

Benefits Cliff Transitions in Public Assistance Programs

2023 Regular Session, House Joint Resolution 39



Cabinet for Health and Family Services
Department for Community Based Services
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Introduction

House Joint Resolution 39 was passed in the 2023 Regular Session of the Kentucky General Assembly and required the Cabinet for Health and Family Services (CHFS/cabinet) to compile multiple reports related to public assistance programs and recipients. Section 1 of the resolution requires the cabinet to conduct a thorough review of public assistance programs administered by the cabinet to identify flexibilities permitted under federal law to tier benefits or gradually phase out benefits as a recipient's income increases and thereby address the benefits cliff in Kentucky.

Most of the cabinet's public assistance programs are administered by the Department for Community Based Services (DCBS/department). The department presented on the benefits cliff and public assistance programs to the legislative Benefits Cliff Task Force, Early Childhood Education Task Force, CHFS Organizational Task Force, and Natural Resources & Environment Committee during the 2022 legislative interim. The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and Medicaid have been included as public assistance programs in past pieces of legislation and these are administered by other departments within the cabinet. All departments administering these programs within the cabinet have collaborated in compiling required reports in the past, including a comprehensive report examining the feasibility of combining public assistance programs onto one benefits card, which was submitted to the Legislative Research Commission on December 28, 2022.

The benefits cliff is defined as the sudden and often unexpected decrease in public benefits that can occur with a small increase in earnings. The 2022 Interim Benefits Cliff Task Force determined that in addition to being a barrier to gainful employment and self-sufficiency, the benefits cliff creates a significant staffing challenge for employers particularly during periods of labor market tightness. DCBS has taken a comprehensive approach to understanding and addressing the benefits cliff effect experienced by recipients of programs the department administers. Each public assistance program was examined to determine the programmatic flexibilities that exist to best address the benefits cliff experienced as individuals and households increase their income.

Public Assistance Programs

Supplemental Nutrition Assistance Program (SNAP)

The Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps, is the nation's most important program aimed at specifically addressing food insecurity. SNAP provides important nutritional support for low-paid working families, low-income older adults (60 years and older) and people with disabilities living on fixed incomes, and other households with low incomes. SNAP benefits are 100% funded by the federal government. SNAP eligibility rules and benefit levels are mostly established at the federal level and uniform across the nation with few exceptions. Applicants must have a low

income and have assets below a certain financial threshold. Able-bodied adults without dependents (ABAWDs) are limited to three months of benefits unless they are working at least 20 hours per week or participating in qualifying work activities (see SNAP E&T below). Nationally, most employed individuals receiving SNAP work in services or sales occupations, which offer lower pay and unreliable hours resulting in varying and unpredictable amounts of income. SNAP is designed to reward earnings, which incentivizes participants to work and seek wage gains.

There are two key features of SNAP that support and incentivize work activities:

1. The benefit calculation formula favors earned income over unearned by allowing an earned income deduction and deductions for out-of-pocket childcare expenses.
2. The benefit phase-out structure results in a gradual reduction in benefits as earned income increases. For every additional dollar a SNAP participant earns, their benefits decrease by 24-36 cents; therefore, the program continues to offer lessening support as their income increases.

In addition to these design features, DCBS adopted the state option of categorical eligibility. States may align the SNAP income limit to that of TANF funded benefits. This increases the income threshold for SNAP recipients and further eases the benefits cliff experienced by SNAP participants as their earnings increase.

SNAP Employment and Training (E&T)

The SNAP Employment and Training Program (E&T) is a federally funded program that helps SNAP recipients receive education, training, and work experience in order to obtain employment. The program is voluntary and available to any deemed appropriate SNAP work registrant aged 16 through 59. ABAWDs can choose to meet their SNAP work requirements by participating in the SNAP E&T Program. Under the SNAP E&T program, participants are eligible for federal reimbursement for SNAP-recipient expenses related to transportation.

Currently, the combined federal and state reimbursement rate for transportation costs related to participation incurred by E&T participants is \$25 monthly. Lack of transportation is a barrier to participate in SNAP E&T for many SNAP recipients in Kentucky. Providing meaningful assistance with transportation results in increased participation in SNAP E&T and allows SNAP recipients to focus on E&T training and reaching their full potential. The lack of transportation assistance was a focus of the Student Basic Needs Action Network, which resulted in a request that Kentucky increase this transportation assistance amount. Providing necessities such as transportation to E&T participants helps with ongoing participation and success in the E&T program, which will lead participants to self-sufficiency.

Kentucky Transitional Assistance Program (KTAP) – Kentucky’s Temporary Assistance for Needy Families (TANF) Federally Funded Cash Assistance Program

The Kentucky Transitional Assistance Program (KTAP) provides short-term federally funded cash benefits to low-income children and their parents or relative caregivers. KTAP payments are based on family size and income. In Kentucky, many grandparents and other nonparental relatives are receiving KTAP assistance because they are raising children removed from their homes of origin.

DCBS has made recent changes to KTAP and the work program that some KTAP recipients are required to participate in, called Kentucky Works. Many of these changes directly address the benefits cliff and provide incentives for participants to enter and remain in the work force. These changes include:

- Increasing the eligibility threshold, allowing individuals to stay in the program longer as their income increases;
- Increasing the resource limit (the worth of assets participants have), allows families to build and maintain liquid resources to help support the family prior to being disqualified from KTAP;
- Increasing the earned income disregards and income deductions, incentivizing recipients to earn an income;
- Increasing the assistance provided for recipients participating in the Kentucky Works Program, including assistance for transportation, uniforms, licensure fees, and other purchases required for employment.

Employed adults who become no longer eligible for KTAP because of exceeding income thresholds may be eligible for Work Incentive (WIN) payments of \$200 per month for 12 months to assist in the transition out of KTAP.

The department is also in the process of establishing transitional SNAP for households who have become ineligible for KTAP due to exceeding income thresholds. Through this program, these households will automatically receive five months of SNAP food purchasing assistance to assist in the transition out of KTAP and help adjust to the loss of benefit assistance.

Low-Income Home Energy Assistance Program (LIHEAP)

LIHEAP is a federally funded program to help eligible low-income households meet their home heating and/or cooling needs. The amount of assistance received per household is calculated by the household income of the family, household size, and energy type. The income eligibility threshold for each benefit component is determined based on funding availability ranging from 130-150% of the federal poverty limit (FPL). The benefit goes directly to the provider rather than the household. For SFY 23, 257,063 households received LIHEAP assistance (108,309 for cooling assistance and 148,754 for heating

assistance). LIHEAP is not an ongoing assistance program and does not have a transition period. Eligible applicants must have a verified need for utility assistance.

Child Care Assistance Program (CCAP)

CCAP is a public assistance program for eligible low-income, working families in which their child care provider directly receives part or the entirety of the child's tuition costs from DCBS. The amount of assistance received per child is affected by the household income of the family and, as with many other public assistance programs, the benefit goes directly to the provider rather than the family themselves. As of September 2023, 35,717 children (20,865 families) were enrolled in the program and over 1,900 child care providers were participating in the program. In order to qualify for CCAP, an applicant must be working a minimum amount of hours, attending school, or participating in a work activity (such as SNAP E&T or Kentucky Works, mentioned above).

DCBS increased the CCAP eligibility criteria from 160% of the federal poverty guidelines (FPG) to 200% FPG, effective January 1, 2022. In July 2022, DCBS increased the CCAP eligibility criteria again from 200% of the FPG to 85% of the state median income (SMI), as provided by the U.S. Census Bureau. Federal American Rescue Plan Act (ARPA) funds specific to child care were used to implement this eligibility threshold increase. Table 1 lists the monthly income amounts related to household size at the current eligibility threshold of 85% SMI. For example, a household of two (a single parent and child) would previously have been ineligible for child care assistance if the parent's annual income was more than \$34,836. With the increase to 85% SMI, this same family would be ineligible if the parent's annual income was above \$44,916. Through this change, in this example, the single parent was allowed to make an additional \$10,000 in annual income and still receive financial assistance for child care, which currently costs approximately \$750 per child per month for full-day infant care on average statewide. This increase in eligibility allows for parents or caregivers to increase their income and still receive child care assistance.

Table 1. Monthly household eligibility limits at 85% SMI.

| Family Size | 85% SMI/Monthly |
|-------------|--------------------|
| 2 | \$3,743 |
| 3 | \$4,623 |
| 4 | \$5,504 |
| 5 | \$6,384 |
| 6 | \$7,265 |
| 7 | \$7,430 |
| 8 | \$7,595 |
| Over 8 | Add \$166 for each |

Increasing CCAP eligibility from 200% FPG to 85% SMI has resulted in an additional 4,425 unique children (2,999 unique families) becoming eligible to receive child care assistance, as demonstrated in Table 2. This increase was funded by time-limited federal dollars. The department estimates that a General Fund appropriation of \$20 million per year would be necessary to continue providing assistance at this income threshold.

Table 2. Effect of increasing the CCAP eligibility threshold to 85% SMI.

| Month - Year | Benefitted from SMI change | | | Total eligible | |
|--------------|----------------------------|----------------|--------------|--------------------|----------------|
| | Number of families | Children count | Expenditures | Number of families | Children count |
| July -22 | 155 | 222 | \$34,695.00 | 2,646 | 4,679 |
| Aug -22 | 225 | 319 | \$182,507.40 | 2,879 | 4,921 |
| Sept -22 | 241 | 342 | \$162,772.08 | 3,114 | 5,314 |
| Oct-22 | 360 | 530 | \$212,677.98 | 3,288 | 5,568 |
| Nov-22 | 483 | 725 | \$518,690.20 | 3,472 | 5,862 |
| Dec-22 | 536 | 801 | \$664,275.26 | 3,564 | 6,081 |
| Jan-23 | 510 | 781 | \$626,077.06 | 3,837 | 6,524 |
| Feb-23 | 537 | 796 | \$542,333.92 | 3,784 | 6,387 |
| Mar-23 | 565 | 828 | \$685,815.46 | 3,943 | 6,619 |
| Apr-23 | 547 | 790 | \$593,616.46 | 4,118 | 6,977 |
| May-23 | 609 | 871 | \$716,247.54 | 4,430 | 7,584 |

| | | | | | |
|-----------------------|--------------|---------------|-----------------------|---------------|---------------|
| June-23 | 607 | 883 | \$786,798.82 | 4,379 | 7,470 |
| July-23 | 644 | 921 | \$711,602.46 | 4,724 | 8,072 |
| Aug-23 | 661 | 953 | \$730,043.26 | 4,724 | 8,072 |
| Sept-23 | 670 | 975 | \$756,220.20 | 4,318 | 7,380 |
| Grand Total | 7,195 | 10,515 | \$7,889,678.10 | 54,332 | 92,461 |
| Distinct Total | 2,999 | 4,425 | \$7,889,678.10 | 20,865 | 35,717 |

DCBS also utilized ARPA funds to provide transitional child care assistance to households who became ineligible to continue receiving CCAP due to exceeding income guidelines.

In March 2022, DCBS implemented a new CCAP transitional exit program in which DCBS utilized federal funding to continue paying 50% of the rate of a family’s child care for three months while they adjust to receiving less assistance rather than suddenly receiving no child care assistance. As noted in HJR 39, a low-income working family with two children that experiences a marginal increase in income could lose their CCAP support causing them to experience a benefits cliff of approximately \$1,500 per month or \$18,000 per year. This transition out of the program was well received and in September 2022, the transitional period was extended to six months. Table 3 shows the number of children and families who have benefitted from this initiative and the cost. DCBS will not be able to continue this program after September 30, 2024, once ARPA funds expire. The department estimates that a General Fund appropriation of \$750,000 per year is necessary to continue this six month transition out of the program.

Table 3. Effect and Cost of Providing Transitional CCAP Exit.

| Transitional Child Care | | | |
|-------------------------|--------------------|----------------|--------------|
| Date | Number of families | Children count | Expenditures |
| Apr-22 | 13 | 21 | \$5,168.00 |
| May-22 | 29 | 44 | \$14,227.00 |
| Jun-22 | 33 | 52 | \$15,255.00 |
| Jul-22 | 37 | 61 | \$16,396.00 |
| Aug-22 | 50 | 83 | \$25,183.00 |
| Sep-22 | 61 | 99 | \$28,741.00 |
| Oct-22 | 89 | 137 | \$40,986.00 |

| | | | |
|--------------|--------------|--------------|---------------------|
| Nov-22 | 100 | 154 | \$48,009.00 |
| Dec-22 | 110 | 173 | \$53,150.00 |
| Jan-23 | 111 | 175 | \$55,564.00 |
| Feb-23 | 116 | 185 | \$52,484.00 |
| Mar-23 | 115 | 186 | \$60,078.00 |
| Apr-23 | 120 | 193 | \$56,189.00 |
| May-23 | 129 | 208 | \$78,712.00 |
| Jun-23 | 113 | 166 | \$61,743.00 |
| Jul-23 | 132 | 200 | \$69,106.00 |
| Aug-23 | 139 | 217 | \$76,614.00 |
| Sep-23 | 154 | 243 | \$105,723.80 |
| Total | 1,651 | 2,597 | \$863,328.80 |

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

WIC is a federal program that assists low-income pregnant, postpartum, and breastfeeding women, infants, and children up to age 5 who are at nutritional risk by providing nutritious food to supplement diets, information on healthy eating including breastfeeding support, and referrals to health care. A household must have income at or below 185% of the federal poverty line or participate in SNAP, TANF, or Medicaid. Through the program, participants receive supplemental nutritious foods, nutrition education and counseling, and screening and referrals to other health, welfare, and social services. In Kentucky, WIC services are provided through county health departments.

Typically, families are authorized for WIC one year at a time and are issued benefits every three months. Approximately, every three months as well, there are interim visits to touch base with participants, review their nutritional risks, and determine renewed eligibility for services. Families are asked if their income has changed. If it has, the income must be re-evaluated. Federal rules do not allow for transitioning or phasing out of the program. Typically, households voluntarily exit by not continuing the program after the child reaches age one because assistance in purchasing formula is no longer necessary.

Medicaid/KCHIP

Kentucky Medicaid is a state and federal program to provide health care for eligible, low-income populations including children, families, pregnant women, the elderly, and individuals with a disability.

There are extended income levels available to the 1915(c) waiver population. However, the traditional population discussed within as being impacted by the benefits cliff generally involves adults, and even children at certain low income levels. In general, adult Medicaid recipients between the ages of 19-64 face a cut-off at 138% of the FPL. The Department for Medicaid Services (DMS) tends to have few full coverage options for the adult population as their income rises beyond 138% FPL. Qualified health plans with financial assistance through the Kentucky Health Benefit Exchange, also known as kynect, are available to individuals who earn more than the current FPL limit of 138%. This financial assistance can lower monthly premiums and, in many cases, out-of-pocket costs such as copays and deductibles.

Children who are Medicaid recipients – whose parents make more than 138% FPL – have the opportunity to utilize Kentucky Children’s Health Insurance Program (KCHIP) coverage. KCHIP functions as a Medicaid clone up to 218% FPL. DMS utilizes the same managed care organizations (MCOs) that administer Medicaid benefits for the traditional and expansion Medicaid populations to deliver care to the KCHIP population. This involves establishing and paying a capitation rate per KCHIP child that is similar to the capitation payment that is made for each Medicaid child recipient.

DMS has also made progress in establishing and enhancing the benefits cliff transition for pregnant women. Previously, Medicaid coverage for pregnant women would end at two months postpartum and had an enhanced income coverage for women at 185% FPL. DMS has implemented two coverage options for this population in recent years. First, a full year of postpartum coverage is now provided from the end of the pregnancy. This ensures improved medical and behavioral health coverage for this population. Next, a KCHIP state plan amendment (SPA) was federally approved to provide additional coverage to this population to 218% FPL. Pregnant and postpartum individuals in the 185-218% FPL window can now be covered by KCHIP during and after pregnancy.

In addition to addressing the benefits cliff for postpartum individuals, DMS has taken multiple administrative steps to address the benefits cliff. Significantly, the Kentucky Health Benefit Exchange, kynect, is now part of the Department for Medicaid Services. By having these two programs together, it is easier to facilitate communication between colleagues and to establish structural methods to ensure that individuals who do have higher income are able to receive information and quick access to multiple coverage options available on the exchange.

DMS is aware of additional steps that could function to address the benefits cliff in whole or in specific medical applications. A basic health plan (BHP) would operate to utilize elements of an entitlement program such as Medicaid and a private insurance health plan.

A BHP would offer a similar level of coverage as Medicaid, but would involve some limited cost-sharing, including a monthly premium and some out-of-pocket cost-sharing.

In addition, a family planning waiver has been proposed in previous legislative sessions of the General Assembly. This would allow for long-acting contraception, including intrauterine devices (IUDs), to be available at no cost to individuals who are above 138% FPL, but who are below a FPL threshold that is selected by the state. This threshold can be as high as 400% FPL.

Conclusion

In conclusion, the cabinet has already identified and taken steps to implement many flexibilities permitted under federal law to tier benefits or gradually phase out benefits as a public assistance program participant's income increases, thereby addressing the benefits cliff in Kentucky. The cabinet is always open to discussions and suggestions of how to further address the benefits cliff and support Kentucky's most vulnerable citizens while assisting in their endeavor towards self-sufficiency.