

# Low-Income Families with Children Will Be Harmed by South Carolina's Proposed Medicaid Work Reporting Requirement

## Key Findings

1. The new requirement would lead to as many as 5,000 to 14,000 South Carolina parents losing their Medicaid coverage. The policy change would predominantly affect very poor South Carolina mothers. The impact would hit hardest in the state's small towns and rural communities, where families are more likely to be insured through Medicaid and where jobs are harder to find. African American families would also be disproportionately impacted.
2. Even if these parents find new jobs, they may not be able to afford health coverage provided through their employers, if their employer provides health benefits at all. Only 17 percent of South Carolina non-elderly adults living in poverty receive employer-sponsored insurance. Most are likely to remain uninsured if they lose Medicaid.
3. The loss of coverage for parents would affect their children, exacerbating a troubling surge in the number and rate of uninsured children. South Carolina was one of nine states to see a significant increase in the share of children lacking health coverage in 2017.

South Carolina officials are proposing that very low-income parents and caregivers who qualify for Medicaid fulfill new reporting requirements to show they are working at least 80 hours a month or participating in job-training activities — or face the loss of their health coverage. The state is seeking a Section 1115 Medicaid demonstration waiver from the federal government to implement this plan. If approved, it could mean that many of South Carolina's poorest parents lose health coverage altogether: They could make too much to qualify for Medicaid but not enough to afford private insurance even if they find new jobs. Or they may lose their coverage as a result of getting tangled up in new reporting requirements.

The state estimates that about 83,500 parents would be affected by this new policy if approved by the federal Centers for Medicare and Medicaid Services (CMS). Of the parents impacted, the state estimates that about 2 percent would lose coverage, resulting in approximately 1,600 parents losing coverage initially, rising to 3,000 in the fifth year of implementation. Given experience in other states, this projection is undoubtedly an underestimate. Researchers at the Kaiser Family Foundation project that, in general, an estimated 6 to 17 percent of adults impacted by work requirements would lose coverage.<sup>1</sup> Applying this range to South Carolina, a more realistic projection is that 5,000 to 14,000 parents would lose coverage in the first year, increasing to a projected decrease in enrollment of over 9,000 to 26,000 parents in the fifth year of implementation.

In Arkansas, the first state to impose these new rules, an estimated 22 percent of those affected, or nearly 17,000 people, lost their coverage in just the first few months—often because of administrative hurdles in reporting their work hours.<sup>2</sup> So far, less than 1 percent of Arkansas adults affected are newly reporting work hours, suggesting that the approach is failing to achieve its purported objective of helping people find jobs.<sup>3</sup> If approved, South Carolina's work requirement would take effect on January 1, 2020.

Federal officials announced in January 2018 that they would allow work



requirements for adult Medicaid beneficiaries and have finalized approval for such measures in five states: Arkansas, Indiana, Kentucky, New Hampshire, and Wisconsin.<sup>4</sup> Kentucky's work rules have since been halted by a federal judge, and Arkansas's waiver is the subject of a lawsuit before the same judge.<sup>5</sup> To date, only Arkansas has implemented its work requirement plan.

Unlike South Carolina, four of these states expanded Medicaid at some point after passage of the Affordable Care Act and now offer health coverage to adults with incomes up to 138 percent of the poverty line. Wisconsin expanded Medicaid to all adults below the poverty line. South Carolina, on the other hand, has not changed its eligibility rules. While most of the state's Medicaid beneficiaries are children, disabled adults or those living in nursing homes, federal rules require states to cover some very poor parents. South Carolina has set the threshold at those living at or below 67 percent of the poverty level. That's the equivalent of \$13,923 per year for a family of three, or \$1,160 per month. If these parents worked 80 hours a month at minimum wage, they would make \$6,960, still enough to qualify for Medicaid in South Carolina. A full-time job at minimum wage would put them at \$15,080, making too much to qualify for Medicaid.

But that's not the whole story. Even if these parents found jobs, they would have to pay for childcare and transportation—costs that cannot be covered under Medicaid. Families whose earnings place them below the poverty line are not eligible for Marketplace subsidies, and they would likely be hard-pressed to afford private insurance offered by employers. Only 17 percent of South Carolina nonelderly adults living in poverty currently receive employer-sponsored insurance.<sup>6</sup> This suggests that the loss of Medicaid coverage would result in most of these parents becoming uninsured.

South Carolina's proposal argues that these parents would be healthier if they had jobs, pointing to research showing that unemployment is correlated with higher mortality and lower levels of physical and mental health. It cites a study in Kansas that found adults who receive disability payments and work at least part time have better health habits, a better quality of life and lower monthly Medicaid expenditures than those who aren't working.<sup>7</sup> But the

researchers note that their findings present a correlation—not causation. In fact, the causality is likely in the opposite direction: Those who are healthier are better able to work.

A recent review of research found that poor health meant workers were more likely to lose jobs, while access to affordable health insurance was key to finding and keeping employment.<sup>8</sup> Studies of 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>9</sup> A recent study examining the impact of Michigan's Medicaid expansion found that 69 percent of enrollees said having health insurance through Medicaid helped them do a better job at work and the majority of those who were out of work reported that having Medicaid made them better able to look for a job.<sup>10</sup>

Moreover, South Carolina's work requirement would create more red tape and barriers to Medicaid coverage that will do nothing to help people families rise out of poverty. In fact, the opposite is true. Many parents and children are likely to lose health coverage due to administrative errors or difficulties amassing needed paperwork, which exposes them to greater financial instability. Consider what is happening in Arkansas: Between September and December 2018, nearly 17,000 low-income adults were disenrolled from Medicaid because they did not comply with the work requirement.<sup>11</sup> In many cases, these adults were working but did not complete the monthly verification, which can only be done online during limited hours. Some have said they were unaware of the requirement—or their loss of health coverage—until they showed at the doctor's office or pharmacy. By contrast, less than 1 percent have newly reported their work hours or community engagement activities, suggesting the policy isn't working.<sup>12</sup>

South Carolina's proposal provides more ways to verify the work requirement, including fax, email, telephone, mail or an in-person visit to a county office. State officials pledge to track the number of adults who remain insured and who enroll in other insurance during the five-year demonstration project.

## Who Would Be Affected?

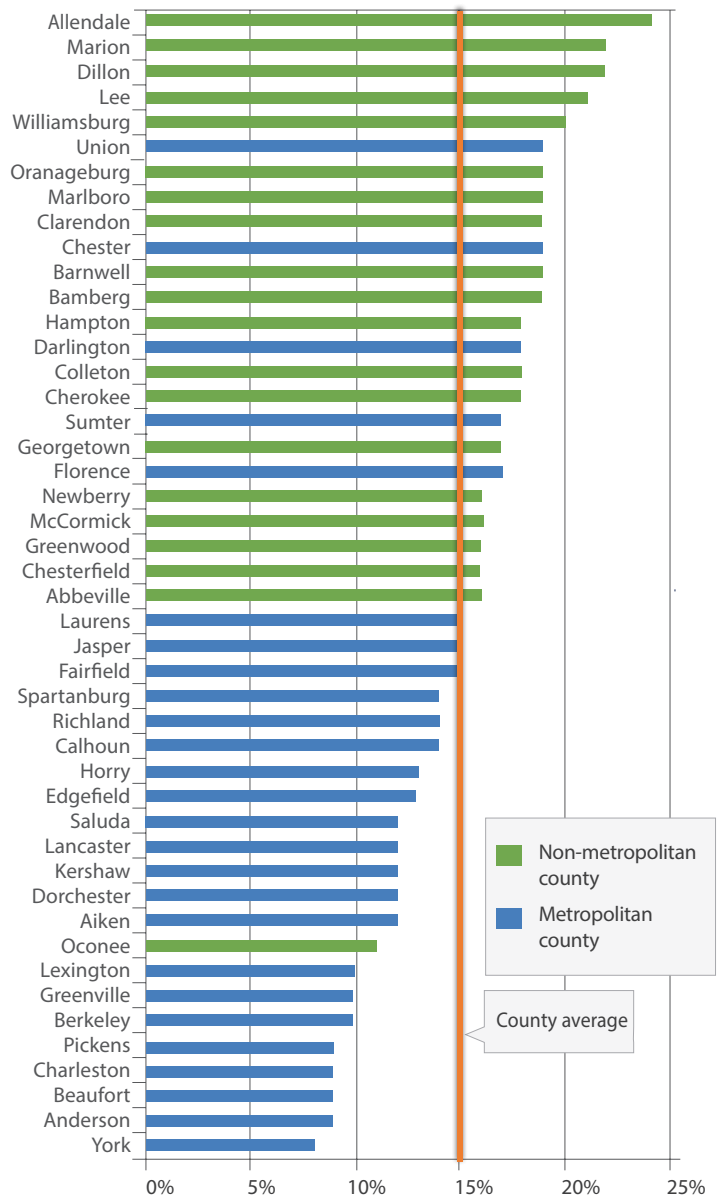
An analysis of parents who rely on Medicaid for health coverage in South Carolina and are targeted by the state's proposal finds that:<sup>13</sup>

- 86 percent are mothers;
- 35 percent report they are already working; 45 percent are not in the workforce, often because they are caring for someone else or have an illness or disability; 19 percent describe themselves as unemployed.
- 51 percent are African American, and 42 percent are White; that compares to the population of nonelderly adults statewide that is 28 percent African American and 64 percent White.
- 37 percent are young parents under age 30.

A separate analysis suggests that the proposal would hit harder in South Carolina's small towns and rural communities, where families are more likely to be covered by Medicaid.<sup>14</sup>

- In South Carolina, about 18 percent of adults in these communities are covered by Medicaid, compared to 12 percent in metropolitan areas.
- Among children, 58 percent in South Carolina's small towns and rural communities have Medicaid coverage, compared to 43 percent in metro areas.
- Jobs remain harder to find in these communities. Nine of the 11 South Carolina counties with the highest unemployment rates (at or over 6 percent) in 2017 were rural counties.<sup>15</sup>

Figure 1. Percent of South Carolina Adults with Medicaid Coverage, by County, 2015-2016



Source: Georgetown University Center for Children and Families and University of North Carolina NC Rural Health Research Program analysis of the 2015 and 2016 American Community Survey (ACS) public use microdata.



## Children Will Suffer When Their Parents Lose Coverage

Children represent nearly two-thirds of South Carolina's Medicaid population and are explicitly exempt from the proposed work requirement. But if their parents lose access to health care, it will affect their children, as well.

- After years of progress reducing the rate of uninsured children, South Carolina was one of nine states that saw a significant increase in both the rate and number of children without health coverage in 2017. The state's rate of uninsured children dropped from 12.1 percent in 2008 to 4.3 percent in 2016, only to ratchet back up to 5.1 percent in 2017, an analysis of U.S. Census data shows.<sup>16</sup> About 60,000 children across the state lack coverage, a number that could grow worse if more parents lose access to health care.
- Children with uninsured parents are less likely to receive the health care they need. 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>17</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>18</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, has been successfully treated for mothers with Medicaid coverage. Without treatment, though, depression can inhibit parent-child bonding in the critical early years of development.

## Conclusion

South Carolina officials have posted their Section 1115 demonstration application for comments, which will be accepted through January 22. After that, the state will consider revisions to its proposal and, if it decides to proceed, submit it to the federal government. CMS is also required to hold a 30-day public comment period. If approved, South Carolina's policy would take effect on January 1, 2020.

How federal officials will respond to this request is uncertain. CMS has issued guidance encouraging states to establish work requirements in Medicaid. But it has not yet ruled on a waiver involving a state that did not accept the Medicaid expansion provided in the Affordable Care Act. The harm associated with these proposals—the inevitable loss of coverage—will fall squarely on the poorest families.

South Carolina's proposal can be expected to result in more uninsured poor parents, putting their children at risk of losing coverage as well. Families living in rural areas

and small towns could be hardest hit because they are more likely to receive Medicaid and have higher rates of unemployment than their counterparts in metro areas. African American families will also be disproportionately affected, as they represent 28 percent of the state's population but 51 percent of the parent population now receiving Medicaid.

The proposed work requirement is also likely to worsen the economic prospects for South Carolina's most fragile families, many of whom already struggle to provide adequate housing, food and clothing for their children. Stripping these mothers of their health coverage will not produce the desired results of greater employment. The proposal offers no new resources to address the barriers that very poor mothers face in getting and keeping a job—barriers that include child care, transportation, and job training.



## Endnotes

<sup>1</sup> R. Garfield, R. Rudowitz, and M.B. Musumeci, "Implications of a Medicaid Work Requirement: National Estimates of Potential Coverage Losses" (San Francisco: Kaiser Family Foundation, June 27, 2018) available at <https://www.kff.org/medicaid/issue-brief/implications-of-a-medicaid-work-requirement-national-estimates-of-potential-coverage-losses/>.

<sup>2</sup> J. Wagner, "Commentary: As Predicted, Arkansas' Medicaid Waiver Is Taking Coverage Away From Eligible People" (Washington: Center for Budget and Policy Priorities, December 2018) available at <https://www.cbpp.org/health/commentary-as-predicted-arkansas-medicaid-waiver-is-taking-coverage-away-from-eligible-people>.

<sup>3</sup> J. Alker, "Arkansas Data Are Clear: Trump's Medicaid Policy is a Dangerous Failure" (Washington: Georgetown University Center for Children and Families, November 2018) available at <https://ccf.georgetown.edu/2018/11/16/arkansas-data-are-clear-trumps-medicaid-policy-is-a-dangerous-failure/>.

<sup>4</sup> Maine and Michigan received approval letters from CMS on December 21, 2018.

<sup>5</sup> A. Schneider, "Surprise! CMS Approves Kentucky Work Requirements Waiver Again" (Washington: Center for Children and Families, November 2018) available at <https://ccf.georgetown.edu/2018/11/21/surprise-cms-approves-kentucky-work-requirements-waiver-again/>.

<sup>6</sup> "Health Insurance Coverage of the Nonelderly (Adults 19-64) with Incomes below 100% Federal Poverty Level (FPL)" (Washington: Kaiser Family Foundation, 2016) available at <https://www.kff.org/other/state-indicator/poor-adults/?currentTimeframe=0&selectedDistribution=s=employer&sortModel=%7B%22colld%22:%22Location%22:%22sort%22:%22asc%22%7D>

<sup>7</sup> J.P. Hall et al., "Employment as a health determinant for working-age, dually-eligible people with disabilities," *Disability and Health Journal*, April 2013, available at <https://www.sciencedirect.com/science/article/pii/S1936657412001264>.

<sup>8</sup> L. Antonisse and R. Garfield, "The Relationship Between Work and Health: Findings from a Literature Review" (San Francisco: The Henry J. Kaiser Family Foundation, August 2018) available at <https://www.kff.org/medicaid/issue-brief/the-relationship-between-work-and-health-findings-from-a-literature-review/>.

<sup>9</sup> "Ohio Medicaid Group VIII Assessment: A Report to the Ohio General Assembly," Ohio Department of Medicaid, (2017) available at <https://medicaid.ohio.gov/Portals/0/Resources/Reports/Annual/Group-VIII-Assessment.pdf>.

<sup>10</sup> R. Tipirneni, J.T. Kullgren, J.Z. Ayanian, et al., "Changes in Health and Ability to Work Among Medicaid Expansion Enrollees: A Mixed Methods Study," *Journal of General Internal Medicine* (2018), available at <https://doi.org/10.1007/s11606-018-4736-8>.

<sup>11</sup> R. Rudowitz, M. Musumeci and C. Hall, "A Look at November State Data for Medicaid Work Requirements in Arkansas" (San Francisco, The Henry J. Kaiser Family Foundation, December 2018) available at <https://www.kff.org/medicaid/issue-brief/a-look-at-november-state-data-for-medicaid-work-requirements-in-arkansas/>

<sup>12</sup> Alker, *ibid*.

<sup>13</sup> These estimates are based on an analysis of American Community Survey (ACS) data. We use an augmented version of the 2016 and 2017 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 68 percent FPL. Individuals receiving supplementary security income and individuals for whom poverty status could not be determined are excluded.

<sup>14</sup> Georgetown University Center for Children and Families and University of North Carolina NC Rural Health Research Program analysis of the 2015 and 2016 American Community Survey (ACS) public use micro sample. We use the micro sample to calculate levels of Medicaid coverage at the county level by age between 2015-2016. We establish county-level estimates of Medicaid coverage for nonelderly adults (age 19 to 64). See the Methodology section of this report for more information.

<sup>15</sup> This information was derived from comparing 2017 unemployment information with the analysis of county population characteristics in Georgetown/UNC study.

<sup>16</sup> J. Alker and O. Pham, "Nation's Progress on Children's Health Coverage Reverses Course" (Washington: Georgetown University Center for Children and Families, November 2018), available at [https://ccf.georgetown.edu/wp-content/uploads/2018/11/UninsuredKids2018\\_Final\\_asof1128743pm.pdf](https://ccf.georgetown.edu/wp-content/uploads/2018/11/UninsuredKids2018_Final_asof1128743pm.pdf).

<sup>17</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>.

<sup>18</sup> K. Wagnerman, "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>.

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