March 3, 2025

Elizabeth Pitman
Director, Division of Medical Services
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Submitted electronically to ORP@dhs.arkansas.gov.

Re: Proposed Amendment to Medicaid Section 1115 Demonstration Project, Arkansas Health and Opportunity for Me (ARHOME)

Dear Director Pitman:

On behalf of Families USA, thank you for the opportunity to comment on the *Proposed Amendment to Medicaid Section 1115 Demonstration Project, Arkansas Health and Opportunity for Me (ARHOME)* prior to submission to the Centers for Medicare and Medicaid Services.

Families USA is a leading national, non-partisan voice for health care consumers, dedicated to achieving high-quality, affordable health care and improved health for all. Families USA greatly appreciates the opportunity to comment on the "Pathway to Prosperity" amendment that Arkansas proposes to add to its current ARHOME Demonstration, as the proposed amendment will significantly impact the lives of over 230,000 ARHOME program enrollees aged 19-64 who qualify for the state's Medicaid expansion[1]—comprising over 50% of Medicaid-enrolled adults in Arkansas,[2] and over 13% of all adults in the state.[3]

Like its 2018-2019 failed predecessor, "Arkansas Works," Pathway to Prosperity establishes onerous and punitive work and community engagement requirements for the Medicaid expansion population. While the Arkansas Department of Human Services (DHS) goes to great lengths to differentiate this new program from its former attempt, in the end, Pathway to Prosperity is the same flawed policy—a policy that previously pushed over 18,000 Arkansans off Medicaid (one in four people subject to the requirement),[4] while costing the state millions of taxpayer dollars[5] and failing to increase employment.[6]

Families USA strongly opposes all work reporting requirement programs including programs disguised as "community engagement" or as a "solution to poverty." No matter what you call them, these programs all lead to the same result: they create an immense administrative hurdle that makes it more difficult for eligible people—including rural Americans, people with disabilities, working people and veterans—to enroll in or maintain Medicaid coverage. Furthermore, no amount of posturing and flowery language can mask the fact that by pushing eligible people off Medicaid, Pathway to Prosperity and programs like it do not promote Medicaid's primary objective—that is, to "furnish medical assistance."[7,8]

Families USA strongly opposes the Pathway to Prosperity program and urges DHS to withdraw this harmful and economically destructive proposed amendment. As we outline in our comments, the Pathway to Prosperity program will only serve to further threaten the financial security of Arkansans, directly undermining the will of the people who just voted in the national election for greater economic

stability. Families USA strongly encourages DHS to stand with their residents to protect access to Medicaid by ceasing their attempts to reinstitute a work reporting requirement program.

I. Pathway to Prosperity does not meet Medicaid's primary objective of furnishing medical assistance because it serves to push eligible people off Medicaid coverage.

In its application, DHS appropriately acknowledges that, given the court ruling in *Gresham v. Azar*[9] (the 2020 District Court case that struck down the original Arkansas Works program), it has to do a better job of justifying how its proposed work and community engagement requirements for ARHOME enrollees promote the primary objective of Medicaid: to "furnish medical assistance," as required by the Social Security Act.[10] To this end, DHS aims to justify its approach by discussing it in a framework of "investments" in health and "economic stability," while describing the well-established links between poverty and poor health, along with Medicaid's role as an "anti-poverty program."[11]

While every state health department should be concerned about improving health and decreasing poverty, the truth is that Pathway to Prosperity is a program designed to undermine that very goal by pushing eligible people off Medicaid. In its waiver amendment proposal, DHS estimates that ***25% of Arkansans*** assigned so-called "success coaching" under the proposed program ***will have their ARHOME coverage suspended***.[12]

Despite these estimated coverage losses, DHS attempts to position itself as continuing to "furnish medical assistance," by stating the Pathway to Prosperity program "does not make compliance a condition of eligibility" because individuals are merely suspended, rather than disenrolled.[13] But this is a distinction without meaning, as suspension and disenrollment have the same effect: under the program, suspended adults have *no access* to Medicaid coverage. This means no access to the health care that ARHOME enrollees need to keep them healthy and keep them working.

There's just no way around it: compliance with the Pathway to Prosperity program *is* a condition of receiving Medicaid. DHS' attempt to argue otherwise falls apart on page 27 when it boasts the savings the program will achieve yearly by hitting suspension targets.[14] Here, DHS shows its hand that suspension—decreased access to Medicaid coverage—is the primary objective of the program, just as it was under Arkansas Works. No amount of ornamental language about poverty and health can redeem DHS' actions here, and even if it could, we remind DHS of the *Gresham* court's ruling:

> ***"[a] focus on health is no substitute for considering Medicaid's central concern: covering health costs through the provision of free or low-cost health coverage***."[15]

II. Pathway to Prosperity does not meet Medicaid's secondary objective of furnishing rehabilitation and other services, and DHS' proposal misunderstands the intent behind the statute.

As its argument about furnishing medical assistance fails, DHS attempts an additional argument for why the Pathway to Prosperity program meets a second Medicaid objective set out by the Social Security Act, which is to furnish "*rehabilitation and other services to help such families and individuals attain or retain capability for independence or self care*."[16]

In a self-serving misreading of the statutory term "independence," DHS attempts to argue that putting in place a work requirement and community engagement program assists individuals in "attaining

economic independence," and that this promotes Medicaid objectives. In reality, this additional objective of the Medicaid program is not about helping people attain skills for applying to higher paying jobs. Instead, "independence" in the statute refers to Medicaid's important role in supporting eligible people in need of institutionalized care (inpatient hospital care, nursing facilities etc.), and the goal of helping people "attain or retain capability for independence" so they can return home from institutional settings.[17] While Arkansas may want to support citizens in finding employment, it cannot manipulate the words of the statute for its own gain to justify the misuse of Medicaid as a workforce training program, with suspension of benefits for noncompliance as the main goal.

III. Pathway to Prosperity threatens working families, providers, and local economies.

Even if DHS could make the argument that Pathway to Prosperity promotes any Medicaid objective, it cannot make the argument that this proposed program will achieve DHS' goal to "drive improved health and economic independence outcomes for working age nondisabled adults." As described above, Pathway to Prosperity will suspend working people from Medicaid, leaving them without access to the health care services they need to stay healthy and working. But beyond coverage losses, work reporting and community engagement programs fail to improve employment, are expensive to implement, drive economic insecurity for working families, and put hospitals and the health system at risk.

Work reporting requirements fail to improve employment.

The fact is, 92% of people who rely on Medicaid across the country are already working, in school, ill or disabled, or caregiving.[18] There is no evidence that work reporting requirements result in higher employment rates.[19] In fact, multiple government and independent analyses definitively conclude that these programs do *not* result in sustainable employment gains; instead, they result in significant coverage losses and skyrocket the uninsured rate.[20,21,22] A study of the prior Arkansas Works program found no evidence that low-income adults had increased their employment or other community engagement activities either in the first year (when the program was in effect) or in the longer term.[23] Focus group interviews of Arkansans subject to the program show that the work requirement did not provide an additional incentive to work because people were *already* motivated to work to make ends meet (for example, to pay utilities or buy food).[24]

Furthermore, two different focus group studies explained that the Arkansas Works program could not change the realities of the Arkansas labor market, where factors beyond individual control—few regional job opportunities beyond low-wage retail and fast food, a shrinking labor market (due to farming and welding jobs becoming more automated), lack of public transportation and employers that offer unpredictable work schedules—made it difficult for people to work more hours or for better pay.[25,26] The Arkansas Division of Workforce Services has also explained that poor access to childcare in the state is one of the driving factors in Arkansas' declining labor force participation rate.[27] Despite these challenges, ***95 percent of Medicaid beneficiaries subject to Arkansas Works were already working enough hours to meet the requirements (or were otherwise caregivers, ill or disabled, or attending school)***.[28]

The Arkansas Works program, then, did not serve as a solution to any problem in the state: Medicaid-enrollees were already working, were motivated to keep working, and were achieving what they could in a tough labor market. Arkansas Works did nothing to change these realities, and it's hard to imagine Pathway to Prosperity could achieve any different result. DHS offers no details on how its proposed "Success Coaching" will combat difficult regional labor market forces for ARHOME participants. Meanwhile, the program as designed will suspend coverage for anyone who is "not on track" towards

meeting "economic goals." This jeopardizes both health and the ability to maintain employment, as people with Medicaid are more likely to be healthy, and healthy people are more likely to be able to work.[29,30,31]

Work reporting requirements are expensive to implement.

Work reporting requirements are extremely costly to states and counties.[32] They require substantial financial resources to administer: DHS estimates Pathway to Prosperity will cost $42.8 million over five years, including $6.5 million in "infrastructure" costs (staff training and infrastructure upgrades) and $35.9 million in "services" costs (care coordination services offered by success coaches to eligible ARHOME enrollees).[33] We note that this price tag is $16.7 million higher than DHS' estimate for the original Arkansas Works program ($26.1 million).[34]

Not only is a $42.8 million price tag hard to justify for a program that is unlikely to meet its objective to improve health or employment, what is even more difficult to justify is the opportunity cost, when one considers what these resources could support if deployed differently:

- As DHS states in its application, "Medicaid is an anti-poverty program."[35] If DHS is serious about reducing poverty, then why not divert these resources to enroll more people in ARHOME? DHS estimates its first-year cost for the proposed program will be $10.2 million. With $10.2 million, DHS could instead extend one year of Medicaid to an additional 1,122 uninsured Arkansans (assuming the current ARHOME per member per month cost of $757.23).[36]

- These resources could also be deployed toward in any number of proven anti-poverty measures, such as child tax credits, paid family leave, increased minimum wages, investments in childcare and early childhood education, and food assistance programs.[37] One 2023 study estimated that if every Arkansas resident who qualified for one of seven safety-net programs—including food and nutrition programs, childcare subsidies and subsidized housing—received these benefits (assuming administrative, funding and other barriers were removed), the poverty rate in Arkansas would decline from 16.2% to 12.5%.[38] For example, the Supplemental Nutrition Assistance Program (SNAP) is a highly effective poverty-reduction policy for individuals and families.[39] As Arkansas has the highest prevalence of food insecurity in the nation (at nearly 19% in 2023),[40] the $10.2 million in first-year costs for Pathway to Prosperity could instead support an additional 2,741 families with one year of SNAP benefits.[41,42]

Reducing poverty *can* be achieved with smart investments in safety-net programs. Throwing millions of taxpayer dollars to cover administrative expenses for a program designed to push people off Medicaid is not an anti-poverty solution.

Work reporting requirements drive economic instability for American families.

With Medicaid, families have reduced exposure to medical debt, are better able to put food on the table and are less likely to be evicted from their homes.[43,44] Arkansans who erroneously lost coverage because of Arkansas Works had increased medical debt (averaging over $2,200) and the program roughly doubled the portion of adults who reported having serious problems paying their medical bills.[45] In addition, among Arkansans who lost Medicaid coverage, 55.9% reported delaying needed care and 63.8% delayed taking medications because they could no longer afford them.[46] People who experience

coverage suspensions as a result of Pathway to Prosperity face the same exposure to medical debt, and DHS' proposal does nothing to mitigate these concerns.

Work reporting requirements put hospitals and the health care system at risk.

Pathway to Prosperity, and accompanying Medicaid suspensions, will also impact hospitals in Arkansas that depend on Medicaid to keep them financially viable. Today, ***50% of Arkansas' rural hospitals are at risk of closure***, the highest at-risk percentage of any state.[47] Arkansas also ranks among the highest of states with premature death in rural communities, in part due to lack of hospitals and health care services in rural regions of the state.[48] Vulnerable hospitals in the state need support from DHS to remain open and serving the wider community.

However, programs like Pathway to Prosperity put hospitals at *greater* risk. Work reporting requirements drive up uncompensated care—the cost of medical services provided but not reimbursed.[49] Medicaid provides health coverage for low-income patients and, thus, reduces uncompensated care, lowering the need or demand for hospital charity care and debt expenses for uninsured people.[50] Further, when people lose Medicaid (such as those pushed off Medicaid by work reporting requirements), they are forced to seek care in expensive settings like emergency rooms, further straining hospital workers who are overburdened and understaffed.[51]

The bottom line: Medicaid work reporting requirements don't work.

Families USA urges DHS to consider the economic impact and human toll of its proposed waiver amendment. At its core, the Pathway to Prosperity program does not promote the objectives of Medicaid and does not reduce poverty, as the proposed program is set up to keep low-income adults out of Medicaid, with a hefty price tag for Arkansas taxpayers, hospitals and low-income health care consumers. Weakening the health care system with work reporting requirements only worsens existing challenges and endangers the financial and physical health of Arkansas' families. We respectfully ask DHS to cease its plans to reinstitute a Medicaid work reporting requirement in Arkansas.

For questions or comments regarding the recommendations made in this letter, please reach out to Mary-Beth Malcarney, Senior Advisor on Medicaid Policy, Families USA at: mmalcarney@familiesusa.org.

Thank you for your time and consideration.

Sincerely,

Sophia Tripoli
Senior Director of Health Policy

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