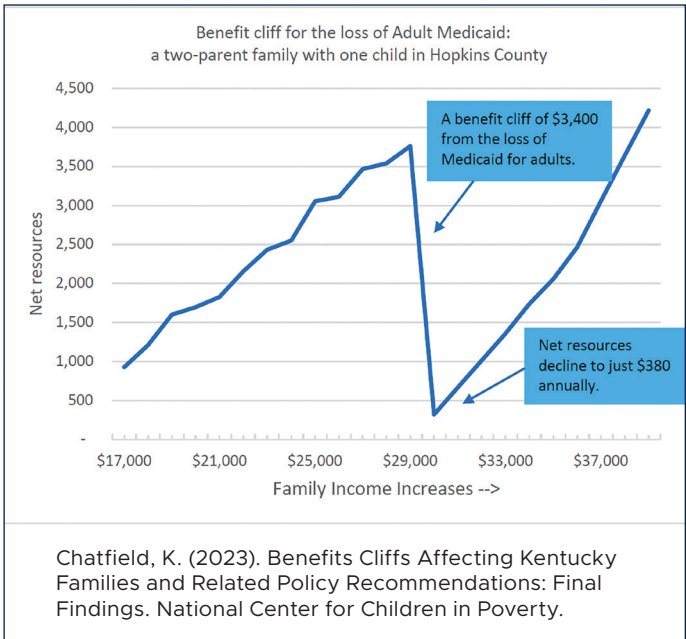


PUBLIC BENEFITS

In the 2022 interim sessions of the KY General Assembly a Benefits Cliff Task Force was convened, chaired by Rep. John Dixon and Sen. Jason Howell, to provide recommendations to their colleagues. This effort builds on previous work done by the legislature to address our workforce needs and the need for public benefits to be sustainable, and to incentivize a smooth transition away

A recent poll conducted by the Prichard Committee and United Way of Cincinnati shows that a majority of Kentuckians, regardless of political affiliation, support increased funding for childcare.



working parents out of the labor force in order to fill a childcare gap that well-structured, and funded, benefits programs are capable of addressing. A recent poll conducted by the Prichard Committee and United Way of Cincinnati shows that a majority of Kentuckians, regardless of political affiliation, support increased funding for childcare (Ladd, 2023). According to a report by the Kentucky Chamber of Commerce, in reviewing US Census data there are roughly 45,000 Kentuckians who have exited the workforce due to lack of affordable childcare (2022). This translates to nearly a full percentage point in

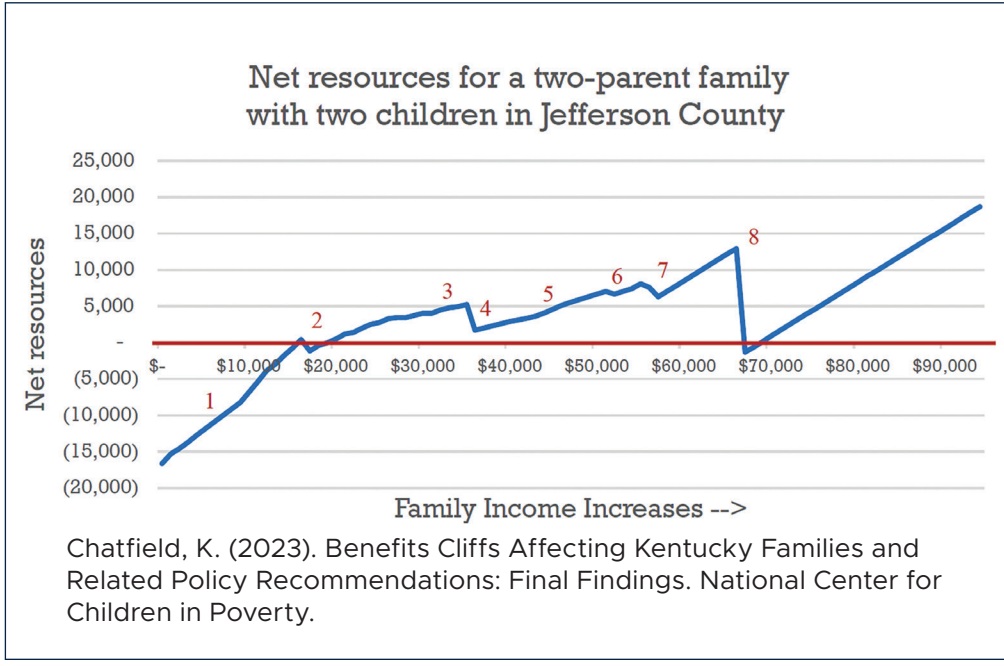
45,000 Kentuckians who have exited the workforce due to lack of affordable childcare.

from these programs as a recipient attains an improved job status. This task force took testimony from state agencies, non-profits and the business community, and policy experts in an attempt to identify the most pressing needs to address the benefits cliff while encouraging recipients to stay engaged in the workforce.

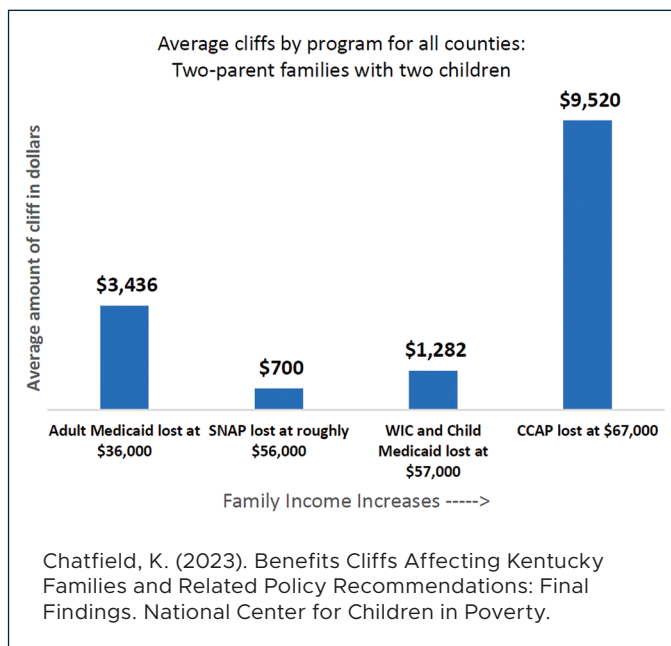
Kentucky's workforce participation rate, or according to the Bipartisan Policy Institute between \$2.1 and \$3.2 billion of lost economic activity annually (2021). While the need is not distributed evenly across the state, with counties in eastern KY reporting higher rates in poverty and therefore families eligible for the Child Care Assistance Program, even in the most populous counties of Jefferson and Fayette the eligibility rates are only slightly lower than the statewide average (Weston, 2023).

In their findings the task force identified four key areas where benefit cliffs exist, Adult Medicaid, Supplemental Nutrition Assistance Program (SNAP), Kentucky Children's Health Insurance Program (KCHIP), and the Child Care Assistance Program (CCAP).

One of the most pressing concerns amongst policymakers is access to affordable childcare. With the expiration of pandemic era supports for childcare providers and working families, Kentucky faces a crisis that will further degrade our workforce participation rate by drawing



Of note the task force recommended that CHFS review public benefits programs with a focus on a “tiering” of benefits reduction, within the limits allowed by the federal appropriations that fund these programs, and present their findings to the legislature. While the federal appropriations that fund these programs may place limits on their delivery, policymakers have the opportunity to engage with their federal partners to advocate for change. The Kentucky Cabinet for Health and Family Services worked with the Kentucky Center for Statistics and the National Center for Children in Poverty to analyze the benefits cliff and provide recommendations. Their report covered four cliffs that most impact Kentuckians, specifically Adult Medicaid, the Supplemental Nutrition Assistance Program (SNAP), the Kentucky Children’s Health Insurance Program (KCHIP), and the Child Care Assistance Program (CCAP). These programs impact broad segments of our populations, and considerable investment of tax dollars.



As of September 2023 the Kentucky Cabinet for Health and Family services reports just over 1.6 million Kentuckians are enrolled in Medicaid, and total annual spending of \$14.6 billion in FY22 (2023). According to the St. Louis Federal Reserve, as of June of 2021 there were just over 625,000 Kentuckians receiving SNAP benefits, with only 65% of eligible households receiving benefits according to the US Department of Agriculture, which places Kentucky in the bottom quartile of participation. With regard to the participation in WIC Kentucky averages 52.9% participation as of 2020, with 102,700 enrolled. However the greatest need, and most pronounced benefit cliff, can be traced to the Childcare Assistance Program. According to Susan Perkins Weston of the Prichard

Committee, there are roughly 125,000 children who should be eligible for CCAP benefits, but only 26,000 currently do so (Weston, 2023). This means that only 21% of Kentucky’s low-income children benefit from the program, exacerbating the workforce issue that lack of access to affordable childcare can cause.

While participation rates in Medicaid, SNAP, WIC, and CCAP have reported declines in recent years, one bright spot is the number of Kentuckians who file for, and receive, the Federal Earned Income Tax Credit, or EITC. This is a refundable tax credit, meaning that in the event the credit is higher than taxes owed a refund of that overage would be due to the taxpayer. The amount of the credit scales with income and number of dependents, and phases out gradually at higher income levels. In 2022 486K Kentuckians received an Earned Income Tax Credit, totaling \$1 billion, or an average of \$2,110 per filer (IRS). At the direction of the legislature the Cabinet for Health and Family Services and Department of Revenue have worked to increase awareness of the EITC and improved access to the Volunteer Income Tax Assistance program by partnering with non-profits and other organizations.

One area that remains for Kentucky to address is enrollment in Medicaid for those incarcerated and awaiting trial, and those that are approaching release. Provision of those benefits for these populations would improve access to substance use disorder and other behavioral health treatments, and smooth reentry into the workforce. These individuals are often disproportionately low-income, and may have complex conditions. While Medicaid is currently prohibited in statute from rendering services to those that are incarcerated, there exist opportunities under what are known as Section 1115 waivers for Kentucky to improve access to care. Currently six states, including Kentucky, have waivers pending before the Centers for Medicare and Medicaid Services to allow for inmates to be enrolled in Medicaid prior to release. In April of 2023 the US Department for Health and Human Services released guidance for states applying for waivers under the Medicaid Reentry Section 1115 Demonstration Opportunity, identifying it as a major priority for the current administration under HHS Secretary Xavier Becerra (2023). As of January 2023, California became the first state approved under this waiver. According to the US Department of Justice approximately 37 percent of people in state/federal prisons and 44 percent of people overall had a history of mental illness (Bronson & Berzofsky, 2017). Connecting people pre-release with a Medicaid provider can ease the handoff to another healthcare provider who can continue to treat the person post-incarceration. Furthermore, those incarcerated who have a substance use disorder are at an increased risk of overdose after

reentry, with studies showing that the risk is 100 times greater within the first two weeks of reentry (Binswanger et al., 2007).

A report from the National Center for Children in Poverty (NCCP) and the KY Center for Statistics (KY STATS) contained recommendations that policymakers can adopt to address each of the four benefit cliffs the task force identified (NCCP, 2023). This comprehensive report made a number of policy recommendations based on analysis of KY Stats “Family Resource Simulator” and possible scenarios that could lead to families electing to avoid benefits cliffs by “parking” their wages at a certain level to avoid triggering a cliff, or seeing a substantial reduction in benefits that puts a greater strain on family resources.

Goodwill reviewed these recommendations and supports the following changes in delivery of public benefits, believing that these reforms would begin to address the challenges families face, while ultimately promoting self-sufficiency for program recipients.

- 1. Lower copayments for low-income families using subsidized childcare to no more than 3% of earnings until family earnings of \$17,000, and gradually increase to 7% of earnings until family earnings reach 85% of state median income.**
- 2. Extend the exit income threshold for subsidized child care to 125% of state median income.**
- 3. For families between 85% and 125% of state median income, require copayments that steeply increase as earnings grow, so as families approach the exit threshold the cost is the same as private care**
- 4. Encourage more families who are transitioning off Medicaid to enroll in silver-level qualified health plans, which have no required premium contributions under 150% of the federal poverty line**

In order to address Kentucky’s childcare shortage, the General Assembly should continue to invest in new and innovative ways to support providers and employers who

Centers for Medicare and Medicaid services should approve Kentucky’s 1115 waiver application, which would allow people who are incarcerated in state and county facilities to receive coverage for treatment.

offer childcare as a benefit. In 2022 Kentucky passed HB499, introduced by Rep. Samara Heavrin (R-Leitchfield) to create a public private partnership for employers to create childcare assistance and match it with state dollars. However, as the program was initially billed as a pilot uptake has been slow, due to feedback from employers that the uncertainty around its renewal has led to hesitancy to create a new benefit that may not be sustainable long term. HB499 as a policy is workforce oriented and scales the benefit to the populations with the most need. Another program states have begun to experiment with is the creation of a private insurance option for paid family leave. In 2024 Kentucky passed House Bill 179, which creates a new class of private insurance for paid family leave that employers can offer as a benefit. This approach creates an incentive for employers in the tight labor market to attract candidates and importantly offers a way for new families to ease the transition back into the workforce after a qualifying event, whether that is the birth or adoption of a child or other life events. In order to cover the gap of adoption of new employer provided childcare benefits, the General Assembly must also stabilize the Child Care Assistance Program through investment of General Fund dollars. This will bridge the gap from expiring federal subsidies and allow Kentucky employers and community-based organizations the time to address the crisis, while promoting parents reentering the workforce.

For those inmates that need treatment for Substance Use Disorder the Centers for Medicare and Medicaid services should approve Kentucky’s 1115 waiver application, which would allow people who are incarcerated in state and county facilities to receive coverage for treatment. A waiver is required due to the existing Inmate Exclusion Policy under Medicaid, however Congress could amend the statute to allow for states to cover those that are incarcerated, but not yet convicted, affording those individuals their due process and insuring continuity of care. Legislation introduced by Rep. David Trone (D-MD)

In 2024 Kentucky passed House Bill 179, which creates a new class of private insurance for paid family leave that employers can offer as a benefit.

Finally, the Cabinet for Health and Family Services and the Education & Labor Cabinet should explore integrating their existing programs under a single administrative unit in state government.

would address this problem, as well as provide grants to the states to implement the changes. This legislation would allow for Medicaid to cover adult pre-trial detainees. Congress has already passed legislation, as part of the Fiscal Year 2023 funding package, that would allow juvenile detainees to receive Medicaid coverage pre-conviction, but further amendments to federal statute would be needed to address adults. This bill has drawn bipartisan support, and a similar bi-partisan bill has been introduced in the Senate by Senator Bill Cassidy M.D. (R-LA).

Finally, the Cabinet for Health and Family Services and the Education & Labor Cabinet should explore integrating their existing programs under a single administrative unit in state government. This would reduce administrative overhead, centralize resources in one cabinet to insure more consistent decision making make it easier for community-based organizations to share feedback on the implementation of programs so that legislative oversight can be more effective. In line with the original recommendations of the Public Benefits task force, Kentucky should look to enact legislation that would encourage the cabinet to partner with Community Based Organizations in the delivery of programs and services that reduce the effect of the benefit cliff. The cabinet should also review existing programs that would benefit from a partnership with community-based organizations that could connect recipients with resources in their communities to facilitate the transition off of assistance. For programs needing explicit federal guidance, the General Assembly should adopt a concurrent resolution urging Congress to research and adopt changes to the Workforce Innovation & Opportunity Act allowing states more flexibility in delivery of employment and job training programs.

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BENEFITS COURTNEY PARTICIPANT STORY

Courtney Decker found her way to Goodwill a little over six years ago. “I came through the [Goodwill] programming, trying to get on my feet and trying to regain custody of two of my children. Goodwill gave me a sense of security, helping me throughout my whole process, not only with housing but with resume building ... I started with Goodwill in retail while I was pregnant with my last child and Goodwill is an integral part of my success story.”

Even with full-time employment and the supportive services Goodwill was able to offer, including housing and transportation, there was still a key piece of the puzzle missing. “Childcare was essential to me being able to grow in my career so I could support myself and my kids,” said Decker, who continued, “I probably wouldn’t have been employed if I didn’t have access to childcare.” As Courtney advanced in her career and earned more income, she also realized that her family would lose access to their childcare without the Childcare Assistance Program for Families. “If I take that promotion, I might lose my childcare. I am paying for two children, and that is \$407 a week. I am left with not enough to be able to pay my bills. What do you do? Do you stay where you are, or do you try to struggle and persevere for as long as you can?”

This problem is common for parents with young children and is compounded by a series of sudden benefit reductions, known colloquially as a ‘benefits cliff’. While childcare assistance presents the largest cliff for most families, the effects of losing Medicaid, nutrition (SNAP), and other assistance can present too large of a hurdle for families to clear.

“I would not have the job I have today without childcare assistance. I am an expungement specialist at Goodwill Industries of Kentucky and travel the state of Kentucky hosting clinics with the rest of the team assisting individuals with the process of expungement so that they can also get quality jobs. There are days I leave home at 6:30 in the morning, so being able to take my children to daycare is essential for my job. On the other hand, without employment, I would not have the medical benefits to take care of my own mental and physical health.”

The impact of these cliffs is not just tied to our workforce participation rate but stifles opportunities for people to advance their careers and elevate themselves out of poverty, which policymakers have identified as the goal of these benefits programs in the first place. However, lack of awareness limits access to these benefits, with only 65% of Kentuckians eligible for SNAP and just 52.9% of those eligible for WIC taking advantage of that program. Worryingly, the Childcare Assistance Program has an even lower participation rate, with only 21% of eligible children enrolled.

Courtney believes if more people had access to these programs, and the effects of the cliffs were mitigated, the Commonwealth would see the positive effects almost immediately. Courtney stated, “Some people have no idea that they even qualify for childcare subsidy because they think that having a job disqualifies them, especially younger parents. I think the system having such great consequences on families can even encourage individuals to be dishonest. If I get a raise I have to recertify for

childcare benefits or Medicaid; now I have to be nervous about getting a raise because is it going to affect my benefits. I am not only having to pay for medical benefits, all out of pocket, but also childcare benefits and I think some people cannot overcome this. In the end, it is simple- without those programs I would not have a job because I would not be able to financially take care of my family.”

With the lack of awareness around availability coupled with income limits on benefit eligibility, people are less likely to pursue opportunities. Moreover, multiple state agencies managing similar programs create another issue surrounding benefits: a lack of consistency for participants.

An example of this struggle comes from Courtney, “Just this past year I received a raise, and received mileage reimbursement. The mileage has to be counted as income as well. You must recertify [for benefits] every single year and there is an income threshold. I was going to be making \$100 more each paycheck but was in fear of losing my childcare because I was now making over the income guidelines for the benefit due to the raise.” While Courtney navigated these multiple programs across different units of state government, she had to maintain her full-time employment. “It is stressful because it is hard to contact someone on the phone. This causes you to take time off work to be able to physically travel to government buildings to figure all this stuff out ... it is a very time-consuming process and affects your employment and performance at work. It would be easier if it were all under one umbrella and there were benefit specialists available to answer calls.”

Greater efficiency in the delivery of benefits would lead to people having the time to pursue their education, advance their careers, and ultimately transition away from benefits due to their increased job status.

Courtney concludes with final thoughts on her struggle, “With improvements to this process I would be able to advance in my career and not have the everyday stress of wondering if I am going to have access to childcare or access to medical benefits. I would be able to sustain myself without benefits.” Without these programs and benefits, Courtney could see a scenario in which she has to take a step back from the workforce to care for her family. “So, what do you do? Do you stay home with your kids and live off government assistance for the rest of your life, or do you maintain employment? I made my choice to work but it has been a struggle.” Courtney’s journey reflects the challenges faced by many citizens striving to overcome barriers and build a stable life, and sensible reforms to our public benefits programs will enhance their efforts to improve their lives.



Courtney Decker

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