The Impact of Alabama’s Proposed Medicaid Work Requirement on Low-Income Families with Children

Key Findings

1. Alabama’s proposed work requirement and subsequent coverage losses would disproportionately affect mothers, African Americans and families living in rural communities. Many of these women will likely become uninsured as employer-sponsored insurance for low-wage workers is sparse.

2. The proposal creates a Catch-22: Any parent working the 20 to 35 hours required would make too much money to qualify for Medicaid—but likely not enough to afford private insurance. An analysis of the state’s estimates finds that 8,700 parents would be removed from Medicaid in the first year alone.

3. When their parents lose health coverage, children suffer. The families face increased debt, and children are less likely to visit the doctor regularly and more likely to become uninsured themselves. Children in these families are already disproportionately uninsured.

What is Alabama proposing to do?

Alabama is seeking federal permission through a Section 1115 Medicaid demonstration waiver to require parents and caregivers who rely on Medicaid to work 20 to 35 hours a week, prove they are looking or training for a job or do community service before receiving Medicaid. This proposal targets the very poorest and most vulnerable families with children in Alabama—many of whom will lose their health coverage.

If approved, according to the state’s own projections, this work requirement would result in as many as 8,700 of Alabama’s poorest residents losing their Medicaid coverage in the first year alone.1

Alabama is not the first state to seek a work requirement, but it is one of the first to do so without accepting the Medicaid expansion provided under the Affordable Care Act. That expansion allows adults with incomes slightly above the poverty line (138 percent of the federal poverty level) to receive Medicaid. In Alabama, only the poorest parents and caregivers, those making 18 percent of the poverty level or less—$3,740 a year for a family of three or about $312 a month—now qualify. That is the strictest eligibility requirement in the nation (along with Texas). Because Alabama has not expanded Medicaid, the work requirement would apply only to these extremely poor parents.

The new requirement would also affect workers using Transitional Medical Assistance (TMA) by cutting TMA benefits from 12 to six months despite eligibility rules, which ensure that these beneficiaries, by definition, are working more. This contradicts the stated goals of the state’s Section 1115 proposal and suggests that this aspect of the proposal is not about encouraging work but rather about cutting enrollment and Medicaid spending.

In addition, the proposal creates more red-tape and barriers to health coverage without any guarantee of new resources to help families overcome barriers to employment such as job training, transportation or childcare assistance so that very low-income mothers can fulfill their parental responsibilities while meeting the new restrictions on Medicaid coverage.
Who would be affected?

An analysis of parents who rely on Medicaid for health coverage in Alabama finds that: 2

- At least 85 percent are women;
- 60 percent are not in the workforce, in many cases because they are caring for someone else or have an illness or disability; 24 percent describe themselves as unemployed. The remainder are already reporting some work;
- 58 percent are African American; 40 percent are white; and
- 35 percent are young parents under age 30.

Overall, families in Alabama’s rural communities and small towns are more likely to be impacted because Medicaid covers a larger share of them.

- About 14 percent of adults in these communities are covered through Medicaid, compared to 11 percent in urban areas.
- Among children, 52 percent in Alabama’s small towns and rural communities have Medicaid coverage, compared to 42 percent in metropolitan areas. 3

The proposal creates a Catch-22 situation, making it impossible for parents to retain their health coverage.

The proposal requires the poorest parents to work at least 35 hours a week—or 20 hours a week if they have children under age 6. At Alabama’s minimum wage, working 35 hours a week would amount to an annual income of $13,195. At 20 hours, it would be $7,540. Both would be too high to qualify for Medicaid in Alabama.

When these parents lose Medicaid, they would likely lose health coverage. Less than a quarter of Alabama adults living below the poverty line are covered by employer-sponsored insurance. 4 Even if parents are eligible for an employer-sponsored plan, they likely will not be able to afford one, at least not one that would provide adequate coverage for needed health services.
As parents lose health coverage, negative effects for children will follow.

- Alabama’s most fragile families would face more medical debt and possibly even bankruptcy. When a parent loses health coverage, the entire family is put at greater financial risk. Medicaid improves families’ economic security and financial well-being.\(^5\)

- 6.2 percent of Alabama’s children in these very poor families affected by the proposal are uninsured, compared to only 2.4 percent of all children in the state.\(^6,7\) Research has shown that when a parent is uninsured a child is much more likely to be uninsured.\(^6\) Those with health coverage are more likely to see a doctor regularly when their parents have coverage, too. Alabama’s proposal puts these children at even greater risk should their parent lose coverage. Alabama has been a national leader in reducing the overall uninsured rate for children, but our analysis finds that these children from very low-income households are disproportionately uninsured.

- A healthier parent is more likely to be a better parent. Parents who have access to health care are better able to actively support and nurture their children’s healthy development. Maternal depression is a good example of a treatable condition that Medicaid coverage helps to address.

Conclusion

Alabama’s five-year Section 1115 demonstration application is currently open for public comment at the state level until April 2. After that, the state will revise its proposal and submit to the federal government which also must hold a 30-day public comment period. It is not clear if the federal government will approve the proposal, though recent federal guidance has encouraged states to establish work requirements in Medicaid. Alabama’s policy would take effect within six months of approval.

Enacting the proposed work requirement on the most vulnerable families in Alabama is unlikely to achieve its objectives and will harm the state’s most vulnerable women and children – thousands of whom will likely become uninsured. The proposal is likely to disproportionately affect African-Americans and families living in rural areas.
Endnotes

1 These estimates are based on Georgetown CCF calculations of enrollment assumptions included in the state’s budget neutrality estimates accompanying the Section 1115 proposal. For simplicity’s sake we have divided the enrollment estimates (which are presented as monthly estimates) by 12 to get an annual estimate of those losing coverage. In reality there may be more people who lose coverage for less than 12 months or a smaller number who lose coverage for longer.

2 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). 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 19 percent FPL. Individuals receiving supplementary security income and individuals for whom poverty status could not be determined are excluded.


6 The estimate of Alabama children under 19 percent FPL who are uninsured (6.2 percent) is based on an analysis of the 2016 Integrated Public Use Microdata Series (IPUMS), prepared by the University of Minnesota Population Center (IPUMS-USA, University of Minnesota, www.ipums.org). We establish a 2016 estimate of uninsured children who are under 18 years old and live in households with income below 19 percent FPL. Children for whom poverty status could not be determined are excluded.
