

Red States Seek to Remake Medicaid

Work requirements, block grants, drug testing are among proposals

By

[Stephanie Armour](#)

Updated March 15, 2019 6:23 p.m. ET

Republican-led states are stepping up their efforts with the Trump administration to pursue work requirements and other changes to Medicaid, in the face of legal challenges and Democratic opposition.

Tennessee Republicans want permission to revamp Medicaid in exchange for a fixed amount from the federal government. Utah is testing whether it can get approval for a partial Medicaid expansion with capped payments from the federal government. And Kentucky lawmakers have weighed drug-testing recipients with criminal or substance-abuse histories, among other steps.

The initiatives represent some of the biggest potential changes to the 54-year-old Medicaid program, which guarantees matching, open-ended federal funding to states for health coverage for low-income and disabled people. An important test began Thursday, when a federal judge in Washington, D.C., heard oral arguments in a case challenging new proposed requirements in two red states.

Under the Affordable Care Act, the Medicaid program has grown to cover about 75 million people, or one in five Americans, up from 50 million when the law was enacted in 2010, according to federal data, due in part to broader income-based eligibility. This has helped drive down the nation's uninsured rate, but critics of the law say that expanded eligibility has burdened state budgets and given benefits to people who could instead get jobs with health coverage. So far, 36 states and Washington, D.C., have expanded Medicaid under the ACA.

President Trump's 2020 budget request would impose a national work requirement on Medicaid. Instead of paying an open-ended share of the program, as is current policy, the administration is proposing that the federal government provide a fixed amount

through block grants or per capita caps. In return, states could get wide latitude to reshape their Medicaid programs.

“The budget lets us focus on these people with substance-use disorders, mental illness, the disabled, the people who really need it,” Health and Human Services Secretary Alex Azar said Tuesday in a House subcommittee budget hearing.

Republicans pursued a revamping of Medicaid in their failed 2017 effort to repeal Obamacare. With that option closed, the Trump administration has signaled it wants to give states more authority, spurring the new initiatives critics say improperly circumvent Congress and amount to an attack on the poor.

“It’s clear that block-granting Medicaid is the Holy Grail,” said Joan Alker, executive director of Georgetown University’s Center for Children and Families. “It failed through legislation so they are trying through the administration.”

The administration’s proposed changes mark “illegal efforts to kick vulnerable Americans off Medicaid through work requirements, lock outs and red tape,” said Frank Pallone, Jr. (D., N.J.), chairman of the House Energy and Commerce Committee, at a hearing Tuesday.

As GOP-led states move to further restrict Medicaid, the divide between red and blue states is likely to mean wider geographic disparities in health-care coverage and access. Some of the proposals being considered would impact both those covered under the ACA expansion, as well as the more traditional Medicaid population.

Many changes are under consideration. Seven GOP-led states have received approval from the Trump administration for work-related requirements, according to the San Francisco-based Kaiser Family Foundation, a nonprofit group. Eight other requests with the administration are pending, and a number of other states is actively considering the requirements. States have also gotten approval to require copays, as well as to restrict benefits and eligibility.

Under Republican Gov. Bill Lee, GOP lawmakers in Tennessee are pursuing a bill to change the state's federal funding for Medicaid from the current open-ended system to a capped grant. It would come with less oversight of the program, giving Republicans more autonomy in how they shape Medicaid. Critics say it would lead to skimpier benefits.

Utah is asking the administration to let it partially expand Medicaid and eventually pursue a fixed, per capita federal funding level for new beneficiaries. Voters in the November midterms had approved a full expansion of the program but state lawmakers passed a bill overriding it.

More Republican-led states could pursue Medicaid expansion if they are allowed to make changes.

"There is clearly a pattern of red states looking to limit Medicaid," said Larry Levitt, a senior vice president at the Kaiser Family Foundation. "Any red state looking to expand the program is looking at it."

The clash over Medicaid is playing out in U.S. District Court in Washington, D.C., where oral arguments began Thursday on lawsuits seeking to block the Trump administration's approval of work requirements in Arkansas and Kentucky.

The stakes are high: Republican Kentucky Gov. Matt Bevin has said he would end the state's Medicaid expansion if a court blocks the work-related requirements set to begin on April 1. The judge could rule before then.

Arkansas initiated the state's first-ever Medicaid work requirement in June, and more than 18,000 people lost coverage through December. Arkansas state officials say there were a variety of reasons behind the disenrollments, including recipients who had died or didn't return requested information.

Write to Stephanie Armour at stephanie.armour@wsj.com