



# THE BUCKEYE INSTITUTE

## **The Benefits of Medicaid Work and Community Engagement Requirements**

Interested Party Testimony  
Ohio Senate Medicaid Committee  
Ohio Senate Concurrent Resolution 5

Rea S. Hederman Jr.  
Vice President of Policy  
The Buckeye Institute

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As Submitted

Chair Romanchuk, Vice Chair Huffman, Ranking Member Liston, and members of the Committee, thank you for the opportunity to submit written testimony regarding Medicaid and **Ohio Senate Concurrent Resolution 5**.

My name is Rea S. Hederman Jr., I am vice president of policy at **The Buckeye Institute**, an independent research and educational institution—a think tank—whose mission is to advance free-market public policy in the states.

Medicaid originally offered healthcare coverage for those unlikely to be employed, such as expectant mothers, the elderly, disabled adults, and children. For almost 50 years, the government expected healthy adults to be in the labor force working or looking for work. In 2010, the Affordable Care Act (ACA) extended Medicaid eligibility to healthy, childless, working-age adults—Group VIII recipients in Ohio. The state’s **proposed waiver** will require Group VIII recipients to meet one of the following criteria: be employed; be at least 55 years old; attend school or an employment training program; suffer mental health issues or intense physical needs; be a drug or alcohol addict. The age, mental and/or physical health, and addiction criteria continue providing Medicaid coverage for those likely to need government services, at least for the short term. The education criteria help workers seeking job skills and training. The age exemption raises Ohio’s eligibility age from 50 to 55 years old, a sensible improvement from Ohio’s previous waiver that accounts for healthcare innovations and longer life expectancy.

### **Impact of Medicaid on Labor Supply**

According to mainstream economic theory, any policy that creates an implicit tax on work will reduce work effort. An income eligibility limit places an implicit “tax” on work insofar as Medicaid benefits may be removed once a certain income level is attained. Thus, Medicaid income eligibility creates an incentive to reduce work in order to remain eligible for Medicaid.

Economists at the Congressional Budget Office (CBO) analyzed the ACA in 2010 and predicted that the statute would **reduce labor supply**. The primary reason for the projected decline in the labor supply was the ACA’s Medicaid expansion. The CBO believed that some people work only to obtain health insurance and would reduce work effort if they could receive Medicaid benefits without being employed. A subsequent CBO **study** similarly found a reduction in work effort due to Medicaid expansion among a few other factors.

Academics have studied the impact of expanding Medicaid to childless adults in specific states like **Tennessee** and **Wisconsin**, and they too found Medicaid expansion reducing work effort. According to these studies, the impact and duration of the economic impact vary, with some of the negative employment impact fading over time. Finally, research in other transfer programs has found a similar negative effect on work effort, making the Medicaid findings more robust as these other studies support them.

## Buckeye Research on Benefits of Work Requirements

The Buckeye Institute's **research** shows that Medicaid work requirement waivers can increase lifetime earnings by hundreds of thousands of dollars for enrollees. Extending Medicaid benefits to individuals able to work may reduce their lifetime earnings over the long-term and adversely affect their consumption patterns in the short-term. Workers have less incentive to invest in their human capital if they are not required to work in order to receive benefits. Labor economics has **repeatedly found** that wages increase as workers obtain more skills.

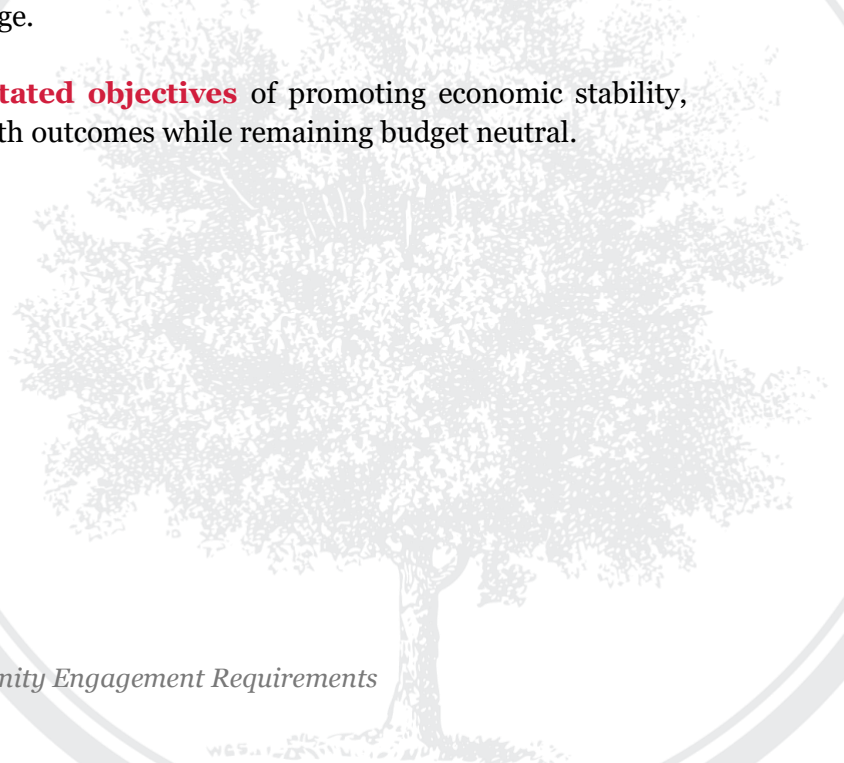
Medicaid's income-eligibility requirement negatively affects labor force participation by creating a disincentive for Medicaid recipients to maintain meaningful employment. Data and theory show that this disincentive, in turn, reduces human capital in the long-term as Medicaid recipients drop out of or never join the labor force.

Implementing work requirements for benefits eligibility creates an incentive to increase human capital investment through the labor market. With understandable exceptions for some unable to meet those requirements, we find that work requirements on able-bodied adults with no dependents may lead to significant potential economic benefits for these individuals. As enrollees increase their work effort, they build their human capital skills, which will make it easier to find a better job or earn more at their current job.

We find that implementing Medicaid work requirements has the potential to raise the usual weekly hours worked between 22 and 25 hours (more than half a full-time work week), well above the typical 20 hours per week requirement. As individuals work more, they gain experience and that experience translates into higher wages and even more hours worked, leading up to full-time employment. With single, able-bodied individuals with no dependents on Medicaid averaging approximately 11 hours of work per week, the 22- to 25-hour increase in work hours confirms that individuals would tend towards full-time work if required to work at least 20 hours per week. This can raise lifetime earnings by hundreds of thousands of dollars or more if a Medicaid enrollee transitions off Medicaid into private coverage.

Thus, the proposed waiver achieves **its stated objectives** of promoting economic stability, financial independence, and improved health outcomes while remaining budget neutral.

Thank you for your time and consideration.



### ***About The Buckeye Institute***

*Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.*

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