



Medicaid Work Requirements Incentivize Employment and Are Estimated to Reduce Poverty

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KEY POINTS

- Rigorous studies find that work requirements are most likely to increase employment when they combine clear expectations with supports that reduce the cost of finding and maintaining work.
- Under varying conditions, including job availability and implementation quality, the policy could reduce poverty by 1.6 to 2.9 million people.

BACKGROUND

The Working Families Tax Cut Act of 2025 introduced new eligibility rules¹ in Medicaid that require certain able-bodied, working-age adults without young children to report at least 80 hours of employment, education, or volunteer service in exchange for taxpayer-funded Medicaid. For decades, other public benefit programs across the country have used similar requirements to promote and incentivize work for their recipients. Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) have work requirements nationwide, and some states and local housing authorities have implemented them for Medicaid and public housing assistance.

A recent economic study² finds that the number of hours worked per person in the U.S. has declined over the past couple of decades. Increased availability of government benefits, particularly health coverage, for unemployed individuals, has contributed to this trend by creating employment disincentives for low-wage workers. Work requirements in safety-net programs are one mechanism to increase employment, income, and other outcomes.

We reviewed the research on the past three decades of work requirements in human services programs and estimated the potential economic effects of Medicaid work requirements on employment and poverty reduction.

Work requirements can affect employment through both immediate and longer-term channels. In the short run, individuals who are already working, studying, or otherwise engaged may document compliance, while

others may increase hours, begin work, participate in training or community service, or fail to comply. Over time, work experience can build skills, references, routines, confidence, and job networks, increasing the future return to work and making employment more durable. Effects may also be reinforced at the community level: when many individuals in the same labor market face similar incentives, employers, workforce agencies, community colleges, and nonprofits may have more reason to create part-time roles, training slots, job-matching services, and verification systems that make compliance easier.

EFFECTS OF WORK REQUIREMENTS ON EMPLOYMENT

The empirical literature is consistent with this framework: work requirements appear most likely to increase employment when they combine clear expectations with supports that reduce the cost of finding and maintaining work. Foundational research on work requirements comes from studies conducted in the early 1990s leading up to welfare reform, which ended Aid to Families with Dependent Children and established TANF. Three randomized controlled trials³ from the National Evaluation of Welfare-to-Work Strategies⁴ examined work requirements in conjunction with other services. They found that, relative to unconditional cash transfers, work requirements increased employment by 4.2 percentage points in the first five years.

Recent studies also show positive impacts on employment and earnings. For example, in 2018, Alabama expanded its work requirements for TANF recipients to include parents whose youngest child was between six and 11 months old. These recipients were offered employment services through the state's TANF program, including transportation and job search assistance. A 2023 analysis⁵ found that parents affected by the work requirements had an 11-percentage point increase in employment and an average increase in earnings of \$136 per month (in 2024 dollars).

Similarly, a study⁶ of the Charlotte Housing Authority (CHA) in Charlotte, North Carolina, found that after enforcing work requirements for one year, the employment rate among public housing residents rose from 58 percent to 88 percent. The CHA required “work-able heads of households” to engage in employment, community service, or job training for at least 15 hours per week, paired with on-site case management to assist residents in meeting the new work requirements. This study stands out because of its strategic timing, designed to align with a period of greater employment opportunity, and points to the possibility that an intervention reinforced at the community level facing similar incentives could create a social milieu of work.

In 2025, Mathematica conducted a systematic review and analysis on behalf of the U.S. Department of Health and Human Services (HHS) Office of the Assistant Secretary for Planning and Evaluation (ASPE). The review included studies that tested nine work promotion strategies using rigorous methods and that received moderate or high ratings on methodological rigor (see online technical appendix⁷ for details). We compared the average impacts of these strategies on employment and earnings and found that the welfare reform-era work requirements, when paired with other supports, produced one of the largest increases in long-term employment among the strategies examined. Consistent with a similar review by Folse et al. (2024),⁸ our analysis found that implementation matters.

MEDICAID WORK REQUIREMENTS CAN TAKE 1.6 TO 2.9 MILLION PEOPLE OUT OF POVERTY

To estimate the potential benefits of Medicaid community engagement requirements, we analyzed how many people could potentially meet the new work requirements and how their family income and overall poverty rates could be affected. This analysis based on population estimates from the Transfer Income Model, version 3 (TRIM3), a comprehensive microsimulation model of U.S. benefit and tax programs developed and maintained by the Urban Institute. The model adjusts national survey data to estimate program eligibility and simulates changes in rules and wages. TRIM3 is widely used by HHS/ASPE, the Office of Management and Budget, the Congressional Research Service, and the National Academies of Sciences, Engineering, and Medicine.

We first simulate that applicable adults who do not already meet the requirements (i.e. those not working or studying sufficient hours) increase their work hours to comply, earning either their current wage or the average wage among similarly educated Medicaid-eligible individuals. We then calculate the resulting average earnings increase. We also estimate the effects on average net resources, showing that for many adults and their families, earnings increases lead to reductions in benefits from other programs and higher tax liabilities. In some cases, additional earnings would result in earning out of Medicaid coverage; in those cases, we include the estimated cost of purchasing Marketplace insurance. Finally, we calculate the overall change in number of people in poverty. Our analysis assumes no implementation delays and accounts for a one-time effect on employment and focuses on adults aged 19-64 who are eligible for Medicaid and would be subject to the new requirements without qualifying for any mandatory exemption.⁹

We analyze two scenarios, with details presented in the Table. Scenario 1 assesses the full potential reach of the benefits by including the entire Medicaid-eligible population, assuming all eligible adults enroll, and immediately find adequate employment to meet the requirements. It also assumes states face no implementation challenges. Under Scenario 1, in an average month, 5.8 million adults would be subject to the requirements, and if they all worked in the months they would otherwise have lost Medicaid, they would see an average net income increase of \$16,780 per family. This would lead to 2.9 million fewer people in poverty annually.

Scenario 2 adjusts for factors that could impede the potential reach of this policy, as formulated by the Urban Institute.¹⁰ It also considers that around 85 percent of eligible adults actually enroll in Medicaid,¹¹ and assumes that not everyone will easily find work, proxied by the employment rate for the population in poverty (rounded to 80 percent based on the 2025 Current Population Survey, Annual Social and Economic Supplement). Even under Scenario 2, 3.3 million adults would still increase work to comply in an average month, and 1.6 million fewer people would be in poverty annually.

Table. Economic Impact of Medicaid Community Engagement Requirements, Steady-State Estimates

	Scenario 1	Scenario 2 ^a
Average Monthly Adults Age 19-64 Affected		
Subject to requirements and not exempt	12.4 million	10.6 million
Not working or engaged sufficiently, assumed to work	5.8 million	3.3 million
Annual Effect on Income and Poverty		
Earnings increase, average per family ^b	\$16,780	\$16,780
Difference in net family resources ^c	\$12,034	\$12,034
Poverty reduction (all people)	-2.9 million	-1.6 million

Notes: Estimates are based on U.S. households in the 2024 Current Population Survey, Annual Social and Economic Supplements (CPS ASEC) and the TRIM3 microsimulation model. Number of adults affected are calculated for average month, not annually, to align with estimates from the Congressional Budget Office and with the methodology in the CPS ASEC. Economic effects are calculated annually to align with how poverty rates are typically calculated by the U.S. Census Bureau.

^a In Scenario 2, additional adjustments reflect the employment rate among individuals in poverty (80 percent), the Medicaid participation rate (85 percent), and coverage loss (16 percent) from administrative burden alone (i.e. not based on employment status).

^b Results for families are presented for those in which at least one member is simulated to have increased earnings.

^c Resources do not account for additional out-of-pocket health care costs resulting from changes in or loss of health coverage.

These calculations represent one-time, static impacts upon full implementation of the policy, and the results are simulated calculations, not necessarily what is or will occur in the real world. Due to data limitations, our results should be interpreted as illustrative of a single policy scenario. One technical limitation is that our method applies monthly employment and program averages to estimates of family poverty that are based on annual data. In addition, we cannot account for certain exemptions not captured in the data, such as recent re-entry into the community or treatment for substance use disorder, or participation in qualifying volunteer activities. The method also may not fully reflect exemptions related to pregnancy and medical frailty. Because the simulation is static, it does not capture possible dynamic effects through human-capital accumulation, employer adaptation, or local workforce-system responses; nor does it capture offsetting effects from administrative burden or barriers to employment. For these and other reasons, our results should be interpreted as approximate estimates rather than precise point estimates.

LOOKING FORWARD

The U.S. safety net has been widely criticized for disincentivizing work. By requiring work from those who are able, it can be used to both promote employment and help individuals overcome economic circumstances and lead productive and fulfilling lives. Our review of the past literature found that work requirements increased long-term employment (up to 5 years) by 4.2 percentage points. We calculated that Medicaid work requirements included in the Working Families Tax Cut of 2025 could increase family net income by \$12,034 and reduce poverty by 1.6 million to 2.9 million, thereby promoting economic mobility and strengthening labor force participation.

Finding a job may not be immediate, and some Medicaid recipients may face substantial barriers to employment. Conversely, work hours may increase more than what was modeled, and wages may be higher. Moreover, the effectiveness of work requirements varies depending on implementation designs such as target population and additional supports. As with any policy intervention, benefits are contingent on how states implement the requirements. However, the key takeaway is that if implemented appropriately and with enough employment opportunities, these requirements could increase work and overall earnings among Medicaid recipients subject to them.

To reach such outcomes, implementation of work requirements is crucial. States can consider pairing work requirements with other services, such as job training, and ensuring verification processes are streamlined. Primary care clinics and community pharmacies can also support work verification.¹² In the meantime, pro-growth economic policies must occur simultaneously to ensure job availability. For example, Medicaid recipients with basic or minimal job training would face significant challenges in jurisdictions that require high minimum wages and impose restrictive licensure requirements. Policymakers interested in promoting work and reducing poverty must consider effectively implementing both incentives that increase labor supply, such as Medicaid work requirements, and those that stimulate organic, market-oriented demand from employers.

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