

Improving Family Economic Security: Common Benefit Cliffs and Solutions Through State Flexibilities

October 3rd, 2024



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Agenda

- Definition of a Benefit Cliff
- Quick review of a popular solution to the SNAP cliff (through BBCE)
- Benefit cliffs across the range of income
- Medicaid cliffs for adults and children, and the ACA Premium Subsidy, with contrasting examples from two states
- Flexibilities to mitigate the loss of TANF cash assistance
- Benefit cliffs from the loss of childcare subsidies (CCDF)
- A wider range of benefit cliff strategies

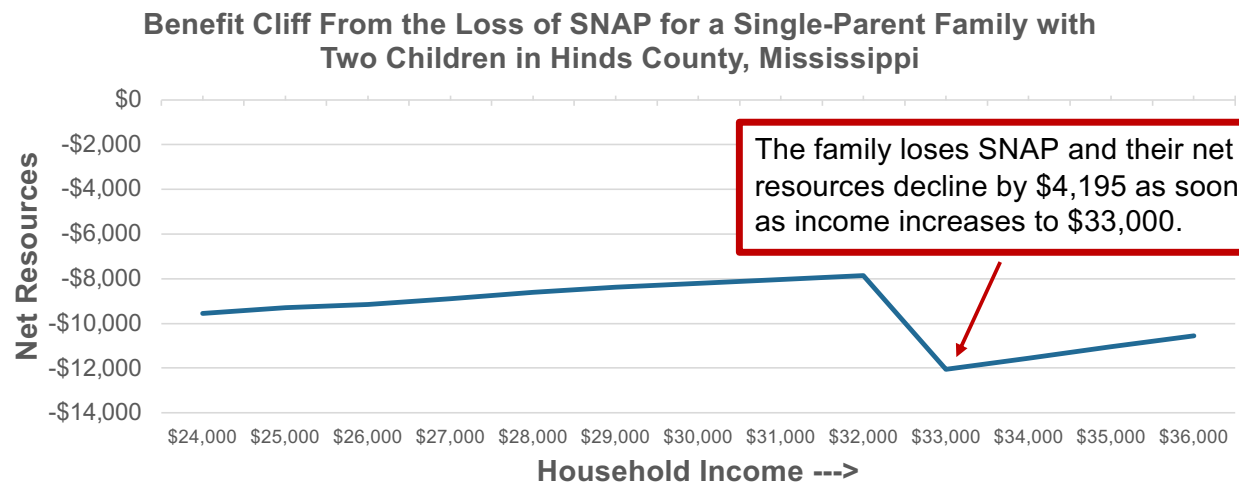


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Definition of a Benefit Cliff

A benefit cliff occurs when an increase in parents' income causes them to lose access to a public benefit program, and the loss of the benefit results in a negative drop or "cliff" in net resources.



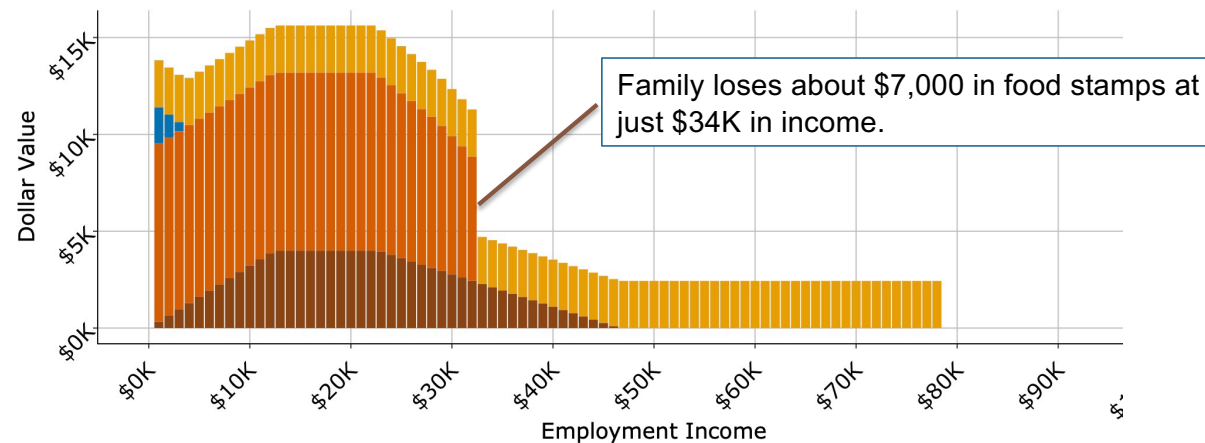
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Benefit cliffs from the loss of SNAP are higher in states where the income eligibility threshold remains at 130% Federal Poverty Limit (FPL), e.g., Alabama

PUBLIC ASSISTANCE BY EMPLOYMENT INCOME

The chart below shows the dollar value and composition of public assistance at different income levels. As income increases, the value of each selected public assistance program changes. For some programs, the value of public assistance gradually phases out, while for others the loss is sudden.



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Program: ■ Medicaid for Children/CHIP ■ TANF ■ SNAP ■ EITC



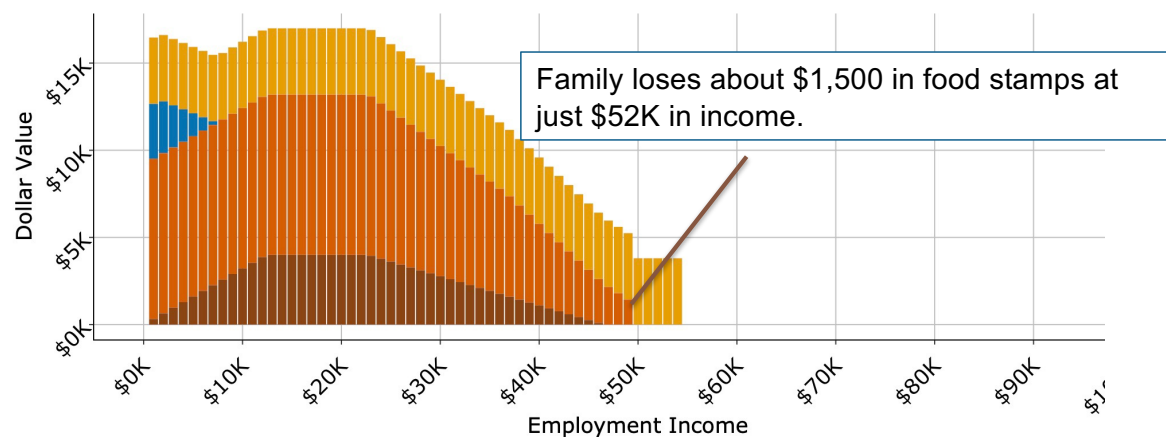
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Benefit cliffs from the loss of SNAP are much smaller in states where the income eligibility threshold has been extended to 200% FPL, e.g., Kentucky

PUBLIC ASSISTANCE BY EMPLOYMENT INCOME

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Program: ■ Medicaid for Children/CHIP ■ TANF ■ SNAP ■ EITC



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Three Pathways to Initial SNAP Eligibility

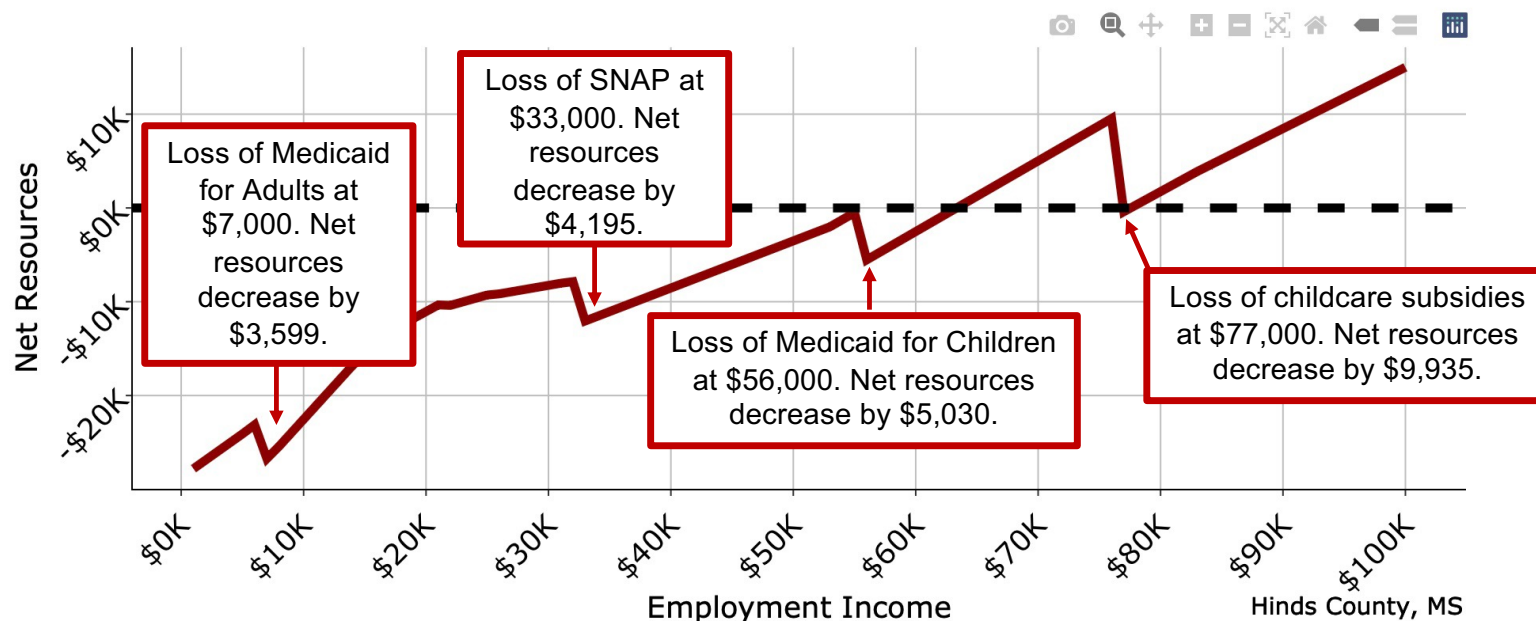
Federal Pathways		State Pathway With Flexibilities
A. Standard	B. Traditional* Federal Categorical Eligibility	C. Broad-Based Categorical Eligibility (BBCE)
Available to all US citizens and those with sufficient immigration status who meet the requirements below.	Available to households in which every member receives cash assistance through either TANF, SSI, or General Assistance.	Available in states that adopt BBCE to households considered BBCE-eligible; states choose which of the following changes to make to requirements from column A.
Requirements		
130% FPL gross income limit (~34K/year fam of 3)	No eligibility tests; recipients already qualified for programs (like TANF) with more stringent requirements.	<ul style="list-style-type: none"> Option: Extend gross income limit as high as 200% FPL (~\$52K/year fam of 3)
\$2,750 asset limit in cash or bank accounts		<ul style="list-style-type: none"> Option: Increase or remove asset limit
100% FPL net income limit		<ul style="list-style-type: none"> Option: Remove net income limit



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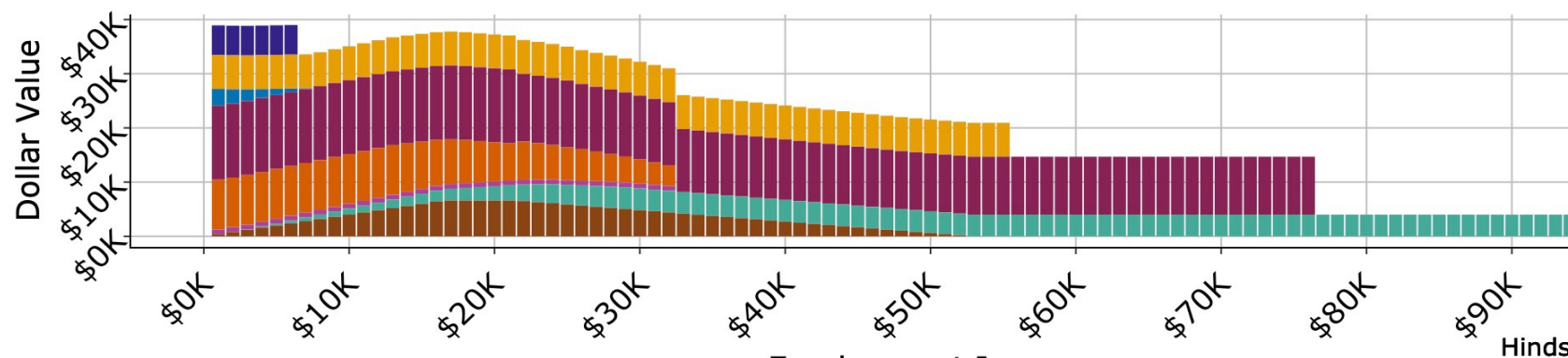
Benefit Cliffs Across the Income Range for a Single-Parent Mississippi Family with 2 Children



Value of Programs Across the Income Range for a Single-Parent Mississippi Family with 2 Children

PUBLIC ASSISTANCE BY EMPLOYMENT INCOME

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Medicaid Cliffs for Adults, ACA Plans, and Subsidies

Federal rule (from healthcare.gov):

“If your expected yearly income increases so it’s between 100% and 400% of the federal poverty level (FPL), you become eligible for a Marketplace plan with advance payments of the premium tax credit (APTC).”

This leaves a gap in coverage, causing a cliff, in most of the states that have not adopted Medicaid Expansion, because they maintain exit thresholds that force adults, even those caring for children, off of Medicaid for Adults when they are earning less than 100% FPL.

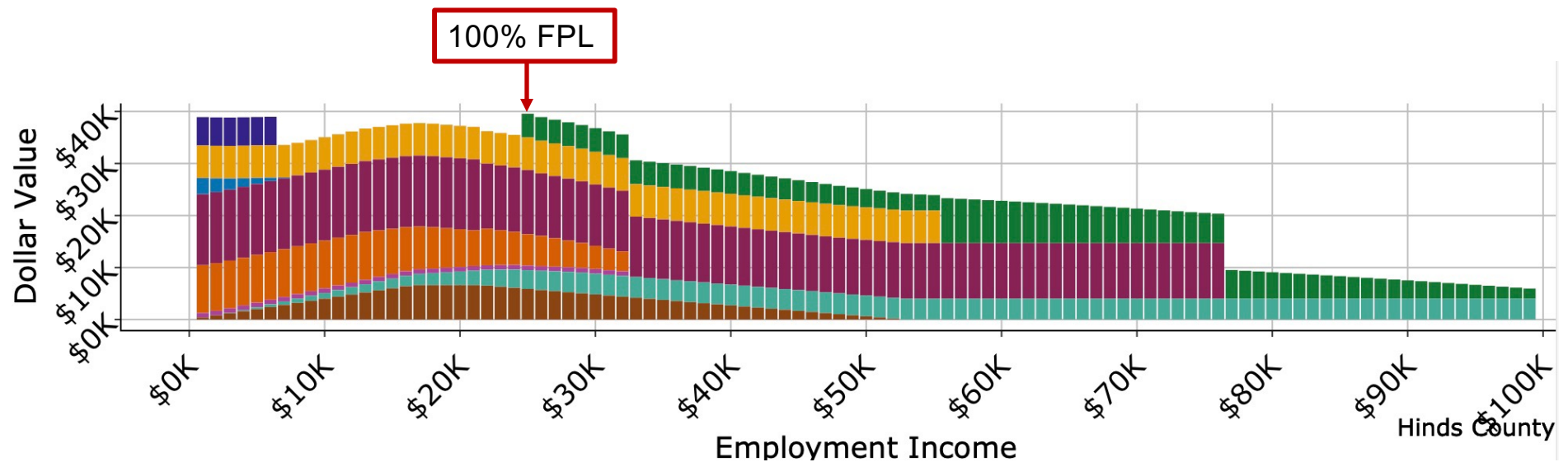


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The Mississippi Family With an ACA Subsidy

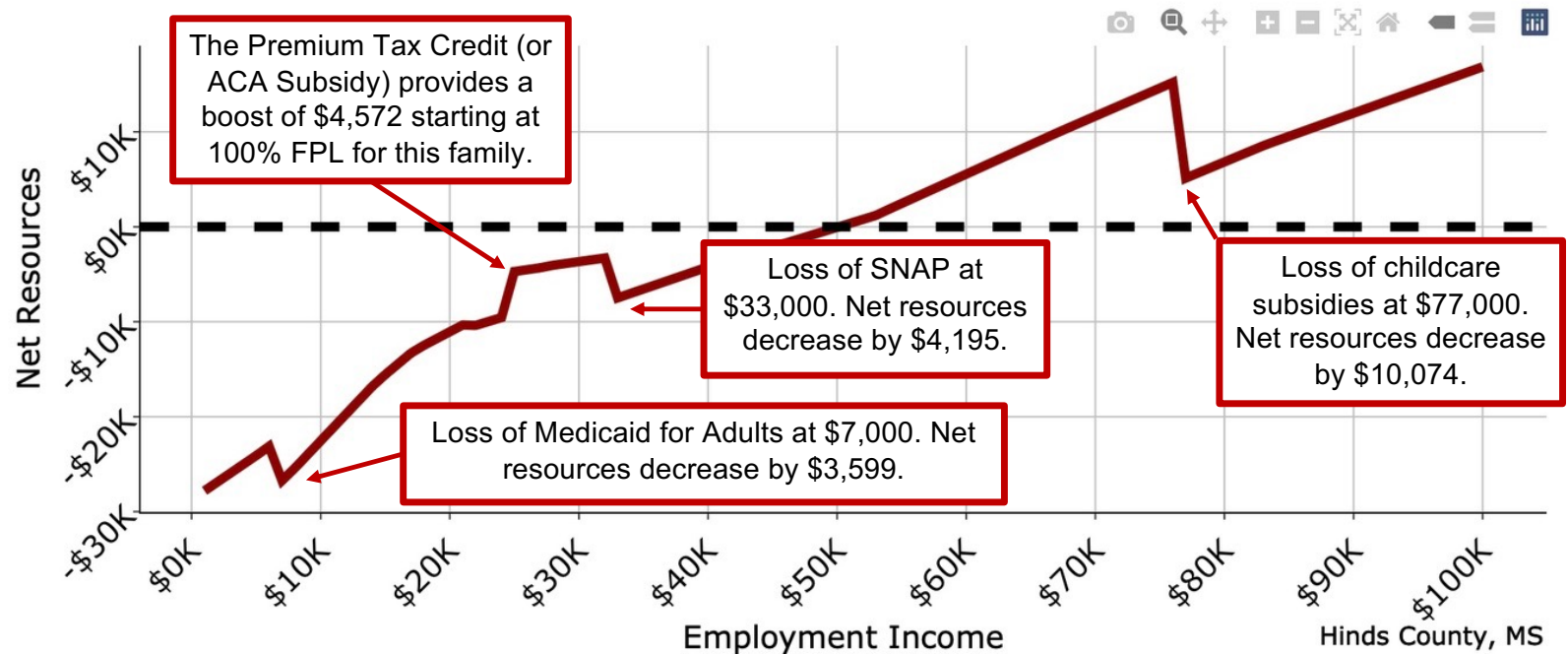
This visualization includes the bright green bars depicting a Premium Tax Credit (or Health Insurance Marketplace Subsidy) that is available once income reaches 100% FPL.



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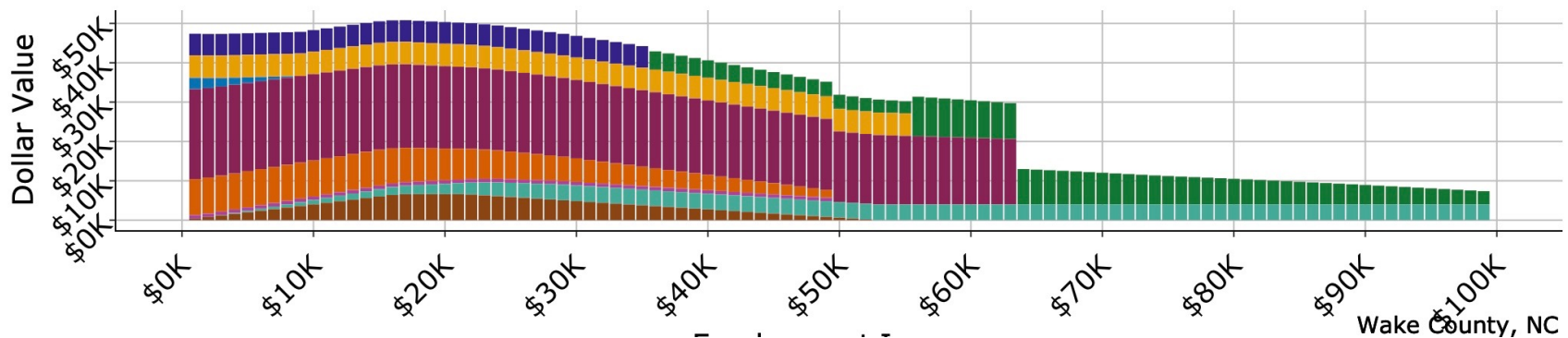
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The Mississippi Family With an ACA Subsidy



Effects of ACA Subsidy in North Carolina, a State That Has Expanded Medicaid (#1)

This visualization demonstrates that the cliffs for Medicaid for Adults (at 138% FPL, in purple bars) and Medicaid for Children/CHIP (at 211% FPL, in gold bars), are mitigated since this family of three receives the Health Insurance Marketplace Subsidy.

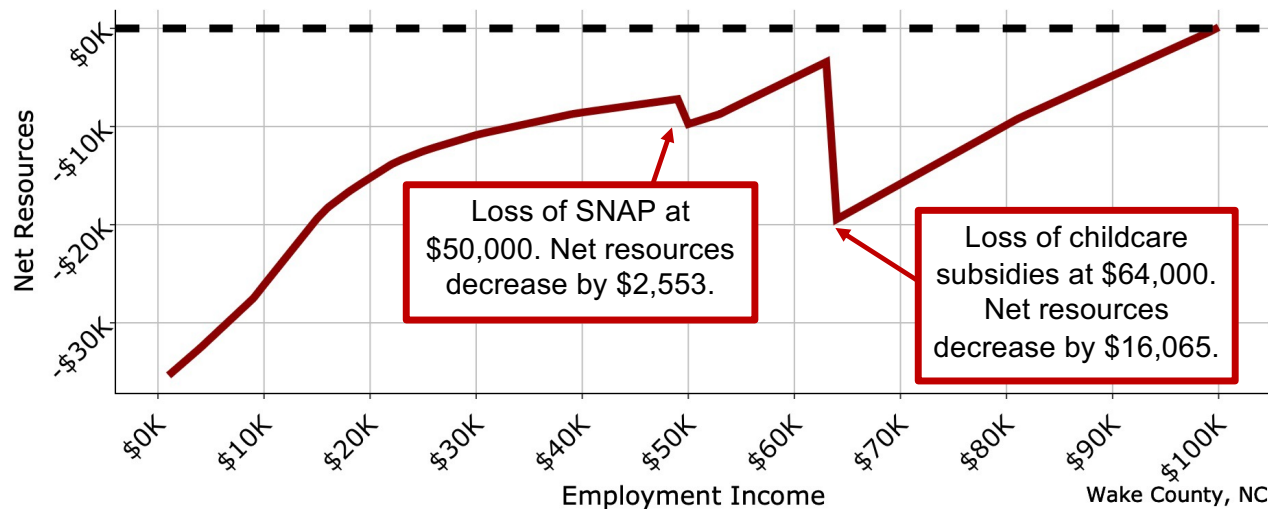


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Effects of ACA Subsidy in North Carolina, a State That Has Expanded Medicaid (#2)

This is the corresponding “cliff view” to the previous graph, demonstrating that even though cliffs have been greatly mitigated in North Carolina, this family does not “break even” until earning almost \$100,000.

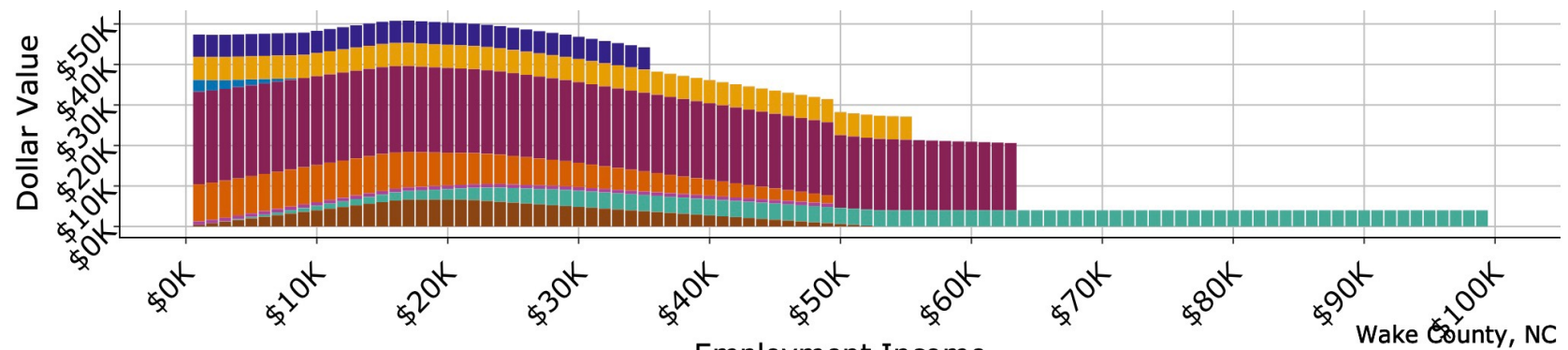


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Potential Effects of Non-receipt of the ACA Subsidy in North Carolina

This visualization depicts the cliffs for Medicaid for Adults (at 138% FPL, in purple bars) and Medicaid for Children/CHIP (at 211% FPL, in gold bars), without including the value of Health Insurance Marketplace Subsidy. See the next graph for a visualization with that Subsidy.

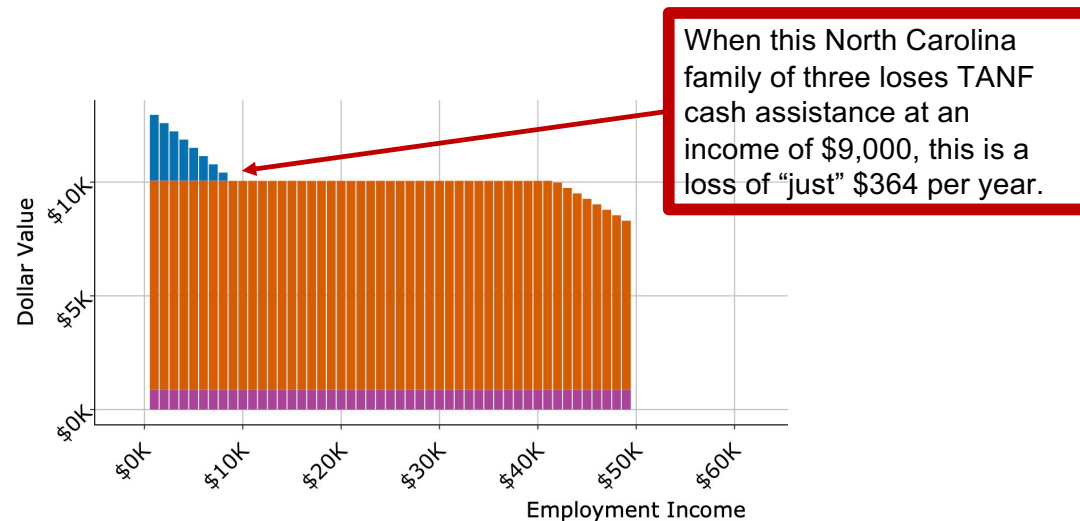


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TANF and Benefit Losses (#1)

TANF benefits tend to phase out at very low income levels, so that when they stop because of increased earnings, they do not represent a steep cliff.



TANF and Benefit Losses (#2)

Because we know that any loss of cash assistance can feel significant for families who have extremely low incomes, there are a couple of ways of extending benefits so parents and children can have continued benefits:

- **Transitional TANF cash assistance** for families who reach the exit threshold – smaller payments for four to six months;
- Enabling **higher earned income disregards** (EID) at recertification;
- Through **formal diversion programs**, TANF funds can be used in *some* states to support purchases needed for employment.



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Childcare subsidy benefit cliffs

- Generally these are the deepest cliffs, since families must pay market rates for childcare after using subsidies.
- The size of these cliffs can vary significantly across different areas of each state since the cost of childcare varies widely.
- [New federal guidance](#) recommends an exit threshold at 85% of the State Median Income (SMI). Since the pandemic, some states have shifted their exit thresholds well beyond that (sometimes prompting controversy).
- Subsidy benefit cliffs are larger in states that have stopped charging copayments. Recent federal guidelines also limit copayments to 7% of families' annual income (at least up until the 85% SMI exit threshold).



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Learning about your state's childcare benefit cliff

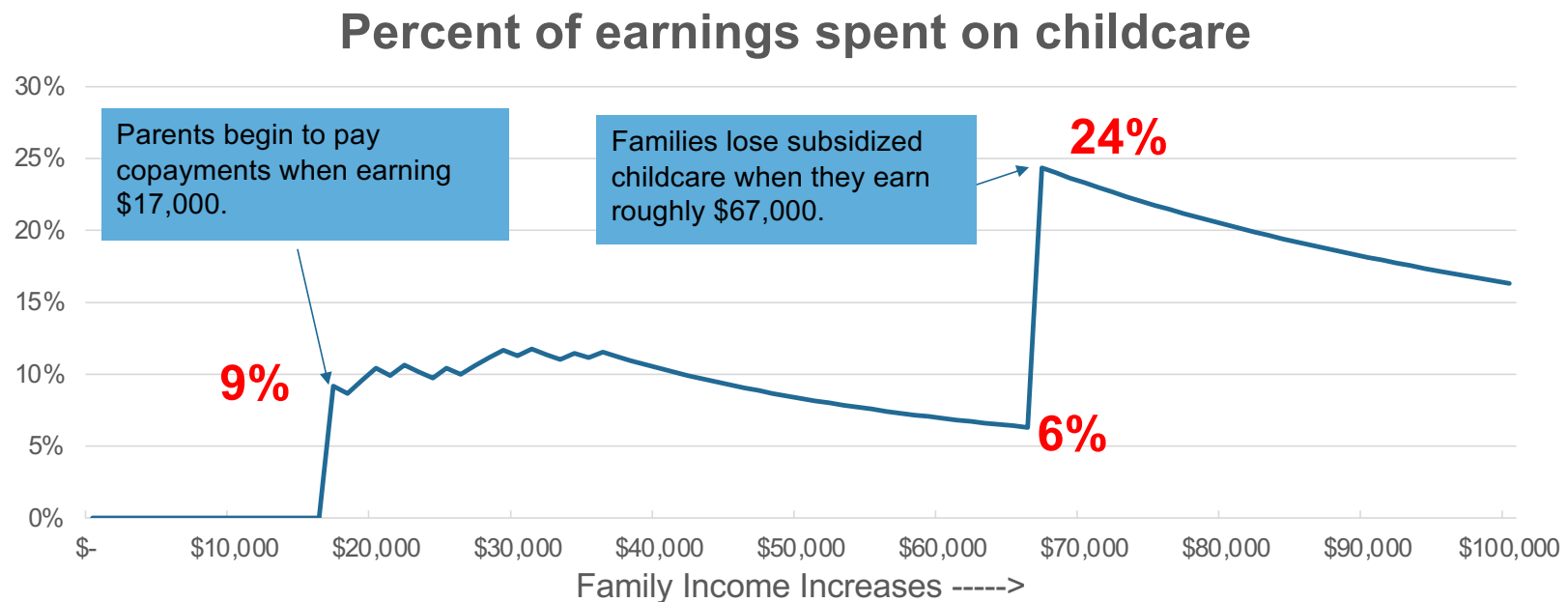
1. Determine whether your current state's exit threshold is set at 85% SMI or above.
2. If parents are being charged copayments, learn what the schedule of those requires of parents near the exit threshold. Are families paying more than 7% of their income on subsidy copayments?
3. Possible: Research the exit thresholds and copayments of neighboring states with similar policy climates, for comparison.



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Percentage of family income paid by parents of two-parent family with two children



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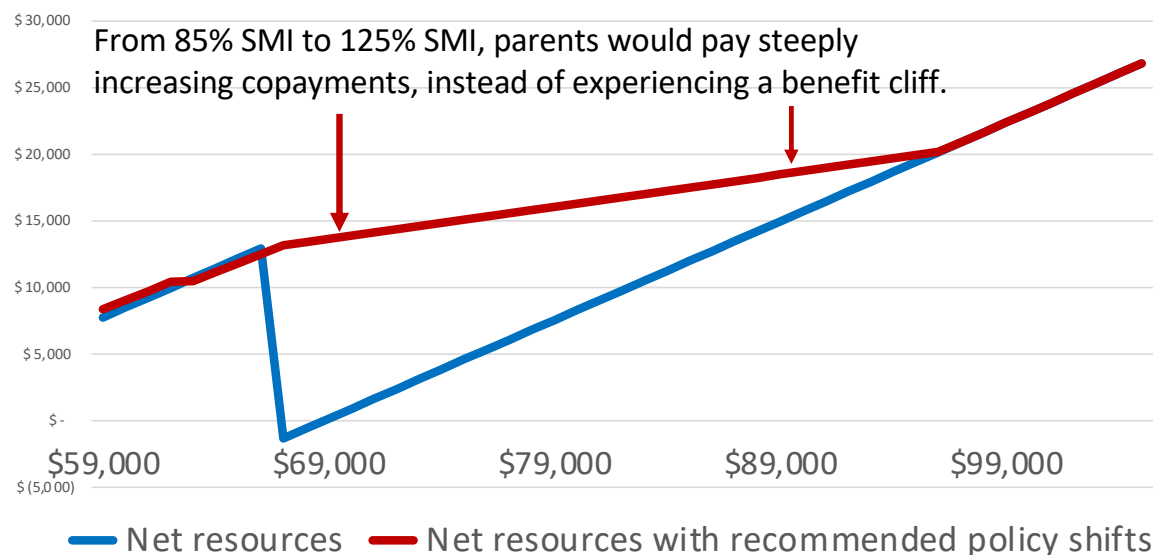


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Potential “solution” to the childcare subsidy cliff

Child Care Cliff With and Without Recommended Policy Shifts
for Two-Parent Families with Two Children



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A wider range of solutions to benefit cliffs

1. Extend exit thresholds for income eligibility.
2. Avoid “clustering” of multiple thresholds at or near a particular income level.
3. Phase out the value of the benefit, so that the “cliff” is not as steep.
4. Shield income by enabling earned income disregards of amounts or types of income.
5. Increase asset limits (or eliminate them).
6. Provide refundable tax credits that boost families’ self-sufficiency at low income levels.
7. Exclude accounts for asset-building, such as Individual Development Accounts, from income eligibility for benefits.
8. Create protections from cliffs for recipients of special programs such as pilots of unconditional cash transfers (such as guaranteed income).
9. Provide low-income parents with incentives and coaching to increase employment while navigating cliffs.



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Questions or goals?

Q. Any questions about what was presented here?

Q. Are there benefit cliffs you'd especially like to work on in your state?

Q. Is anyone aware of a program that supports families through benefit cliffs in their state?



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Reminder: Open-format follow-up meeting

We hope to see you on October 23rd at 1pm ET for an open-format meeting with FES Community members to discuss advocacy around benefit cliffs, share stories, and highlight questions from anyone.



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Thank you for joining, and thank you for the work you do.

Acknowledgements: **Mandy Ableidinger** and the Alliance for Early Success; **Sheila Smith**, Director of NCCP; Federal Reserve Board of Atlanta, Policy Rules Database Dashboard.

Karen Chatfield, Director of Family Economic Security

kchatfield@bankstreet.edu



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Additional Resources

Federal Reserve Board of Atlanta. 2024. [*Policy Rules Database Dashboard*](#).

[*Cuyahoga County Benefit Bridge Program*](#). Accessed September 26th, 2024.

National Conference of State Legislatures. 2023. [*Introduction to Benefits Cliffs and Public Assistance Programs*](#).

Administration for Children and Families Region 1 Whole Family Approach to Jobs Initiative. 2024. [*New England States Tackle Benefit Cliffs*](#).

Niskanen Center. 2024. [*Family benefits in America: 2023 report card*](#).

Recommended video:

Administration for Children and Families, 2024. [*Less Poverty, More Prosperity – States Tackle Benefit Cliffs Webinar*](#).



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