiver status:

1. For each child, identify whether both parents are in the household.
2. Assign a parent as the primary caregiver of the child.
3. If that parent is the only parent in the household, or 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.
4. If more than one person 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).
5. Determine whether anyone in the household is receiving SSI.
6. 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.
7. Because the waiver says households can have just one primary caregiver exemption (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 divide people based on their working status, which we determined by individuals reporting having worked for pay in the prior week.

## Measuring Work Intensity and Work Consistency

Our estimates of hours worked each week when working refer to work in the past 12 months. The measure of the total hours worked a year is based on the product of the number of reported weeks worked in the past year and the number of usual hours worked each week. In the public-use ACS data, the exact number of weeks worked in the past year is not reported; instead, a range of weeks worked is reported (i.e., worked between 1 and 13 weeks, 14 and 26 weeks, etc.). For each respondent, we assign the number of weeks worked as the midpoint of the observed range. When using the minimum or the maximum number of weeks worked per year in the range rather than the midpoint, we observe no difference in the estimated number of enrollees who worked at least 48 weeks a year and at least 960 hours annually (Group A in table 1). Although the combined total is not affected by how the weeks are specified, the mix between enrollees who reported working less than 48 weeks a year but at least 960 hours annually and enrollees who reported working less than 960 hours annually (Groups B and C in table 1) is sensitive to that. When using the minimum number of weeks worked a year in the range

rather than the midpoint, we estimate that Group B comprises 17,000 enrollees and Group C comprises 38,000 enrollees. When using the maximum number of the weeks worked a year in the range, we estimate that Group B comprises 27,000 enrollees and Group C comprises 29,000 enrollees.

Because we do not observe the reported number of hours worked each month, some enrollees in Group A may have distributed their weeks and hours worked such that they do not satisfy the work requirements in at least one month of the year. Similarly, some enrollees in Group B may have distributed their weeks and hours worked such that they are compliant with the work requirements throughout the year. Because enrollees in Group C did not meet the threshold required under the waiver to maintain a full year of coverage, they are at high risk of failing to satisfy work requirements at some point in the year unless they increase their work hours or participate in qualifying community engagement activities.

Data reflect employee work patterns reported in 2016 and are relevant to their work in the past year. Given changes in economic conditions since then, these estimates do not necessarily reflect the work patterns of Medicaid beneficiaries in Kentucky today. Additionally, under the waiver, beneficiaries meeting or exempt from work requirements for SNAP will be considered compliant with the waiver. Although SNAP receipt is observed at the household level in the ACS, it reflects SNAP receipt in 2015. Since 2016, Kentucky has reinstated work requirements in all but 8 of Kentucky's 120 counties for SNAP recipients who are able-bodied adults without dependents.<sup>23</sup> As a result, we would expect that the 2016 ACS data overstates SNAP receipt among Medicaid enrollees in 2018.<sup>24</sup>

Our approach has several limitations. We can only model some possible exemptions. For example, we cannot consider pregnancy status or model the process that will be used to exempt enrollees because of medical frailty. 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, 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>25</sup> We do not model how many enrollees could be deemed compliant with the waiver because of their compliance under those programs. Fourth, in addition to these issues, coverage status, 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. For a full description of the limitations of this analysis, see Gangopadhyaya and Kenney (2018).

## MEPS-IC

We use data from Medical Expenditure Panel Survey Insurance Component (MEPS-IC) tables generated using MEPSnet/IC to describe measures of access to ESI among private-sector employees and affordability of single coverage for private-sector employees in Kentucky in 2017 overall and by firm and employee characteristics. Our measures of access include two measures drawn directly from

MEPS-IC: the percentage of private-sector employees in firms that offer health insurance and the percentage of private-sector employees eligible for health insurance in firms that offer health insurance. We also use these measures to calculate and report the percentage of private-sector employees eligible for a health insurance offer in all establishments (not limited to employees in firms that offer insurance). We report these access measures separately for full-time employees and part-time employees. We also report measures for all private-sector firms, by firm size (fewer than 50 employees or 50 employees or more) and by the share of low-wage employees at a firm (less than 50 percent or 50 percent or more).

We measure affordability as the average annual employee contribution (premium) to ESI for a single plan. We report this premium in dollars and as the share of a person's annual income for people working full time (35 hours a week) at minimum wage (\$7.25 an hour) and for people working half as many hours at minimum wage. Again, we report this measure for all private-sector firms, by firm size, and by the share of low-wage employees at a firm.

For all measures, "full time" is defined as working 35 or more hours a week, and "part time" is defined as working less than 35 hours a week. A "low-wage employee" is defined as an employee earning at or below the 25th percentile for all hourly wage in the United States, which was \$12.00 an hour in 2017.

## Notes

<sup>1</sup> See Brian Neale, [letter to Adam Meier](#), January 12, 2018.

<sup>2</sup> Brian Neale, "[RE: Opportunities to Promote Work and Community Engagement among Medicaid Beneficiaries.](#)"

<sup>3</sup> The waiver received approval to implement other new provisions, including monthly premiums that range from \$1 to \$15 depending on income that are mandatory for enrollees with incomes above 100 percent of the federal poverty level (FPL); copayments for medical services for enrollees with incomes below 100 percent of FPL opting not to pay monthly premiums; lock-out periods for enrollees failing to pay mandatory premiums, renewing eligibility, or updating changes that affect eligibility determination; required use of new health care accounts for access to vision, dental, or drug benefits; and the elimination of retroactive eligibility. State-projected coverage losses are based on the cumulative effect of all of these provisions, not solely on the implementation of work requirements. See Adam Meier, "[Re: Kentucky HEALTH §1115 Demonstration Modification Request](#)," letter to Brian Neale, July 3, 2017.

<sup>4</sup> Under the waiver, enrollees with incomes above 100 percent of FPL would face a mandatory monthly premium payment up to a maximum of 4 percent of household income, and failure to pay may lead to lockout periods of up to six months. For enrollees with incomes below 100 percent of FPL, paying the monthly premium is optional, but enrollees choosing not to pay a premium will face copayments for their use of medical services. See "Cost Sharing," KentuckyHealth, accessed August 13, 2018, <https://kentuckyhealth.ky.gov/Parts/Pages/Cost-Sharing.aspx>.

<sup>5</sup> Enrollees who fail to comply with work requirements may also request a "good-cause" exemption up to 10 days before enrollment suspension. Some examples of good-cause exemptions provided by the state include identifying a disability, being hospitalized or having serious illness, experiencing a birth or death of a family member, or experiencing a severe inclement weather condition such as a natural disaster.

<sup>6</sup> We observe school attendance status directly in the ACS. We determine primary caregivers of dependent children or disabled household members using information reported on the number of dependent children in the

household under age 18, SSI receipt of household members, and enrollee household composition (see the appendix for further detail). We do not directly observe other categories that may exempt individuals from Medicaid work requirements, such as substance-use disorder treatment or former foster care children. Although the survey does ask women ages 19 to 49 whether they gave birth in the past year, this question is not concurrent with the question determining Medicaid enrollment and may not proxy for exemption status based on pregnancy. Nonetheless, in 2016 in Kentucky, we estimate that approximately 21,000 nondisabled women ages 19 to 49 who enrolled in Medicaid gave birth in the previous year, about 4.2 percent of our total sample.

- <sup>7</sup> We also assess whether those in these latter two groups have any of six serious health limitations that may qualify them for an exemption on the basis of medical frailty. Kentucky Medicaid has posted medical frailty provider attestation forms that list these six measures of limitations in activities of daily living (see “[Kentucky Medically Frail Provider Attestation v5](#),” KentuckyHealth, accessed August 13, 2018). Although these measures have a close correspondence with survey questions assessed on the ACS, it is unclear how ratings on the form will be scored to determine medical frailty or the extent of awareness of medical frailty exemptions and how to apply for them. Serious health limitations on the ACS are defined as whether the respondent has one or more of the following: 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.
- <sup>8</sup> The waiver indicates that some beneficiaries working at least 120 hours a month may be “deemed to satisfy community engagement requirements by virtue of their verified participation” and will not be required to actively document their participation in qualifying activities.
- <sup>9</sup> Among enrollees who are working more than 960 hours a year but are not working at least 48 weeks a year (Group B), we estimate that about 21 percent (4,450 enrollees) report a serious health limitation. If these enrollees are eligible for an exemption from work requirements because they are medically frail, then the total estimated number of enrollees in the group is 17,000 enrollees; the average weeks worked a year is 38.7 weeks; and the usual hours worked a week is 38.0. Among enrollees who work less than 960 hours a year (Group C), exempting those reporting any serious health limitations produces an estimated 27,000 enrollees in the group who average 24.7 weeks of work a year and 23.6 hours of work a week.
- <sup>10</sup> Lawfully present immigrants with incomes below 138 percent of FPL who are ineligible for Medicaid because of their immigration status will remain eligible for subsidized premiums for Marketplace coverage.
- <sup>11</sup> “State Health Facts: Marketplace Average Benchmark Premiums,” Kaiser Family Foundation, accessed August 8, 2018, <https://www.kff.org/health-reform/state-indicator/marketplace-average-benchmark-premiums/>.
- <sup>12</sup> We find that most enrollees working consistently throughout the year are not working part time. Among all working enrollees who are not likely to qualify for a student or caregiver exemption but who report working at least 48 weeks a year, 73 percent report working more than 35 hours a week. Further, we find that most enrollees who are working part time consistently throughout the year are working more than 960 hours annually and may not be at high risk of losing coverage under the waiver. Among those who work less than 35 hours a week but work at least 48 weeks a year, we estimate that 81 percent reached 960 total hours or more.
- <sup>13</sup> ESI is also not a coverage option for self-employed enrollees in Kentucky. Using the ACS, we estimate that approximately 13 percent (22,000 enrollees) of working Medicaid enrollees in Kentucky who are not likely to qualify for a student or caregiver exemption identify as self-employed. The share of self-employed enrollees is not qualitatively different across the three groups of working enrollees we describe in our ACS analysis. Analyses using MEPS-IC do not reflect the insurance availability of self-employed workers.
- To the extent that the distribution in 2016 of employees between the private and state and local government sectors in the East South Central Census Division (which includes Kentucky, Alabama, Mississippi, and Tennessee) reflects the distribution found in Kentucky, we estimate that the private-sector employees included in tables 2 and 3 represent approximately 85 percent of all nonfederal civilian employees in Kentucky.
- <sup>14</sup> Although in this analysis we are not able to identify the subset of employees who are enrolled in Medicaid, other analyses have found that almost half of all working enrollees are employed in small firms with less than 50 employees (Garfield, Rudowitz, and Musumeci 2018), and only about one-third of working enrollees received an ESI offer from their employer (Garfield et al. 2018).



- <sup>15</sup> Since 2010, the minimum wage in Kentucky has been \$7.25 per hour. See “State Minimum Wage Rate for Kentucky (STTMINWGKY), last updated January 2, 2018. <https://fred.stlouisfed.org/series/STTMINWGKY>.
- <sup>16</sup> See Brian Neale, [letter to Adam Meier](#), January 12, 2018.
- <sup>17</sup> Aron-Dine (2018) uses enrollee totals from our previous analysis of work requirements in Kentucky (Gangopadhyaya and Kenney 2018) to estimate coverage losses. One distinction in Aron-Dine (2018) from this analysis is her use of our previously reported estimate of the number of enrollees working at least 50 weeks a year and 20 hours a week to classify working enrollees potentially subject to the work requirements who are likely working enough to satisfy the work requirements year-round. Under this definition, an estimated 106,000 enrollees likely meet the work requirements in Kentucky. Here, we use enrollees working at least 48 weeks a year and 20 hours a week to classify enrollees likely to meet the work requirements; this measure meets the bare minimum of the Kentucky work requirements before enrollees are likely to lose coverage over the course of a year. Using a 48-week cutoff instead of a 50-week cutoff has very little effect on the range of coverage losses following Aron-Dine (2018)’s method for these groups.
- <sup>18</sup> The Kentucky waiver also eliminates the three-month retroactive eligibility period for adult enrollees except for pregnant women and former foster care youth (see Brian Neale, [letter to Adam Meier](#), January 12, 2018). By combining the elimination of retroactive eligibility with work requirements, working beneficiaries who lose Medicaid coverage have a higher chance of experiencing medical debt or having their providers incur uncompensated care during gaps in coverage.
- <sup>19</sup> “How Kentucky’s economic realities pose a challenge for work requirements,” *Urban Wire* (blog), August 9, 2018. According to the Employment and Training Administration, “a Labor Surplus Area (LSA) is a civil jurisdiction that has a civilian average annual unemployment rate during the previous two calendar years of 20 percent or more above the average annual civilian unemployment rate for all states during the same 24-month reference period.” See “[Labor Surplus Area Classification](#),” 82 Fed. Reg. 45895 (October 2, 2017).
- <sup>20</sup> Kentucky’s Medicaid website provides links to various resources for enrollees. For example, see “[Community Engagement](#),” KentuckyHealth, accessed August 13, 2018. The state has also posted information for businesses and nonprofits on how to help connect enrollees with volunteer work opportunities. See “[Businesses & Non-profits](#),” KentuckyHealth, accessed August 13, 2018. For an example outreach flyer for business and nonprofits, see “[KentuckyHealth: How to Get Involved](#),” accessed August 13, 2018.
- <sup>21</sup> Medicaid coverage is estimated using a methodology developed by Victoria Lynch of the Urban Institute. See Kenney et al. (2012) for more details. Our analysis does not include enrollees who report receiving SSI or are dual Medicare and Medicaid enrollees, because this group will be excluded from the waiver.
- <sup>22</sup> 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 or public service; caregiving services for a nondependent relative or other person with a disabling medical condition; and participation in substance-use disorder treatment.
- <sup>23</sup> “[Commonwealth Makes Job Training Programs Available to Help Able-Bodied Adults without Dependents \(ABAWD\) Find Work and Maintain Eligibility for SNAP](#),” news release, Kentucky.gov, December 15, 2017.
- <sup>24</sup> Self-reported estimates from the 2016 ACS suggest that of the 165,000 enrollees who are potentially subject to the waiver’s work requirements and working at the time of the survey, 60,000 (36 percent) were in households receiving assistance from SNAP at some point in the prior year. Research has found that SNAP receipt is underreported in the ACS (Scherpf, Newman, and Prell 2015).
- <sup>25</sup> See page 33 of the approved waiver: Brian Neale, [letter to Adam Meier](#), January 12, 2018.



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