



# New Waiver Proposal for Oklahoma Medicaid Beneficiaries Would Harm Low-Income Families With Children

## Key Findings

- Oklahoma's proposed Medicaid waiver is incomplete and internally inconsistent on the most important question: how many parents and children may lose coverage. Despite the fact that one of the stated goals is to reduce Medicaid enrollment, the proposal projects there will be no impact on enrollment.
- The new work rules would predominantly affect Oklahoma's poorest mothers. The impact could hit hardest in Oklahoma's small towns and rural communities, where parents are more likely to receive Medicaid and where jobs are harder to find.
- Even if these parents work more hours, they are unlikely to have an affordable offer of health coverage from their employers, so will likely become uninsured. Only 11 percent of Oklahoma adults living in poverty receive employer-sponsored insurance.
- The loss of coverage for parents would affect their children, creating more financial hardship for families and risking children's access to health care. Oklahoma already has the 5th highest rate of uninsured children in the nation, and the rate is even higher among American Indian children.

## Introduction

Oklahoma is planning to ask federal permission to impose a work requirement on very low-income parents and caregivers receiving health coverage through Medicaid. Under the proposal, these beneficiaries would have to document that they are working at least 20 hours a week or participating in job-training or volunteer activities in order to maintain their SoonerCare coverage. Because Oklahoma has not expanded Medicaid under the Affordable Care Act, the only parents affected are those whose incomes are at or below 45 percent or the federal poverty level. The impact of the Oklahoma Health Care Authority's proposal could mean some of the state's poorest parents would lose health coverage altogether. And that loss of coverage would affect their children, who may lose coverage, as well.

Oklahoma's proposal *asserts that there will be no impact on Medicaid spending or enrollment* if the Centers for Medicare and Medicaid Services (CMS) approve the request to amend the state's Section 1115 demonstration waiver.<sup>1</sup> This contradicts assertions made elsewhere in the proposal that the goal is to reduce Medicaid enrollment.<sup>2</sup> Moreover, it is clear from research based on the experience of work requirements in other programs and other states that significant coverage losses are likely. Nationally, an analysis by the Kaiser Family Foundation found that work rules could cause an estimated 1.4 million to 4 million adults to lose Medicaid coverage. Many of these adults are already working and meet the requirements, but would lose access to health care because of "administrative burdens or red tape."<sup>3</sup> In Arkansas, for instance, 72 percent of the people expected to log into the state's web portal and report their work did not take action in the first month.<sup>4</sup>



Participants in Arkansas must submit their information on line, which can be a challenge in a state where many of the poorest residents lack access to computers or the internet.<sup>5</sup>

The impact of Oklahoma's proposal, which could take effect as early as February 2019, would fall disproportionately on the poorest families. The state's own estimates show that three-fifths of the parents who received SoonerCare in recent months had incomes at 20 percent or below the federal poverty line, meaning they bring in no more than \$4,156 annually or \$346 a month. The state asserts that only about 6,200 people would be affected by the new work rules, after exempting parents who have children under 6, are pregnant or American Indians, among others.<sup>6</sup> But the exemption language is vague, and it's not clear that an exemption for American Indians would pass muster with CMS's legal counsel, an issue that remains in flux.<sup>7</sup> It is also not clear how the exemption process would work. The resulting bureaucratic maze could cause thousands to lose coverage.

If Oklahoma pursues this option, it would become the latest of 14 states seeking to attach new rules to Medicaid eligibility. Federal officials announced in January that they would allow work requirements for adult Medicaid beneficiaries and have given approval to such measures in four states: Arkansas, Kentucky, New Hampshire, and Indiana—although a federal judge has sent Kentucky's plan back to CMS, calling it "arbitrary and capricious."<sup>8</sup> These states all expanded Medicaid after passage of the Affordable Care Act (ACA) and now offer benefits to adults making as much as 138 percent of the federal poverty level (FPL). By contrast, Oklahoma allows only those parents living at or below 45 percent of the poverty line to qualify for Medicaid. That's the equivalent of \$9,351 a year for a family of three, or \$779 a month.

These parents could still qualify for Medicaid if they worked just 20 hours a week at minimum wage. But if they worked 25 hours a week, got a raise or just picked up a couple of extra shifts, they would become ineligible. The nature of part time work is often unpredictable, depending on the season or cyclical demands of employers. Likewise, these very-low income families already move on and off Medicaid as their circumstances shift. In Oklahoma, barely a third of the eligible parents are enrolled all year; the typical tenure on the program is seven months.<sup>9</sup>

Oklahoma's proposal provides no mechanism for recording or confirming work hours for the parent population. Hence, documenting that each parent receiving Medicaid has worked just the right amount of hours every month would become an expensive, bureaucratic hassle for the parents and the state. In fact, Kentucky saw its Medicaid administrative costs climb more than 40 percent this year in part because of putting work requirements in place.<sup>10</sup>

Another concern is what's known as the "Catch-22," in which parents make too much to receive Medicaid but not enough to qualify for ACA marketplace subsidies or those the state provides to some workers living just above the poverty line. CMS Administrator Seema Verma has identified this issue as a problem as well.<sup>11</sup> Oklahoma allows adults who make 105 percent FPL, about \$21,000 annually, to receive premium assistance through Insure Oklahoma. There are limitations on that program: For instance, the state assistance would only go to workers at companies with fewer than 250 employers that do not have employer sponsored insurance.<sup>12</sup> Oklahoma's proposal provides no attempt to address this issue.

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**“The proposal also does nothing to address the barriers these very poor families face in seeking employment.”**

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The proposal also does nothing to address the barriers these very poor families face in seeking employment. Even if these parents found jobs or volunteer opportunities, they would have to pay for childcare and transportation—costs that could not be covered under Medicaid. And if they made too much to qualify for Medicaid, they would likely be hard-pressed to afford private insurance if it is offered by employers. Only 11 percent of Oklahoma adults living in poverty currently receive employer-sponsored insurance.<sup>13</sup>

Oklahoma's waiver proposal suggests that their work requirement will decrease the need for hospital stays and emergency room visits for very poor parents who receive Medicaid. However, there is no evidence or compelling rationale to support this. Moreover, if these parents lose health coverage altogether, they may be more likely to use the emergency room. Oklahoma officials also assert that the work requirement will help beneficiaries "achieve improved health, well-being and independence." But this seems backwards: Research shows that good health coverage can lead to fuller employment.

Studies of American workers who gained health coverage through the Medicaid expansion found that coverage made it easier to work. About 52 percent of the Ohio residents who enrolled in Medicaid after the expansion said it was easier to secure and maintain employment.<sup>14</sup>

A study in Michigan documented that many adults benefitting from the expansion were already working or in school. Nearly three-quarters of those who were out of work were living with a chronic health condition.<sup>15</sup> Stripping these adults of their health coverage won't make it any easier to find and retain a job.

Oklahoma's work requirement could impose unnecessary red tape and barriers to health coverage that would leave these parents without the support they need to hold down a job. Rather than helping parents find jobs, this proposal seems aimed at reducing Medicaid enrollment by creating red-tape barriers to coverage.

## Who Would Be Affected?

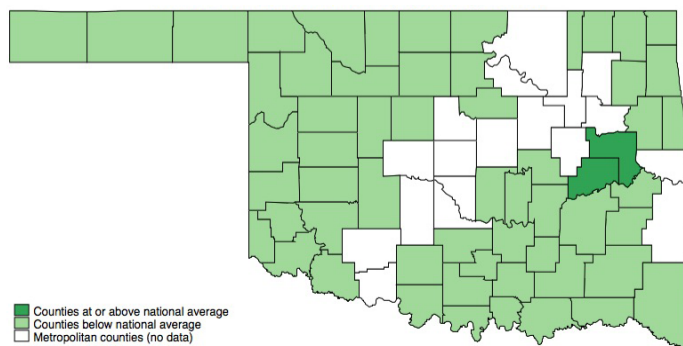
**An analysis of the population of parents and caretakers who now rely on Medicaid for health coverage in Oklahoma finds that<sup>16</sup>:**

- 78 percent are mothers;
- 64 percent are white, 19 percent are African American, and 7 percent are American Indians;
- 39 percent are young parents under age 30;
- 85 percent have been in the workforce or have a family member working sometime in the past six months.<sup>17</sup>

**A separate analysis suggests that the proposal would hit harder in Oklahoma's small towns and rural communities, where families are more likely to be covered by Medicaid and jobs are harder to find.<sup>18</sup>**

- In Oklahoma, about 11 percent of adults in these communities are covered by Medicaid, compared to 8 percent in urban areas.
- Among children, 47 percent in Oklahoma's small towns and rural communities have Medicaid coverage, compared to 38 percent in metropolitan areas—a disparity that's greater than the national average.
- Jobs remain harder to find in these communities. Nine of the 10 Oklahoma counties with the highest unemployment rates in 2016 were rural counties.

### Percent of Adults with Medicaid Coverage in Small Towns and Rural Areas, by County, 2014/15



Note: The national weighted average for percent of adults with Medicaid coverage in small towns and rural areas is 16%.

Source: For more information on sources and methodology, see The Georgetown Center for Children and Families and the University of North Carolina's report, *Medicaid in Small Towns and Rural America: A Lifeline for Children, Families, and Communities*.



## Children Will Suffer When Their Parents Lose Coverage

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More than 510,000 Oklahoma children receive health coverage through Medicaid and CHIP, but if their parents lose access to health care, it could affect the children, as well.

- *Oklahoma's rate of uninsured children at 7.3 percent is already one of the highest in the nation, far above the 4.5 percent national average.* The proposal makes it more likely that the rate of uninsured children will worsen, especially if the state is not allowed to exempt the American Indian population. The rates of uninsured children remain highest among American Indian children living in the poorest families: 15.6 percent of these children are uninsured, more than double the rate for white or African American children in such families.<sup>19</sup>
- *As parents become uninsured, the entire family is at risk of falling further into poverty because of medical debt or bankruptcy.* Medicaid improves families' economic security and financial well-being and gives children a better chance for the future.<sup>20</sup>
- *A healthier parent is more likely to be a better parent.* Parents with access to health care can do a better job supporting and nurturing their children's healthy development. Maternal depression, for instance, can be treated with Medicaid coverage. Without treatment, though, depression can inhibit parent-child bonding in the critical early years of development.
- *Children with uninsured parents are less likely to receive the health care they need and more likely to be uninsured.* In some cases, they remain insured but don't visit a doctor regularly. In other instances, they lose their coverage and access to healthcare. Research has shown that when a parent is uninsured, a child is much more likely to be uninsured.<sup>21</sup>

## Conclusion

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Oklahoma's amendment to its three-year Section 1115 demonstration application is currently open for public comment at the state level until September 3, 2018. After that, the state will revise its proposal and, if it decided to proceed, submit it to the federal government which also must hold a 30-day public comment period. Although CMS has issued guidance encouraging states to establish work requirements in Medicaid and has granted approval to four states, the federal agency has yet to decide on a waiver involving a state that did not accept the Medicaid expansion provided in the Affordable Care Act. One of the expansion states that received approval, Kentucky, is on hold following a legal challenge.

Oklahoma's waiver request lacks important details and is internally inconsistent, promising to reduce Medicaid enrollment while asserting that the proposed policy will have no impact on enrollment or on its budget. It provides few details on how this complicated policy change would be implemented.

If approved, the proposal could upset the financial balance for Oklahoma's most fragile families, many of them already struggling to provide adequate housing, food and clothing for their children. Stripping these mothers of their health coverage could make them less likely to work, not more. Rather it could deepen the lack of health care for adults and children and disproportionately affect American Indians and families living in small towns and rural areas.



P. 15 of OHCA SoonerCare 1115(a) Research and Demonstration Waiver Amendment Request, accessed on July 10, 2018 at <http://okhca.org/xPolicyChange.aspx?id=22257&blogid=68505>.

<sup>2</sup> See for example p. 14, *ibid*.

<sup>3</sup> Garfield, Rachel, Robin Rudowitz and MaryBeth Musumeci. "Implications of a Medicaid Work Requirement: National Estimates of Potential Coverage Losses." (Washington: Kaiser Family Foundation, June 2018) accessed at <https://www.kff.org/medicaid/issue-brief/implications-of-a-medicaid-work-requirement-national-estimates-of-potential-coverage-losses/>.

<sup>4</sup> Alker, Joan and Maggie Clark, "One Month into Medicaid Work Requirement in Arkansas, Warning Lights are Already Flashing," (Washington: Center for Children and Families, July 20, 2018) accessed at <https://ccf.georgetown.edu/2018/07/20/one-month-into-arkansas-medicaid-work-requirement-the-warning-lights-are-already-flashing/>.

<sup>5</sup> *Ibid*.

<sup>6</sup> P. 15 of OHCA SoonerCare 1115(a) Research and Demonstration Waiver Amendment Request, accessed on July 10, 2018 at <http://okhca.org/xPolicyChange.aspx?id=22257&blogid=68505>.

<sup>7</sup> Diamond, Dan, "Trump challenges Native Americans Historical Standing," (Washington: Politico, April 22, 2018) accessed at <https://www.politico.com/story/2018/04/22/trump-native-americans-historical-standing-492794>.

<sup>8</sup> "Kentucky Medicaid Waiver Scheme Halted by Federal Court," (Washington: National Health Law Program, June 29, 2018) accessed at <http://www.healthlaw.org/news/press-releases/735-kentucky-medicaid-waiver-scheme-halted-by-federal-court>.

<sup>9</sup> Putnam, Carly, "Bill Watch: Legislation threatens to cut Oklahomans' access to health care," (Tulsa: Oklahoma Policy Center, Feb. 15, 2018) accessed at <https://okpolicy.org/bill-watch-legislation-threatens-cut-oklahomans-access-health-care/>.

<sup>10</sup> "Fitch: Medicaid Waiver Actions Limit US States' Cost Controls," (New York: Fitch Ratings, July 17, 2018) accessed at <https://www.fitchratings.com/site/pr/10038515>.

<sup>11</sup> V. Dickson, "CMS Warns Non-Expansion States to Rethink Medicaid Work Rules," *Modern Healthcare* (May 1, 2018) available at <http://www.modernhealthcare.com/article/20180501/NEWS/180509987>.

<sup>12</sup> Criteria for the Insure Oklahoma program can be accessed at <http://www.insureoklahoma.org/OIndividuals.aspx?id=3900>.

<sup>13</sup> "Health Insurance Coverage of the Nonelderly (0-64) with Incomes below 100% Federal Poverty Level (FPL), (Washington: Kaiser Family Foundation, 2016) Accessed at <https://www.kff.org/other/state-indicator/nonelderly-up-to-139-fpl/?currentTimeframe=0&selectedRows=%7B%22states%22:%7B%22mississippi%22:%7B%7D%7D%7D&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

<sup>14</sup> Anthes, Loren, "The Return on Investment of Medicaid Expansion: Supporting Work and Health in Rural Ohio" (Washington: Georgetown University Center for Children and Families, January 2017), available at <https://ccf.georgetown.edu/2017/01/10/the-return-on-investment-of-medicaid-expansion-supporting-work-and-health-in-rural-ohio/>.

<sup>15</sup> Alker, Joan. "Michigan Medicaid Evaluation Has Important Lessons for States Considering Work Requirements," (Washington: Georgetown University Center for Children and Families, January 2017), available at <https://ccf.georgetown.edu/2017/12/15/michigan-medicaid-evaluation-has-important-lessons-for-states-considering-work-requirements/>.

<sup>16</sup> These estimates are based on an analysis of American Community Survey (ACS) data. We use an augmented version of the 2015 and 2016 ACS, the Integrated Public Use Microdata Series (IPUMS), prepared by the University of Minnesota Population Center (IPUMS-USA, University of Minnesota, [www.ipums.org](http://www.ipums.org)). We establish two-year state-level estimates of health coverage and demographic characteristics for parents. Parents are between 19 and 64 years old, have a child who is under 19 years old, are covered through Medicaid, and live in a household with income below 47% FPL. Individuals receiving supplementary security income and individuals for whom poverty status could not be determined are excluded.

<sup>17</sup> Employment information was derived from data compiled by the Oklahoma Health Care Authority.

<sup>18</sup> J. Hoadley et al., "Medicaid in Small Towns and Rural America: A Lifeline for Children, Families, and Communities" (Washington: Center for Children and Families and University of North Carolina, June 2017), available at <https://ccf.georgetown.edu/wp-content/uploads/2017/06/Rural-health-final.pdf>.

<sup>19</sup> Oklahoma's rate of uninsured children was retrieved from J. Alker and O. Pham, "Nation's Uninsured Rate for Children Drops to Another Historic Low in 2016" (Washington: Georgetown University Center for Children and Families, September 2017), available at <https://ccf.georgetown.edu/wp-content/uploads/2017/09/Uninsured-rate-for-kids-10-17.pdf>.

<sup>20</sup> K. Wagberman, "Medicaid: How Does It Provide Economic Security for Families?" (Washington: Georgetown University Center for Children and Families, March 2017), available at <https://ccf.georgetown.edu/wp-content/uploads/2017/03/Medicaid-and-Economic-Security.pdf>.

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

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