

October 25, 2018

The Honorable Alex Azar, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington, DC 20201

Dear Secretary Azar:

The undersigned organizations appreciate the opportunity to comment on Michigan's proposed amendment to its application for an extension to its "Healthy Michigan Plan" (HMP) Section 1115 Demonstration project, which would take Medicaid coverage away from HMP enrollees under age 62 who don't work or engage in work-related activities for a minimum of 80 hours per month. The amendment would also raise premiums to 5 percent of income for beneficiaries with incomes above the poverty line who have been enrolled in HMP for more than 48 months.

Michigan says the goal of its proposal is to "assist, encourage, and prepare an able-bodied adult for a life of self-sufficiency and independence." But evidence shows that since adoption of the Affordable Care Act's (ACA) Medicaid expansion in 2014, Michigan has made tremendous progress toward this objective *without a work requirement*. Evaluations of Michigan's current HMP waiver have found that expansion has helped cut the state's uninsurance rate in half, improved the physical and financial health of beneficiaries, improved access to care, and helped beneficiaries find and maintain employment.

Michigan's proposal to change HMP would reverse this progress. Michigan's House Fiscal Agency estimates that up to 54,000 Michiganders would lose coverage due to the work requirement. Data from the first few months of the implementation of Arkansas' work requirements waiver — in which about a third of non-exempt beneficiaries have lost their Medicaid coverage — suggests coverage loss in Michigan could be much higher than the Fiscal Agency's projection.

In the recent *Stewart v. Azar* decision vacating HHS' approval of Kentucky's waiver proposal that would have taken coverage away from adults who didn't meet a work requirement, pay premiums, or renew their coverage or report changes on time, the court found that Medicaid's central objective is to provide affordable coverage to people who otherwise wouldn't have it. Michigan's proposal, like Kentucky's, fails to promote Medicaid's objectives, a requirement for approval of a Medicaid demonstration project.

We urge you to reject Michigan's proposed amendment to its application for an extension of its Healthy Michigan waiver because it poses a significant danger to the health and well-being of low-income people in Michigan and would reverse the progress Michigan has made in covering its low-income residents, improving health outcomes, and supporting employment.

Michigan's Medicaid Expansion Has Been Extremely Successful

Michigan expanded Medicaid coverage in April 2014 through a section 1115 waiver which it called the "Healthy Michigan Plan" (HMP). Today, over 650,000 Michiganders with incomes below 138 percent of the poverty line who were previously uninsured or underinsured have coverage. Mirroring the experience of other expansion states, Healthy Michigan has helped lower Michigan's uninsured

rate, while improving access to care and the physical and financial health of Medicaid beneficiaries.¹ Specifically, Healthy Michigan has:

- **Cut the state's uninsured rate in half.** Michigan's uninsured rate has decreased by 50 percent overall, and by at least 40 percent in all but one of the state's counties since 2014.²
- **Made working and searching for a job easier.** In a survey of beneficiaries, over half of non-working adults reported that Medicaid makes it easier to look for work, while nearly 70 percent of working adults said Medicaid made it easier to work or made them better at their jobs.³ One study found that more than half of Michigan's working expansion beneficiaries had a serious physical health condition such as heart disease, asthma, or diabetes, and 25 percent had a mental health condition, often depression.⁴
- **Improved access to care.** Physicians surveyed by Healthy Michigan evaluators reported that Medicaid expansion has improved access to care, detection of serious health conditions, and management of chronic health conditions, particularly among beneficiaries who were previously uninsured.⁵ The increase in the number of Medicaid beneficiaries did not result in less access to care.
- **Improved physical health.** Nearly 48 percent of enrollees surveyed reported improvements in their physical health since enrolling in the program.⁶ Researchers comparing Michigan and Virginia, which hadn't expanded Medicaid, found Michigan hospitals had fewer uninsured

¹ Jessica Schubel and Kyle Hayes, "Michigan's Waiver Proposal Would Undermine Its Successful Medicaid Expansion," Center on Budget and Policy Priorities, October 22, 2018, <https://www.cbpp.org/research/health/michigans-waiver-proposal-would-undermine-its-successful-medicaid-expansion>.

² Jesse Cross-Call, "Michigan Medicaid Proposal Would Harm People in All Parts of the State," Center on Budget and Policy Priorities, May 21, 2018, <https://www.cbpp.org/blog/michigan-medicaid-proposal-would-harm-people-in-all-parts-of-the-state>.

³ Institute for Healthcare Policy & Innovation, "Medicaid Expansion Helped Enrollees Do Better at Work or in Job Searches," University of Michigan, June 27, 2017, <http://ihpi.umich.edu/news/medicaid-expansion-helped-enrollees-do-better-work-or-job-searches>.

⁴ Renuka Tipirneni, Susan D. Goold, John Z. Ayanian, "Employment Status and Health Characteristics of Adults With Expanded Medicaid Coverage in Michigan," *Journal of the American Medical Association*, April 2018, <https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2664514?redirect=true>.

⁵ State of Michigan, "Section 1115 Demonstration Extension Application: Healthy Michigan Plan (Project No. 11-W-00245/5)," https://www.michigan.gov/documents/mdhhs/Amended_Section_1115_Demonstration_Extension_Application_-_Clean-Web_Posting_632189_7.pdf.

⁶ State of Michigan, "Section 1115 Demonstration Extension Application: Healthy Michigan Plan (Project No. 11-W-00245/5)," https://www.michigan.gov/documents/mdhhs/Amended_Section_1115_Demonstration_Extension_Application_-_Clean-Web_Posting_632189_7.pdf.

cardiac surgery patients and improved estimates of the risk of morbidity and mortality and morbidity rates.⁷

- **Improved financial health.** After enrolling in Healthy Michigan, beneficiaries had less debt sent to collectors, less debt that is past due, and were less likely to spend over their credit card limits, according to a recent study of Healthy Michigan administrative data matched to consumer credit reports. The study also found a significant reduction in the number of public records related to financial challenges, such as evictions, bankruptcies, and wage garnishments.⁸ This is consistent with findings from the beneficiary survey which shows that 86 percent of beneficiaries reported that “problems paying their medical bills got better” after enrolling in the program.

Taking Away Coverage from People Who Don’t Meet the Proposed Work Requirement Will Cause Tens of Thousands of Michiganders to Lose Health Coverage

Under Michigan’s proposal, expansion beneficiaries under age 62 would have to work or engage in qualifying activities such as job training or education related to employment for an average of 80 hours per month. Beneficiaries who are not compliant, or are unable to document their compliance for more than three months in a year, would have their coverage terminated. Michigan proposes exemptions for people who are a caretaker for a family member younger than 6 years of age, pregnant, medically frail, or a full-time student, among others.⁹

In Michigan, three-quarters of Medicaid expansion beneficiaries are working, in school, retired, or unable to work because of a physical or mental impairment.¹⁰ This tracks national data, which has found that nearly 8 in 10 non-disabled adults with Medicaid coverage live in working families, and nearly 60 percent are working themselves. Of those not working, 35 percent reported that illness or a disability was the primary reason, 28 percent reported that they were taking care of home or family, and 18 percent were in school.¹¹

Kaiser Family Foundation researchers recently estimated that nationwide work requirements would cause disenrollment ranging from 1.4 million to 4 million people among the 23.5 million

⁷ Eric Charles *et al.*, “Impact of Medicaid Expansion on Cardiac Surgery and Outcomes,” *Annals of Thoracic Surgery*, October 2017, Vol. 104, No. 4, pp. 1251-1258.

⁸ Sarah Miller *et al.*, “The ACA Medicaid Expansion in Michigan and Financial Health,” National Bureau of Economic Research, Working Paper No. 25053, September 2018, <http://www.nber.org/papers/w25053.pdf>.

⁹ For a full list of proposed exemptions, see Michigan’s proposal: “Section 1115 Demonstration Extension Application: Healthy Michigan Plan,” Michigan Department of Health and Human Services, September 10, 2018, https://www.michigan.gov/documents/mdhhs/Amended_Section_1115_Demonstration_Extension_Application_-_Clean-Web_Posting_632189_7.pdf.

¹⁰ Renuka Tipireni, Susan Goold, and John Ayanian, “Employment Status and Health Characteristics of Adults With Expanded Medicaid Coverage in Michigan,” *JAMA Internal Medicine*, April 2018, <https://jamanetwork.com/journals/jamainternalmedicine/article-abstract/2664514>.

¹¹ Rachel Garfield, Robin Rudowitz, and Anthony Damico, “Understanding the Intersection of Medicaid and Work,” Kaiser Family Foundation, February 2017, <http://kff.org/medicaid/issue-brief/understanding-the-intersection-of-medicaid-and-work/>.

adults who are under 65 and not receiving SSI based on disability.¹² Most of those losing coverage would be people who are already working or should be exempt. To reach these estimates, Kaiser researchers looked at past evidence on how administrative requirements affect Medicaid enrollment, which shows that increased red tape causes eligible people to lose coverage. The researchers applied a low disenrollment rate of 5 percent and a high of 15 percent to the groups of people who are already working or should be exempt based on this body of evidence. And, based on experience with work requirements in SNAP and TANF and other factors, they made a conservative estimate that between 25 and 50 percent of enrollees not working or eligible for exemptions would also lose coverage.

Coverage loss estimates in Michigan are in line with the Kaiser projections. During the process of enacting SB 897, which requires Michigan to pursue this waiver, the state's House Fiscal Agency projected that 54,000 beneficiaries subject to the work requirement would lose their coverage.¹³

Data from Arkansas, which has implemented a work requirement similar to Michigan's proposal, suggest that these estimates are likely too low. In Arkansas, the state has determined that two-thirds of beneficiaries qualify for an exemption and don't have to take action in order to maintain their coverage. Of the one-third of beneficiaries who must take action, the vast majority did not claim an exemption or satisfy the reporting requirement.¹⁴ As a result, more than 4,000 Arkansans have lost Medicaid coverage in each of the last two months, with similar coverage losses likely in coming months.

A recent study from the Kaiser Family Foundation based on interviews with stakeholders in Arkansas sheds light on why coverage losses are so high. The report finds that many beneficiaries are unaware of the new requirement and those that attempt to set up an account to report their compliance have trouble using the online portal.¹⁵

Michigan did not include projections that enable the public or CMS to understand the impact of the work requirements on enrollment

Michigan failed to include enrollment projections comparing enrollment under the amendment with what would be expected without the waiver, as required by the Department's regulations governing applications for section 1115 waivers (42 CFR 431.412(a)(1)(iv)). Instead, the state noted that 400,000 Michiganders would be "impacted" by the new requirements and said it would engage

¹² Rachel Garfield, Robin Rudowitz, and MaryBeth Musumeci, "Implications of a Medicaid Work Requirement: National Estimates of Potential Coverage Losses," Kaiser Family Foundation, June 27, 2018, <https://www.kff.org/medicaid/issue-brief/implications-of-a-medicaid-work-requirement-national-estimates-of-potential-coverage-losses/>.

¹³ "Senate Bill 897 (H-2) as reported from committee," House Fiscal Agency, June 6, 2018, <http://www.legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-0897-5CEEF80A.pdf>.

¹⁴ Jennifer Wagner, "4,109 More Arkansans Lost Medicaid in October for Not Meeting Rigid Work Requirements," Center on Budget and Policy Priorities, October 16, 2018, <https://www.cbpp.org/blog/4109-more-arkansans-lost-medicaid-in-october-for-not-meeting-rigid-work-requirements>

¹⁵ MaryBeth Musumeci, Robin Rudowitz, and Cornelia Hall, "An Early Look at Implementation of Medicaid Work Requirements in Arkansas," Kaiser Family Foundation, October 8, 2018, <https://www.kff.org/medicaid/issue-brief/an-early-look-at-implementation-of-medicaid-work-requirements-in-arkansas/>.

in outreach to limit coverage loss. It is thus impossible for public to know, much less to comment on, the state's estimates of the disenrollment that is likely to occur if these work requirements are implemented. We urge that the Secretary return the amendment to the extension request — not the extension request itself — to the state for a complete analysis of the impact of the amendment on coverage.

Most Michiganders Losing Coverage Will Become Uninsured

There's little evidence that work requirements will meaningfully increase employment. Moreover, even if some enrollees do find jobs, these will probably be low-wage jobs. Such jobs are unlikely to boost enrollees' incomes enough for them to shift from Medicaid into subsidized individual market coverage, and the large majority do not offer affordable health insurance — meaning most enrollees would still need Medicaid coverage.

According to Labor Department data, among workers with earnings in the bottom quartile of the wage distribution, only 37 percent are offered health coverage, and less than a quarter actually obtain coverage, presumably in large part because required employee premium contributions are often higher than low-wage workers can afford.¹⁶ Similarly, only 37 percent of full-time workers with family incomes below the poverty line (and only 13 percent of such part-time workers) are even offered coverage.¹⁷

Finally, studies have found no evidence that the ACA Medicaid expansion meaningfully decreased employment, and no evidence of decreased employer coverage among those employed.¹⁸

Michigan's Proposal Is Unlikely to Promote Employment and May Be Counterproductive

Research on work requirements in other programs finds that they generally have only modest and temporary effects on employment and fail to increase long-term employment or reduce poverty. Results in Medicaid are likely to be worse, for several reasons. First, as noted, most of those affected by the requirements are either already working or face major barriers to work. Many enrollees work in industries such as retail, home health, and construction, and they have volatile hours and little flexibility, so they may not be able to work 80 hours every month. Illness, family emergencies, or child care or transportation barriers can also lead to job loss.

Second, Medicaid enrollees targeted by work requirement proposals already have a strong incentive to work because they are usually eligible for little other assistance and are very poor. Enrollees who are seemingly able to work but aren't employed typically lack not motivation, but

¹⁶ Bureau of Labor Statistics, Healthcare benefits: Access, participation, and take-up rates, <https://www.bls.gov/ncs/ebs/benefits/2017/ownership/civilian/table09a.htm>.

¹⁷ Michelle Long *et al.*, "Trends in Employer-Sponsored Insurance Offer and Coverage Rates, 1999-2014," Kaiser Family Foundation, March 21, 2016, <https://www.kff.org/private-insurance/issue-brief/trends-in-employer-sponsored-insurance-offer-and-coverage-rates-1999-2014/>.

¹⁸ Aviva Aron-Dine, "Eligibility Restrictions in Recent Medicaid Waivers Would Cause Many Thousands of People to Become Uninsured," Center on Budget and Policy Priorities, August 9, 2018, <https://www.cbpp.org/research/health/eligibility-restrictions-in-recent-medicaid-waivers-would-cause-many-thousands-of>.

work supports such as job search assistance, job training, child care, and transportation assistance; they may also face challenges such as an undiagnosed substance use disorder, domestic violence, the need to care for an ill family member, or a housing crisis.

Third, state Medicaid programs generally are not well equipped to provide or connect families with work support services, which are already oversubscribed in most states. The CMS guidance does not require states to offer any work supports in tandem with instituting work requirements — in fact, it prohibits them from using federal Medicaid funding to do so.

Michigan’s proposal says it is “working to identify supports and services that will assist individuals with meeting the workforce engagement requirements.” Yet the legislation authorizing the work requirement does not direct any new money to existing workforce development programs or create new work support programs. Instead, it simply states that the “department must first direct recipients to existing resources for job training or other employment services.” *This means the bill effectively requires the department to spend money on tracking, verification, and paperwork but not to provide any new work supports to help beneficiaries maintain coverage.*

Finally, Michigan’s own reports show that Medicaid coverage benefits those who have gained coverage. In a survey of Michigan Medicaid expansion beneficiaries, over half of non-working adults reported that Medicaid makes it easier to look for work, while nearly 70 percent of working adults said Medicaid made it easier to work or made them better at their jobs.¹⁹

Increased Premiums Will Further Decrease Coverage and Access to Care

The second component of Michigan’s proposal would increase premiums for people who have had 48 months of HMP coverage and have incomes above the poverty line from 2 percent of income to 5 percent of income. These enrollees would have to complete an undefined “healthy behavior” each year. If they miss premium payments or fail to complete the “healthy behavior” they would have their coverage terminated. *This premium amount is higher than has ever been allowed for Medicaid beneficiaries, and higher than the maximum amount people in this income range would pay for silver benchmark coverage in the marketplace.* In addition, eligibility for Medicaid coverage has never been predicated on complying with a healthy behavior program.

Extensive research (including research from Medicaid demonstration projects conducted prior to health reform) shows that premiums significantly reduce low-income people’s participation in health coverage programs.²⁰ These studies show that the lower a person’s income, the less likely they are to enroll and the more likely they are to drop coverage due to premium obligations. People who lose coverage most often end up uninsured and unable to obtain needed health care services.

In proposing to raise premiums, Michigan isn’t claiming to test anything that hasn’t been tried before — either before the ACA, in the state now, or in states like Indiana and Montana that have been granted permission to charge premiums to people with incomes above the poverty line.

¹⁹ Institute for Healthcare Policy & Innovation, *op cit.*

²⁰ Samantha Artiga, Petry Ubri, and Julia Zur, “The Effects of Premiums and Cost-Sharing on Low-Income Populations: Updated Review of Research Findings,” The Kaiser Family Foundation, June 2017, <http://files.kff.org/attachment/Issue-Brief-The-Effects-of-Premiums-and-Cost-Sharing-on-Low-Income-Populations>.

Evidence from these experiments clearly shows that charging premiums makes it more likely that Medicaid beneficiaries lose their health coverage and become uninsured, or that they are less likely to sign up for coverage in the first place. If anything, since Michigan proposes premiums much higher than any state has been allowed to charge, coverage losses will be *greater* than has occurred elsewhere. Further, beneficiaries may have difficulty submitting their premium payment each month as many low-income people lack the banking or credit resources to establish an automatic payment.

The House Fiscal Agency estimates that as many as 35,000 HMP beneficiaries with incomes above the poverty line have had coverage for more than 48 months and would thus be subject to the new requirements. While there would almost certainly be coverage losses attributable to the increased premiums, it should be noted that the Fiscal Agency only estimated coverage losses due to the work requirement. This is another reason that the estimate of 54,000 people losing coverage that was noted earlier will likely be higher.

State Public Comment Period Established Overwhelming Record of Opposition to Michigan's Proposal

Michigan notes that *1 percent* of comments submitted during the state comment period supported the state's proposal (84 percent opposed the proposal and 15 percent expressed support for Medicaid expansion and HMP). Commenters overwhelmingly opposed the proposed work requirement and increased premiums and raised concerns about how vulnerable populations like those with chronic health conditions and substance use disorders would be able to comply with the new requirements. Despite the overwhelming opposition to the waiver and the specific issues raised in the comments, the state submitted a proposal to HHS with few substantive changes.

Conclusion

We urge you to reject Michigan's proposal. The proposal would do nothing to boost employment in the state, or to provide Medicaid beneficiaries with transportation, childcare, education, job search services, or training that could help them find and hold a job. Medicaid beneficiaries with a disability, those with a chronic health condition, and those living in areas without job opportunities or transportation would likely struggle to meet the requirements.

The proposal would also harm those who *are* working. The complex rules and lack of community and transportation supports would likely lead to errors and coverage terminations for those who are working or participating in a job training program and could cause working individuals to erroneously lose coverage.

We also note that our comments include numerous citations to supporting research, including direct links to the research for HHS' benefit in reviewing our comments. We direct HHS to each of the studies cited and made available to the agency through active hyperlinks, and we request that the full text of each of the studies cited, along with the full text of our comments, be considered part of the administrative record in this matter for purposes of the Administrative Procedure Act.

Thank you for your willingness to consider our comments. If you need additional information, please contact Judy Solomon (Solomon@cbpp.org) or Joan Alker (jca25@georgetown.edu).

Autistic Self Advocacy Network
Center for Autism and Related Disorders
Center on Budget and Policy Priorities
Children's Defense Fund
Children's Dental Health Project
Community Catalyst
Family Voices
First Focus
Georgetown University Center for Children and Families
HIV Medicine Association
Michigan Head Start Association
National Alliance on Mental Illness
National Employment Law Project
National Health Care for the Homeless Council
National Multiple Sclerosis Society
National Partnership for Women & Families
Raising Women's Voices for the Health Care We Need
Service Employees International Union
United Way Worldwide