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MEMORANDUM

TO: Members of the Montana Legislature

FROM: Nic Horton and Jonathan Ingram, FGA Action

DATE: March 18, 2015

RE: Senate Bill 405, the Montana Health and Economic Livelihood Partnership Act

This week, Senator Ed Buttrey filed Senate Bill 405, otherwise known as the “Montana Health and Economic Livelihood Partnership Act” (HELP Act).¹ Supporters have billed this plan as an “alternative” to ObamaCare’s Medicaid expansion. Unfortunately, this plan would bring ObamaCare expansion to Montana.

The HELP Act would expand ObamaCare in Montana

The HELP Act expands Medicaid under ObamaCare. The HELP Act would deliver all regular Medicaid benefits and be subject to the same cost-sharing limits as traditional Medicaid. The plan would cover the exact same able-bodied adults as the optional Medicaid eligibility category created by ObamaCare.

Those enrollees would be legally classified as Medicaid enrollees, making them entitled to all the same rights and protections as any other Medicaid enrollee. The plan would operate under a Medicaid waiver, would need an amended Medicaid state plan to implement and would be funded through the Medicaid program with money authorized by ObamaCare.

In short, the HELP Act uses ObamaCare dollars to provide ObamaCare benefits to individuals who meet the Medicaid expansion eligibility requirements set forth in ObamaCare.

The HELP Act creates a new entitlement for able-bodied childless adults

The HELP Act would extend Medicaid eligibility to a new class of able-bodied, mostly childless adults. These able-bodied adults have no disabilities keeping them from meaningful employment and more than 75 percent of them have no dependent children.² These able-bodied childless adults have not traditionally qualified for other types of welfare, including cash assistance and long-term food stamps.³⁻⁴

Potential HELP Act enrollees do not work full-time jobs

According to data from the U.S. Census Bureau, fewer than 21 percent of potential HELP Act enrollees work full-time, year-round jobs.⁵ On the other hand, more than 43 percent of potential enrollees do not work at all.⁶ The remaining potential enrollees work only part-time, seasonally, or for only part of the year.⁷ Indeed, able-bodied childless adults can rise out of poverty simply by working 28 hours per week at a minimum wage job.⁸

The HELP Act creates a massive new welfare cliff

Under the HELP Act, enrollees would face a massive welfare cliff if they try to climb the economic ladder. Enrollees at the upper limit of HELP Act eligibility would pay at most \$805 per year in premiums, copayments, and other out-of-pocket costs. But if those enrollees earned a single dollar more, they would lose eligibility under the HELP Act and move into the ObamaCare exchange.

In the ObamaCare exchange, they would be responsible for paying premiums of \$531 per year, after subsidies, for the benchmark Silver plan. Enrollees moving into Silver plans would also be subject to deductibles and other out-of-pocket costs that could add up to \$1,250 per year, after subsidies. Earning an extra dollar would cost these enrollees several hundred dollars in higher costs and lost benefits.

The HELP Act discourages work and shrinks the economy

The massive new welfare cliff created by the HELP Act is sure to discourage employment. Research shows that expanding Medicaid to this new population will discourage work, depress earnings, reduce labor-force participation, and hurt the economy.

A comprehensive study released by the National Bureau of Economic Research, for example, found that past Medicaid expansions to enroll able-bodied, childless adults reduced the likelihood of working by up to 10 percentage points.⁹ This means that Montana could expect to see as many as 10,000 adults drop out of the labor force as a result of the HELP Act.¹⁰

The Congressional Budget Office confirms that ObamaCare will discourage work and cause millions of working-age adults to drop out of the labor force or reduce their hours, ultimately reducing economic output.¹¹ Indeed, there is strong evidence of that happening after previous Medicaid expansions to able-bodied adults in Arizona, Iowa, Maine, Maryland, Michigan, New Mexico, New York, Pennsylvania, Tennessee, Utah, Washington, D.C., and Wisconsin.¹²⁻¹³

The HELP Act “premiums” are mere suggestions

The HELP Act would “require” enrollees pay premiums equal to 2 percent of their income. But this “requirement” is completely unenforceable, as there are no meaningful penalties for enrollees who refuse to pay the required premiums.

Under the HELP Act, adults below the poverty line would not be disenrolled for failure to make these premiums. These adults are expected to make up nearly three-quarters of all HELP Act enrollees.¹⁴ Instead of enforcing premiums, the state would attempt to collect some of the missed premiums when enrollees file their income tax returns.

Enrollees above the poverty line who refuse to pay their premiums would have a 90-day grace period and more than a dozen provisions that would exempt them from removal from the program, such as participation in workforce development, enrollment in college, participation in “healthy behavior plans,” etc. The plan also lacks a fixed lock-out period for enrollees who refuse to pay premiums, allowing them to re-enroll immediately after disenrollment.

FMAP cuts are coming – and they will bring fiscal pain to Montana

The HELP Act provides that, if and when Congress reduces the enhanced funding for Medicaid expansion, the state will appropriate more money to make up the difference, impose higher premiums on enrollees, or some combination of the two. But this provision does absolutely nothing to protect taxpayers or Montana policymakers.

The funding for ObamaCare’s Medicaid expansion is already on the chopping block in Congress.¹⁵ The new Republican Congress has signaled that it will be a top target for federal savings, while even President Obama has proposed reducing that enhanced funding in his budgets and during debt ceiling negotiations.¹⁶

Given that the HELP “premiums” are simply suggestions, the burden will ultimately be put on Montana taxpayers to make up the shortfall when the enhanced funding is cut.

The HELP Act has no meaningful work requirements

Nothing in the HELP Act requires enrollees to actually work, look for work, or even participate in work-training activities. In fact, the HELP Act specifies that workforce development activities are completely optional. Voluntary “workforce development” programs cannot and will not move able-bodied adults out of welfare and into self-sufficiency, particularly when the HELP Act itself creates a massive welfare cliff that discourages work.

The HELP Act’s “workforce development” steals resources from needy families

The HELP Act provides that it will use funds dedicated to the Temporary Assistance for Needy Families (TANF) program to pay for the new workforce development program for able-bodied childless adults. These resources have been set aside to provide temporary, targeted assistance to poor families with children. But under the HELP Act, at least some of those resources would be redirected to a new class of able-bodied, childless adults who don’t typically qualify for other types of welfare.

The HELP Act’s “Taxpayer Integrity Fee” will never be approved

The HELP Act provides for a “Taxpayer Integrity Fee” of \$100 per month on individuals with assets exceeding a specified level. That fee increases by an additional \$4 per month for every \$1,000 above the specified level. Although asset tests are important tools to ensure welfare programs are targeted to the truly needy, this fee will never be approved by the federal government. The fee, which amounts to an asset test for enrollees, is impermissible under federal Medicaid law.¹⁷

Endnotes

- ¹ Senate Bill 405, Montana Legislature (2015), <http://leg.mt.gov/bills/2015/billpdf/SB0405.pdf>.
- ² Genevieve M. Kenney et al., "Opting in to the Medicaid expansion under the ACA: Who are the uninsured adults who could gain health insurance coverage?" Urban Institute (2012), <http://www.urban.org/UploadedPDF/412630-opting-in-medicaid.pdf>.
- ³ Human and Community Services Division, "Montana state plan for the Temporary Assistance for Needy Families program," Montana Department of Public Health and Human Services (2012), <http://www.dphhs.mt.gov/publications/tanfstateplan.pdf>.
- ⁴ 7 C.F.R. § 273.24 (2013), <http://www.gpo.gov/fdsys/pkg/CFR2013-title7-vol4/pdf/CFR-2013-title7-vol4-sec273-24.pdf>.
- ⁵ Census Bureau, "Current population survey: Annual social and economic supplement," U.S. Department of Commerce (2013), <http://www.census.gov/cps/data/cpstablecreator.html>.
- ⁶ Ibid.
- ⁷ Ibid.
- ⁸ Jonathan Ingram, "Work requirements work well for welfare, but they still cannot turn a terrible policy into a good one," Foundation for Government Accountability (2015), <http://thefga.org/2015/02/new-research-work-requirements-work-well-and-help-lift-the-poor-out-of-poverty>.
- ⁹ Laura Dague et al., "The effect of public insurance coverage for childless adults on labor supply," National Bureau of Economic Research (2014), <http://www.nber.org/papers/w20111.pdf>.
- ¹⁰ Jonathan Ingram, "Work requirements work well for welfare, but they still cannot turn a terrible policy into a good one," Foundation for Government Accountability (2015), <http://thefga.org/2015/02/new-research-work-requirements-work-well-and-help-lift-the-poor-out-of-poverty>.
- ¹¹ Devrim Demirel et al., "Labor market effects of the Affordable Care Act: Updated estimates," Congressional Budget Office (2014), <https://www.cbo.gov/sites/default/files/cbofiles/attachments/45010-breakout-AppendixC.pdf>.
- ¹² Gery P. Guy, Jr., et al., "Public health insurance eligibility and labor force participation of low-income childless adults," Medical Care Research and Review 69(6): 645-662 (2012), <http://mcr.sagepub.com/content/69/6/645>.
- ¹³ Craig Garthwaite et al., "Public health insurance, labor supply, and employment lock," National Bureau of Economic Research (2013), <http://www.nber.org/papers/w19220.pdf>.
- ¹⁴ Genevieve M. Kenney et al., "Opting in to the Medicaid expansion under the ACA: Who are the uninsured adults who could gain health insurance coverage?" Urban Institute (2012), <http://www.urban.org/UploadedPDF/412630-opting-in-medicaid.pdf>.
- ¹⁵ Jonathan Ingram et al., "How the new Congress can thoughtfully repeal ObamaCare's expansion," Forbes (2015), <http://www.forbes.com/sites/theapothecary/2015/01/05/how-the-new-congress-can-thoughtfully-repeal-obamacares-expansion>.
- ¹⁶ Ibid.
- ¹⁷ 42 C.F.R. § 435.603 (2014), <http://www.gpo.gov/fdsys/pkg/CFR-2014-title42-vol4/pdf/CFR-2014-title42-vol4-sec435-603.pdf>.