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The Administrative Cost of Community Engagement Requirements in Medicaid

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This is the first in a series of policy briefs looking at the common objections to implementing community engagement requirements, or work expectations, for healthy adults receiving benefits under Medicaid expansion in the Affordable Care Act.

Administrative Cost Claims

In 2018, the Wolf administration claimed requiring nearly half a million healthy adults without children to work, go to school, or volunteer part-time would cost **\$600-700 million** a year in administrative costs. The estimate included hiring 300 new employees to implement changes.¹

This estimate is extraordinarily high given it would *represent \$2.3 million per new Department of Human Services (DHS) employee*. In 2018, the state average annual salary and benefits reached **\$102,616**, and the average salary for a DHS employee was about \$7,000 less than for all state workers.² Even if the new employees were paid \$200,000, or double the current average, that would only be \$60 million—a mere 10 percent of the administration's cost estimate.

In his 2017 and 2018 veto messages, Governor Wolf made a similar misleading claim that work expectations *increase costs and create unnecessary delays and confusion*.³

At the core of DHS's exaggerated costs is a fundamental misunderstanding of what is required in terms of work supports. The federal guidance around Medicaid community engagement is clear:

*"States will be required to describe strategies to assist beneficiaries in meeting work and community engagement requirements and to link individuals to additional resources for job training or other employment services, child care assistance, transportation, or other work supports to help beneficiaries prepare for work or increase their earnings. **Work supports are voluntary on a state by state basis** [emphasis added] and cannot qualify for federal*

¹ House Appropriations Committee, Budget Hearings, Department of Human Services, March 6, 2018, https://www.legis.state.pa.us/WU01/LI/TR/Transcripts/2018_0034T.pdf

² Pennsylvania Office of Administration, "2019 State Government Workforce Statistics," http://www.oabis.state.pa.us/SGWS/2019/SGWS_MAIN.html

³ Pennsylvania State Legislature, HB 59 veto message, October 18, 2017, <https://www.legis.state.pa.us/cfdocs/legis/cl/public/ViewVetoMessage.cfm?sessyr=2017&sessInd=0&billbody=H&billtype=B&billnbr=59&pn=2255&vetonbr=2>

*reimbursement.*⁴

Pennsylvania *does not* have to create new workforce development programs to match these individuals with jobs or training opportunities. The state already offers a wealth of resources through [CareerLink offices](#) and regional workforce development programming. Services include free skill assessment, resume help, job boards, access to registered apprenticeships, interview practice, a list of training/certification programs, and access to veteran services.

[Senate Bill 847](#), which would bring community engagement requirements to Pennsylvania, specifically utilizes these existing programs:

*The department shall provide for the dissemination of information to medical assistance enrollees on existing educational and job training opportunities in the community, job openings, eligible transportation and child care programs. The information shall be made available through county assistance offices in conjunction with Pennsylvania CareerLink, local workforce development boards, transit systems, drug and alcohol programs, other State agencies and other appropriate outlets.*⁵

Actual Administrative Requirements

SB 847 does not require weekly or even monthly reporting of work or engagement hours. Compliance is restricted to twice a year once the individual demonstrates they are engaging in their community. Specifically, the bill instructs:

(f) A medical assistance enrollee subject to the community engagement requirement shall verify on a biannual basis compliance with this section.

(g) Sanctions set forth in section 481 shall apply to a medical assistance enrollee who fails to provide truthful and accurate information under this section.

(h) The department shall develop forms to be used to determine compliance and eligibility for exemption.

The Wolf administration would have flexibility to ensure the reporting requirement is not onerous to the Medicaid recipient or the state. DHS could instruct Medicaid recipients to comply by submitting documents using the myCOMPASS mobile app. In addition, SB 847 follows the same benefit suspension procedure as Temporary Assistance for Needy Families, or cash welfare, when it comes to non-compliance. By using the same compliance rules, DHS can decrease the cost and complexity of compliance.

⁴ Center for Medicare and Medicaid Services, “Opportunities to promote work and community engagement among Medicaid Beneficiaries,” SMD: 18-002, January 11, 2018, <https://www.medicaid.gov/federal-policy-guidance/downloads/smd18002.pdf>

⁵ Pennsylvania State Legislature, Senate Bill 847 of 2019, <https://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2019&sInd=0&body=S&type=B&bn=0847>

MEDICAID COMMUNITY ENGAGEMENT NON-COMPLIANCE

Frequency	Benefits suspended until a week of compliance is reported
First Time	30 day suspension
Second Time	60 day suspension
Third Time	90 day suspension
Additional Violations	Federal law prohibits permanent suspension. Once a qualifying individual can demonstrate compliance their benefits are reinstated.

Source: Senate Bill 847 of 2019

Administrative Costs in Other States

Costs to administer work expectations vary across states. A recent study of these implementation costs by the federal Government Accountability Office (GAO) found estimates ranging from \$6 million to around \$270 million.⁶ In other words, administrative costs are largely at the discretion of the state agency.

- Kentucky reported the largest implementation costs to date at nearly \$100 million (though implementation is stalled) and total projected costs of \$271 million. However, Kentucky’s waiver will impact over 600,000 individuals, significantly more than any other state with work engagement waiver approval. Kentucky’s waiver also includes significant changes in co-pays, premiums, and a new IT system.
- On the lower end of estimates, New Hampshire reported expected costs of \$6 million.
- Arkansas, the only state to implement a work expectation, reportedly spent \$26 million to make their eligibility systems more user-friendly, communicate program changes, and make necessary IT upgrades. The department *did not hire a single additional administrative person.*⁷

Many of these costs, from IT changes to higher capitation payments for additional Managed Care Organization communications, appear to be eligible for federal matching Medicaid dollars. In contrast, activities outside of these core functions, like connecting participants with work supports appear to have minimal costs. For example, New Hampshire planned to hire six positions at a maximum cost of \$300,000 to assist with workforce development.

None of these estimates consider how caseloads may decline, freeing up state resources to manage the community engagement requirements.

⁶ Government Accountability Office, “Medicaid Demonstrations: Actions Needed to Weakness in Oversight of Costs to Administer Work Requirements,” October 2019, <https://www.gao.gov/products/GAO-20-149>

⁷ According to conversations with Nic Horton and the Arkansas Department of Human Services.

Furthermore, the Center for Medicare and Medicaid Services (which approves community engagement waivers) questioned the methodology of the GAO report, noting the combined expected administrative expenses reflect the maximum expenditures approved and states may spend less to implement their work waivers.

That position appears closer to reality given the actual experience of states implementing work requirements for able-bodied adults without children in the Supplemental Nutrition Assistance Program (SNAP), also known as Food Stamps. In Maine, for example, former LePage administration officials report they *added no personnel* to implement community engagement expectations.⁸

The Cost of the Status Quo

The Wolf administration's grossly exaggerated cost estimates represent a mere 1.7 percent of the nearly \$40 billion budgeted for Health and Human Services this year. Even if the estimates were accurate, it seems appropriate to spend a *fraction* of our Medicaid dollars to help thousands of Pennsylvanians escape poverty.

Adding the estimated half a million non-working, healthy adults on Medicaid to the workforce is akin to hiring the entire city of Harrisburg, Lancaster, Allentown, Erie, Scranton, and Reading combined.⁹ Even if every individual worked a part-time minimum wage job, they would earn an additional \$2.9 billion annually. Those are dollars going to support their families and their community.

In addition, reducing the number of healthy adults dependent on Medicaid could free up resources for Pennsylvania's safety net. In the last four years, the federal government has spent \$16 billion on Pennsylvania adults eligible for Medicaid under the Affordable Care Act; state taxpayers have spent at least \$500 million.¹⁰ Those are dollars that are not available to address intellectual disability waiting lists or the needs of our growing elderly population.

Conclusion

Work is good for individuals, families, communities, and taxpayers based on the experience of every state that has implemented these reforms. Administrative costs are rarely cited as an obstacle to expanding benefits that are supposed to reduce poverty. In the same way, administrative costs should not stand in the way of a reform that is proven to increase people's incomes and recognize the dignity of work.

⁸ According to conversations with Nick Adolphsen, a former Director of Government Relations and Policy for the Maine Department of Health and Human Services.

⁹ PennLive, "Medicaid Politics Comes to Harrisburg via Pennsylvania's State Budget Debate," January 5th, 2019, https://www.pennlive.com/politics/2017/07/medicaid_politics_comes_to_har.html

¹⁰ Centers for Medicare and Medicaid Services, 2018 4th Quarter Medicaid CMS-64 New Adult Group Expenditures, https://data.medicare.gov/d/k3xk-7iex?category=Uncategorized&view_name=2018-4Q-Medicaid-CMS-64-New-Adult-Group-Expenditur