

Work and Community Engagement Requirements in Medicaid: State Costs Associated with Implementing Work/Community Engagement Requirements

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In January 2018, the Centers for Medicare & Medicaid Services (CMS) released a State Medicaid Director Letter (SMDL) providing guidance to states as to the circumstances under which CMS would approve 1115 demonstration waivers making work/community engagement (CE) requirements a condition of Medicaid eligibility. Since then, CMS has approved state work/CE waivers in Arkansas, Indiana, Kentucky, and New Hampshire, and additional states have submitted or are poised to submit similar waivers. Work/CE programs are complicated and costly to implement, and how states implement work/CE programs will determine whether beneficiaries find jobs, maintain or lose health insurance coverage, and experience improved health and well-being.

CMS has advised that states must support beneficiaries in meeting the work/CE requirements, but that Medicaid funds will not be available to underwrite the costs of these supports (e.g., child care, job training, transportation, etc.). Thus, states must use state general fund dollars to underwrite these costs. While federal Medicaid funds are generally available for information technology (IT) systems development and operations as well as related staffing costs, the state share can be significant. For example, Kentucky expects to spend \$17.5 million in state funds and \$170 million in federal funds to build the technology to support its new waiver, including work/CE requirements. Ohio state budget experts estimate that case management services for nearly 234,000 beneficiaries would cost more than \$378 million over five years. Tennessee, by comparison, estimates a \$44 million cost over one year to support approximately 37,000 beneficiaries. This chart delineates the areas in which states will likely incur costs. With the exception of beneficiary supports (services that can help individuals find and secure jobs), the state should be able to claim a federal match for these costs. Other work/CE-related charts identifying features of approved state work/CE waivers; CMS guidance and waiver special terms and conditions; Medicaid application, eligibility and enrollment requirements; and information technology business requirements are available in the full publication, [Work and Community Engagement Requirements in Medicaid: State Implementation Requirements and Considerations](#).

State Costs Associated with Implementing Work/Community Engagement Requirements¹⁻¹⁰

Medicaid Costs	Examples
Development of and Updates to IT Systems	<ul style="list-style-type: none"> > Updates to eligibility and enrollment (E&E) systems > Updates to Medicaid Management Information System (MMIS) > Updates to case management systems > Development of new work/CE portals for beneficiary reporting > Linkages between Medicaid, SNAP, TANF, and other state data systems
Additional Staffing	<ul style="list-style-type: none"> > Eligibility determinations > Case management > Disability determination staff > Consumer assistance/call center > Appeals > Audit and compliance > Employment supports > Program administration

Medicaid Costs	Examples
Other Administrative Costs	<ul style="list-style-type: none"> › Staff training/re-training › Development of new regulations › Development of call center scripts › Development, printing, and mailing of new notices › Office space and IT equipment for new staff › Waiver development, administration, monitoring, and evaluation, including contractor support
Beneficiary Supports	<ul style="list-style-type: none"> › Childcare › Employment training › Transportation › Other
Other Costs	<ul style="list-style-type: none"> › Additional physician visits by individuals seeking an exemption from work/CE requirements › Loss of enhanced match for individuals who seek a disability determination and move from the expansion group to another eligibility group with a lower match rate › Higher capitation payments to plans for individuals who seek a disability determination (to secure permanent exemption from work/CE requirements) and move from the expansion group to a higher cost eligibility group › Higher capitation rates resulting from healthier individuals having less of an incentive to comply with work/CE requirements and who are disenrolled, creating a sicker risk pool › Increased uncompensated care costs as a result of individuals losing coverage

KEY

IT = Information Technology
 SNAP = Supplemental Nutrition Assistance Program
 TANF = Temporary Assistance for Needy Families

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This brief was prepared by Patricia Boozang, Allison Orris, Mindy Lipson, and Deborah Bachrach. Manatt Health integrates legal and consulting expertise to better serve the complex needs of clients across the healthcare system.

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Endnotes

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