



**BACKGROUND** Adding work requirements to Medicaid through Section 1115 waivers is likely to reduce the number of people with Medicaid coverage. It can also harm the financial viability of some hospitals by reducing their Medicaid revenues and increasing uncompensated care costs, resulting in lower operating margins.

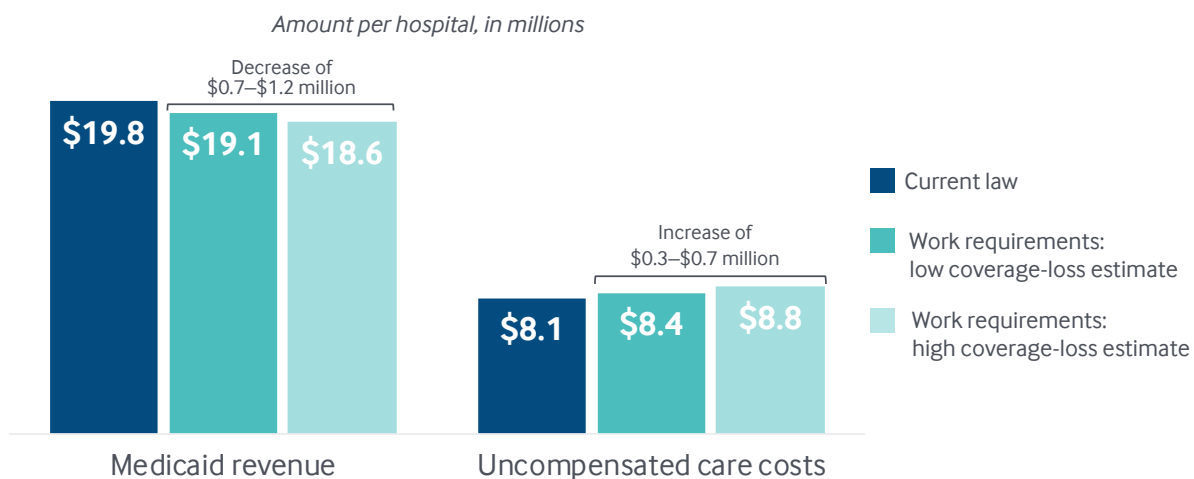
Utah’s 1115 Medicaid waiver was approved by the U.S. Department of Health and Human Services. The application includes a provision for implementing work requirements for the Medicaid population that will become eligible through the Affordable Care Act’s Medicaid expansion and who are between ages 18 and 59. A ballot initiative to expand Medicaid passed in November 2018, but the state has not yet expanded it.

**ENROLLMENT IMPACT** We estimate 10,000 to 17,000 current Medicaid enrollees could lose coverage.<sup>1</sup>

**ESTIMATED REDUCTION IN MEDICAID REVENUE** Utah hospitals will receive \$19.8 million in Medicaid revenues per hospital in 2019 if Medicaid is expanded without work requirements. Assuming statewide implementation of work requirements, we estimate the average Utah hospital’s Medicaid revenues will decline \$700,000 to \$1.2 million (4%–6%) in 2019.

**INCREASE IN UNCOMPENSATED CARE COSTS** Utah hospitals will provide \$8.1 million in uncompensated care costs per hospital in 2019 if Medicaid is expanded without work requirements. Assuming statewide implementation of Medicaid work requirements, we estimate the average Utah hospital’s uncompensated care costs will increase \$300,000 to \$700,000 (4%–9%) in 2019.

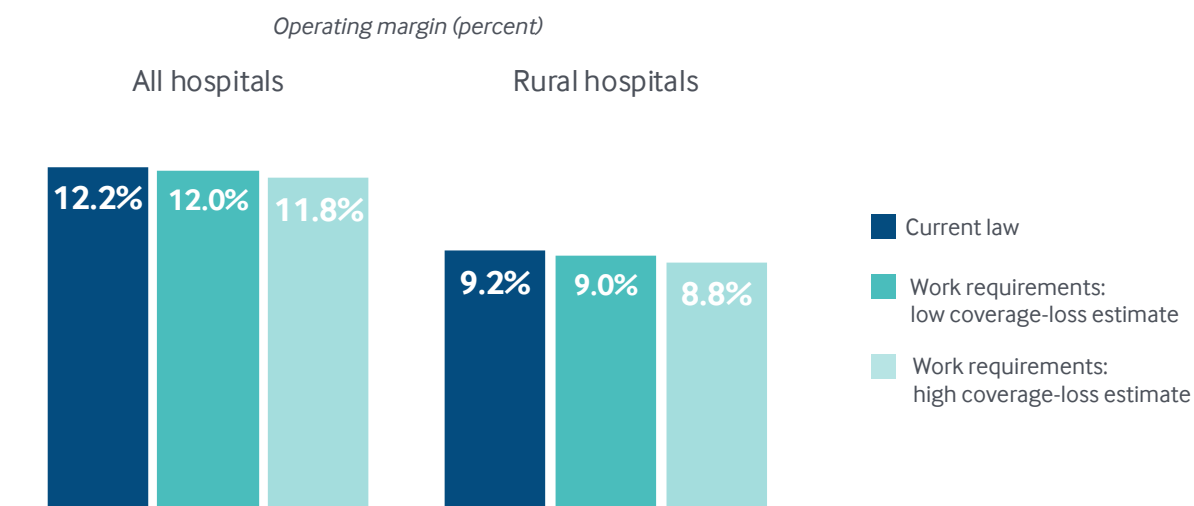
## Estimated Impact of Work Requirements on Medicaid Revenue and Uncompensated Care Costs per Hospital, 2019



Source: Dobson | DaVanzo analysis using the Hospital Financial Simulation Model based on Medicare hospital cost reports for 2017.

**REDUCTION IN HOSPITAL OPERATING MARGIN** Operating margins for Utah hospitals in 2019 will be 12.2%, on average, if Medicaid is expanded without work requirements. Work requirements will reduce operating margins to between 12.0% and 11.8% assuming statewide implementation in 2019. Rural hospitals in Utah will have a 9.2% margin in 2019, which could decline to between 9.0% and 8.8% upon implementation of work requirements.

## Estimated Impact of Work Requirements on Hospital Operating Margins, 2019



Source: Dobson | DaVanzo analysis using the Hospital Financial Simulation Model based on Medicare hospital cost reports for 2017.

**DISCUSSION** In states that impose work requirements, Medicaid beneficiaries will lose health insurance coverage if they cannot find work, are unable to document the required number of hours of work activity, or cannot document an exemption. Their loss of coverage will impact hospitals by reducing revenue and increasing uncompensated care costs. These adverse effects will not only affect the hospitals and Medicaid patients, but the entire community served by these hospitals if they must reduce staff or eliminate important services because of lower revenues and increased uncompensated care.

### NOTES

1. Based on methodology developed by Leighton Ku and Erin Brantley. See Leighton Ku and Erin Brantley, "Medicaid Work Requirement in Nine States Could Cause 600,000 to 800,000 Adults to Lose Medicaid Coverage," *To the Point* (blog), Commonwealth Fund, June 21, 2019.