

Aligning Policies and Procedures In Benefit Programs:

*An Overview of the Opportunities and Challenges Under
Current Federal Laws and Regulations*

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This paper is part of an on-going project at the Center on Budget and Policy Priorities to encourage improved coordination amongst the major state-administered low-income benefit programs. The Center is currently working to produce a guidebook for states and localities interested in revising their policies and procedures with the goal of improved program integration. We hope to collaborate with interested state agencies to design new policy and procedural models and to provide technical assistance to those looking for more detail on how federal program rules permit program coordination. For more information about the project, contact the authors.

Over the past 15 years, the welfare system has undergone a major transformation. Instead of a limited set of programs focused primarily on providing benefits to low-income non-working families, states and the federal government now operate a more comprehensive set of programs and services designed to promote employment and to support low-wage workers. These changes cannot be explained solely by the 1996 welfare law or changes to the cash assistance programs. Expansions in the Earned Income Tax Credit and Medicaid, the creation of the State Children's Health Insurance Program (SCHIP), increased resources for child care for low-wage working families, and retooling the federal food stamp program to serve working families better are all a part of this shift.

The low-income families that now participate in the core benefit programs administered by states — Medicaid, the State Child Health Insurance Program (SCHIP), food stamps, Temporary Assistance for Needy Families (TANF) cash assistance, and the Child Care Development Fund (CCDF) — are a diverse population and include many *working* families. Over the past several years, there has been a growing recognition that families often face a set of uncoordinated requirements when they participate in more than one program and that these requirements may make it difficult for families already struggling to juggle work and family obligations to participate in these programs.

There are significant opportunities for states to streamline and integrate program rules and many states already have taken steps to take advantage of these opportunities. In nearly all areas governing program eligibility and benefit delivery, federal law allows states to align program rules in ways that can better serve families and ease administrative burdens for states. A number of states¹ have used flexibility in federal law to align eligibility rules where possible, streamline paperwork requirements, reduce office visit requirements and use information gathered for one program when determining or reviewing eligibility for another.

There are challenges to aligning and streamlining program rules at both the federal and state levels. At the federal level, these programs each provides a unique set of benefits that serve unique purposes, are administered by different agencies, and have different financing

¹ Throughout this report, the term "state" includes the District of Columbia. The term also includes local agencies that administer benefit programs on behalf of a state. For example, if a benefit recipient is obligated to tell her caseworker when she finds a job, the report will describe this as a requirement that she tell "the state" about the new job.

mechanisms. At the state level, different state agencies and state legislative committees often have responsibility for the administration, funding and oversight of different programs.

Despite these challenges, finding ways to package and deliver these benefits together via a simple transparent system is a worthwhile goal. A state that conforms program eligibility and procedural rules where possible can make it far easier for families to understand eligibility rules and can ease the administrative burdens on states that operate these programs.

Significant coordination can be achieved across the areas of application processes, procedural requirements for program recipients, and financial and non-financial eligibility criteria. This report provides an overview of the key opportunities for and challenges to alignment in these areas.

In each of these areas, federal law generally affords states the flexibility to align policies and procedures in ways that could lead to a far simpler system for families to comply with and states to operate than exists in many states today. Under federal law and rules, states have significant discretion to tailor eligibility criteria (such as the income eligibility cutoff) and procedural rules (such as application processing rules and benefit retention procedures) in their Medicaid, SCHIP, TANF, and child care programs. And, while states have less flexibility to design food stamp *eligibility rules* than they have in the other programs, new regulations and the 2002 Farm Bill significantly expanded the flexibility states have to set certain eligibility *policies* — such as how to treat vehicles when determining eligibility — and to establish simpler application and benefit retention *procedures*. These new food stamp changes provide many new opportunities to streamline program rules in an array of low-income programs to make it easier for families to apply and retain eligibility in all of these programs. In addition to these options built into the programs' basic structures, states may also apply to federal agencies for waivers of program rules.

The most promising coordination efforts use one program's strengths to leverage improvements in other programs. This paper endeavors to highlight these opportunities. For example, some states use information a family provides in order to maintain its food stamp eligibility to renew a family's Medicaid coverage automatically; this means the family does not have to undergo two repetitive reviews.

It is important to note that in a few instances conforming program rules or procedures can increase — rather than lessen — barriers to participation for families. For example, under the Food Stamp Program, applicants generally must meet face-to-face with a caseworker while the Medicaid program permits a wholly mail-in application process. If the Medicaid program conformed its application procedures to the Food Stamp program rules, all Medicaid applicants would be required to come into a welfare office. Such “program conformity” would serve to increase access barriers to the Medicaid program. This paper highlights program integration options that would result in simpler, less restrictive program rules.

Overview of Alignment Opportunities and Challenges

I. Eligibility Procedures

Using a question-and-answer format, this section provides an overview of some of the flexibility that does and does not exist to align eligibility procedures among the five benefit programs. This section generally describes current federal law requirements and does not talk extensively about those aspects of federal programs for which waivers of federal rules can be sought. In a few places where significant differences in programs exist, a brief discussion of what can be addressed by current waiver authority is discussed. A discussion of waiver authority in these programs is discussed on page 14 of the summary.

1. Can states use one application for multiple programs?

Yes.

All states currently have an application form that allows families to apply for more than one program, though states are not required to have a single application form covering all of the five programs discussed in this report.

Combined application forms that allow recipients to apply for multiple programs often have been criticized for being long and complicated and serving as a barrier to participation. In fact, the cumbersome nature of many such applications led many states to develop far simpler, shorter, and more user-friendly applications for their health programs (Medicaid and SCHIP). While these simpler application forms helped in the effort to enroll uninsured, low-income children into Medicaid and SCHIP programs, they do not typically allow families to be screened for eligibility in other programs such as food stamps or child care. With modest changes to these simplified applications, they can serve not only as an application for health programs, but also initial applications or screening tools for additional supports such as food stamps and child care.

2. Can states use a single, simple set of verification requirements?

Yes, though some minimum federal requirements apply to the Food Stamp Program.

States have broad flexibility in establishing verification requirements in each of the programs. There are some federal rules, however. In particular, immigration status must be verified in each of the programs and the federal food stamp rules require states to obtain verification of the following for all households: identity, social security numbers, income, and residency. (Additional verification requirements can apply to certain types of households, such as households seeking additional food stamp benefits based on a household member's disability.) Other than on verification issues related to immigration, states have full discretion to establish verification rules in TANF, child care programs, Medicaid and SCHIP.

States typically require more verification than is required by federal law in the Food Stamp Program and other low-income programs out of concerns related to program and fiscal integrity and individual programs' quality control mechanisms.

States can align their verification requirements to those they apply to the Food Stamp Program, since the other programs allow near-total state discretion. At the same time, states often have wanted to impose *lesser* verification requirements on families applying for other benefits, particularly Medicaid or SCHIP, as a way of reducing access barriers.

In addition to aligning the actual verification requirements, states can simplify verification *procedures*. For example, states can use information already provided and verified for the purposes of one program when determining or updating eligibility in a different program, thereby reducing the number of times a family must provide the same documentation to various agencies or caseworkers. For example, if the child care agency can access the computer system used to determine food stamp and Medicaid eligibility, it can forgo verification of information already being used in those programs and, therefore, deemed reliable.

3. Can a single worker determine eligibility for multiple programs?

Yes, though absent a waiver the food stamp and Medicaid programs require that certain eligibility functions be performed by state employees.

A single employee can determine eligibility for multiple programs. Alternatively, states can choose to have caseworkers that specialize in a more limited number of program benefits.

There are federal rules related to *who* can make eligibility determinations in the food stamp and Medicaid programs. Federal food stamp and Medicaid rules require that an eligibility worker employed by the state through a merit protection system make eligibility determinations. In the Medicaid program, individuals other than a state employee can perform initial application processing, including assisting families with applications or entering data from a written application into a computer, but the *final* eligibility decision must be made by a state employee. Under the Food Stamp Program, a state employee must conduct the interviews, evaluate verification, and determine households' eligibility.

In both the Food Stamp and Medicaid programs, these rules can be waived under current waiver authority. Florida, under a demonstration waiver, has transferred food stamp eligibility determination functions for TANF households to non-state employees in six counties where it already had transferred TANF eligibility determination functions to private entities. This demonstration project is being evaluated.

4. Can states align their application processing timeframes?

Yes, though minimum federal standards in the Food Stamp Program differ from those in Medicaid and SCHIP.

Under federal food stamp rules, states must make an eligibility determination within 30 days of the date the application was submitted. States also must provide expedited benefits on a shorter timeframe to applicant households in certain emergency situations, such as those with such little cash on hand that they may not be able to wait a month before receiving help buying food.

Federal law requires that states make eligibility determinations in Medicaid and SCHIP within 45 days of the date the application is received. (This period is extended to 90 days in the Medicaid program in the cases in which a disability determination is required.) States have full flexibility to establish application processing timeframes in TANF and child care programs.

Thus, states can align their application processing timeframes to the food stamp 30 day processing standard. States also can choose to align these timeframes for internal management purposes, without adopting a state law or rule requiring that Medicaid and SCHIP applications be processed in the shorter timeframe.

5. Can states conduct a single eligibility review to cover all program areas?

Yes.

When a state determines an individual, family, or household eligible for a benefit in any of the five programs, the state typically sets a date in the future when program eligibility will be reviewed to determine whether the unit remains eligible for benefits and whether the level of benefits for which the unit qualifies needs to be changed. Federal rules require that such reviews occur at least every 12 months in the Food Stamp, Medicaid and SCHIP programs; states have the flexibility to review eligibility more frequently. States also have complete discretion to establish eligibility review policies in TANF and child care. This flexibility allows states to align the eligibility review dates so that a single review can be conducted for all benefit programs.

Even when the dates of eligibility reviews are not aligned (or fall out of alignment) or when eligibility reviews for different programs are conducted by different caseworkers, states can take measures to avoid gathering information about individuals' circumstances multiple times. In particular, states can ensure that whenever an eligibility review is conducted in one program, that information is used to update the information used in the other programs. If the information shows that the assistance unit remains eligible for a particular benefit, the state can extend eligibility in those programs for another period of time without requiring the individual to participate in another process to review eligibility. For example, when a household recertifies its eligibility for food stamps, the state has the information needed to determine if individuals in that household remain eligible for Medicaid or SCHIP. If they remain eligible, the state can extend

the Medicaid/SCHIP eligibility period without requiring the family to submit additional paperwork or come in for additional meetings.

There are limitations, however. For example, when a family completes a Medicaid or SCHIP eligibility determination, the eligibility worker typically will *not* have all of the information needed to recertify food stamp eligibility (though a Medicaid eligibility review may provide enough information to re-determine child care eligibility). Thus, for households in which individuals receive both food stamps and Medicaid/SCHIP benefits, the *food stamp* recertification should be used to extend Medicaid and SCHIP eligibility, not the other way around. (Also note that Medicaid and SCHIP rules do not permit the state to terminate Medicaid benefits when household members do not complete a food stamp recertification process. Thus, if a household is due for a food stamp recertification and is not due for a Medicaid/SCHIP eligibility review and the household does not recertify its eligibility for food stamps, the state must continue Medicaid/SCHIP benefits until it determines that the recipients of those programs are ineligible for benefits or until the recipients fail to comply with *Medicaid/SCHIP* redetermination requirements.)

6. Can states align their “reporting rules” — rules concerning when a family must tell the state about changes in their circumstances?

Yes. States now have a menu of reporting rule options that can be used in the Food Stamp Program and any of these choices also can be used in the other benefit programs.

States have substantial flexibility in each of the benefit programs to set rules concerning when families must tell the state about changes in their circumstances that could affect program eligibility or benefit levels. Recent changes in the Food Stamp Program enacted as part of the 2002 Farm Bill now make it far easier for states to simplify and align change reporting rules across programs and reduce the circumstances under which families must report changes in circumstances. This is particularly important for working families that experience frequent fluctuations in their incomes for whom differing reporting requirements could prove both confusing and burdensome.

In general, the child care, SCHIP, and TANF programs allow states full discretion to establish rules related to when a recipient must tell the welfare office about changes in his or her circumstance or update eligibility information. The Medicaid program allows substantial flexibility, but does require states to have some mechanism for learning about changes that affect eligibility within a reasonable period of time. The Food Stamp Program also has some federal rules, but affords states broad discretion in adopting reporting rules as well. Prior to the new Farm Bill options, the Food Stamp Program typically required families to report even modest changes in circumstances to the welfare office, but states now can adopt food stamp reporting rules that mean that most households need to provide updated information for a few eligibility factors every six months (with a more extensive recertification done every 12 months). This, in turn, now provides states that wish to align the reporting rules across programs with more options.

There are many approaches a state can elect in this area. For example, a state can adopt “semi-annual” reporting in the Food Stamp Program, which means that participating households do not need to tell the state agency about any changes in their circumstances during a six month period except if their incomes rise above 130 percent of the federal poverty level. If a state wants to align this reporting rule across programs, it can create a system in which families are not required to report any changes (except an income change that puts them above a certain level) in their circumstances during a six month period. At the end of that six month period, the family would be asked to update the information the state has about its income and other circumstances and that information then could be used to review and extend eligibility in all of the benefit programs in which the family or members of the family participate. Such an approach could significantly reduce the paperwork burden on working families participating in these programs and simplify the job of state agencies administering the programs. (There are many variations on this general approach which are discussed in more detail in Chapter III.)

It also should be noted that states have discretion to determine *how* to collect information about changed circumstances. Currently, the process generally is a paper system in which recipients are given or mailed reporting forms which they return to the state agency with accompanying documentation. Some states have established “change centers.” These change centers may accept not only paper forms and documentation but phone calls from recipients wishing to report a change in circumstance. There is nothing prohibiting states from accepting reports of changed circumstances over the phone, via fax, by mail, or over the internet. States considering alternative methods for receiving reports about changes in circumstances should consider not only the initial report of the change, but how verification of the changed circumstance will be collected.

7. Can states align immigrant-eligibility requirements among programs?

No. Immigrant-eligibility rules are defined in federal law and cannot be changed through a waiver; states can align some sponsor-deeming rules and procedures, however.

States have very limited ability to align immigrant-eligibility requirements across federally-funded programs. (States that choose to provide state-funded benefits to immigrants ineligible for federally-funded benefits can align eligibility rules as they wish.) Federal law prescribes the immigrant-eligibility rules in Medicaid, SCHIP, food stamps, TANF, and child care, including which immigrants are eligible and which immigrants are subject to sponsor deeming or liability. While the rules for TANF and Medicaid/SCHIP are largely similar, they differ in important ways from those that apply to the Food Stamp Program and to child care funded with Child Care and Development Block Grant (CCDBG) funds. Most notably, in TANF and Medicaid/SCHIP most legal immigrants, including children, are ineligible for benefits in their first five years in the country. In the Food Stamp Program, by contrast, a five year bar applies only to adults. In CCDBG-funded child care programs, there is no five year bar.

States do have broad discretion to decide *how* they will implement the very complicated sponsor deeming and liability requirements that apply to immigrants who entered the country

after December 1997 and who have sponsors who signed a particular type of affidavit of support. This is an area where states may be able to align certain rules and procedures.

8. Are there ways to package transitional benefits for families leaving TANF?

Yes, but there are important differences between Transitional Medical Assistance and transitional food stamp benefits.

There are three main types of transitional benefits states provide to families leaving TANF cash assistance programs — Transitional Medical Assistance (TMA), transitional food stamp benefits (known as the “Transitional Benefit Alternative” or TBA), and transitional child care benefits. Both TMA and TBA have federal rules that govern them. States that choose to provide transitional child care benefits have full discretion to set policies and procedures for those programs. There are ways these benefits can be packaged, though there are challenges to alignment as well.

- *There is overlap between who is eligible for TMA and TBA, but differences as well.* Families that become ineligible for family-based Medicaid coverage (under Section 1931 of the Social Security Act) based on an increase in earnings or child support income are eligible for TMA. While many of the families eligible for TMA are families leaving TANF cash assistance programs, other families not on cash assistance but that received family-based Medicaid coverage also qualify for TMA. States electing to provide transitional food stamp benefits can provide them to all families leaving TANF cash assistance programs, except those leaving due to a sanction.
- *The length of time a family remains eligible for TMA and TBA differ.* Families can remain eligible for TMA for up to one year, while TBA benefits last for at most five months. At the end of the TBA five-month period, the household’s food stamp eligibility must be reassessed. Most households will remain eligible for food stamp benefits, albeit at a lower level, once TBA benefits expire. While most *children* will remain eligible for Medicaid or SCHIP coverage at the end of the TMA period, most parents will not remain eligible (except in those states that have adopted a significant Medicaid or SCHIP expansion for low-income parents).
- *To remain eligible for TMA, recipients must file several reports over the course of their eligibility period; no such reports are required to receive TBA.* TMA recipients are required to submit reports in their 4th, 7th, and 10th months of participation in the program. These reporting rules are frequently cited as an impediment to participation among states and others, and there is bipartisan support in Congress for removing these extra reporting requirements. (The Senate Finance Committee TANF reauthorization bill approved on September 10th would allow states to remove these paperwork requirements. States also would have the flexibility to extend TMA to 24 months.)

Given these similarities and differences, there are opportunities for alignment, but also limitations. States can, for example, explain to TANF families that when they leave welfare for work, they will remain eligible for Medicaid, Food Stamps, and child care for at least five months (unless eligibility for a state's child care program is shorter) and that unless the family's income rises above a certain level, it is likely to remain eligible for all three benefits for a year.

Procedural Requirements: Opportunities and Challenges for Alignment

In general, federal law allows states to create a system in which a family completes a simple application that covers multiple programs, submits a single set of verification documents that are used for all of the benefit programs, is required to provide updated information only at six month intervals which is then used to update eligibility in all programs, and completes a single eligibility review once per year which covers all programs. The system also could offer a package of benefits to TANF recipients when they leave assistance, including Transitional Medical Assistance, transitional food stamps, and transitional child care.

While federal law and rules allow states to operate such a system, implementation challenges exist. These range from the difficulties inherent in reaching agreement on policy changes across the state agencies responsible for implementing different programs to the complexities of re-programming computers. While federal law rarely precludes alignment in these areas, in some cases it obscures the alignment opportunities that exist.

II. Eligibility Factors

This section provides an overview of some of the flexibility that does and does not exist to align eligibility policies among the five benefit programs.

1. Can states align the definitions of what counts as income among benefit programs?

Yes, states can align income-counting rules across benefit programs; there are some minimum federal requirements in the rules states can adopt for the Food Stamp Program, but as a practical matter, these are unlikely to cause serious problems for state alignment efforts.

While different programs have different income-eligibility cut-offs, those differences rarely cause great difficulty for program implementation because the actual calculation to determine whether an applicant's countable income is above or below this eligibility limit typically is done by a computer. At the same time, differences in the definition of what income *counts* toward the income-eligibility limit can cause significant confusion both for families and for caseworkers helping families navigate the application process for multiple programs.

Fortunately, federal law no longer compels states to have different rules for whether a particular type of income — such as small donations provided by a church, educational benefits, or proceeds from the sale of blood — counts when determining whether an individual, family or household is eligible for various benefits. The 2002 Farm Bill included a provision that allows a

state to align the rules for which types of income are considered in the Food Stamp Program to the state's rules in TANF and/or the family Medicaid eligibility category. Because states are afforded very broad flexibility in TANF and Medicaid to establish rules for the types of income and resources that are considered, this new provision allows a state, with some very limited exceptions, to define for itself the types of income and resources it wishes to consider and to align those rules across the major benefit programs. (States have full flexibility to establish income-counting rules in SCHIP and child care programs and, thus, can adopt the same policies in these programs as well.)

There are two limitations to state discretion in this area: 1) the minimum requirements in the Food Stamp Program and 2) the prohibition in the Medicaid program against imposing more restrictive income and resource rules than were in place in the former AFDC program. The food stamp rules require states to include basic forms of income and resources — such as earnings, Social Security Benefits, workers' compensation, unemployment insurance, foster care or adoption assistance benefits, and child support. As a practical matter, this is unlikely to cause significant problems because few states would opt to disregard these types of income from their TANF cash assistance or Medicaid programs. Similarly, the former AFDC program had few income and resource exclusions that affected large numbers of families (with the exception of the \$50 pass-through and disregard of child support income) and most states would not seek to adopt more restrictive income or resource rules than those in effect in the former AFDC program.

2. Can states align the definitions of what counts as a resource among benefit programs?

Yes. States can align resource-counting rules across those benefit programs in which the state elects to have a resource test; there are some minimum federal requirements in the rules states can adopt for the Food Stamp Program.

Similar to the income area, different benefit programs also have different resource limits. (Many states do not have resource limits for participation in certain programs such as Medicaid for children, SCHIP, or child care). While different dollar limits on countable resources do not pose great administrative difficulty, disparate rules for the treatment of particular types of resources can cause confusion and administrative errors. As in the income area, the 2002 Farm Bill allows states to conform their resource-counting rules to those in either their family Medicaid program or their TANF cash assistance program. Since states have full flexibility to establish resource rules in Medicaid and TANF as well as SCHIP and child care, states essentially can construct a single set of rules and apply them across programs, or across those programs to which a state wishes to apply a resource test.

There are some modest restrictions. Most notably, the food stamp statute requires states to count cash and accounts in financial institutions that are readily available to households when determining whether a household meets the resource limit for the program.

There are two other ways in which federal law provides increased flexibility in the resource area. First, under the food stamp rules, states are permitted to align the rules for when

and how they include the value of a vehicle when determining whether a household meets the program's resource test to any TANF "assistance" program, including TANF-funded programs other than the basic cash assistance program. Some 44 states now are applying more generous vehicle rules in the Food Stamp Program using this flexibility. Almost half of all states now exclude at least one car from consideration as a resource.

Second, the Food Stamp Program allows states to confer "categorical eligibility" to households in which all members receive a benefit that is funded with either TANF or MOE funds. (This benefit does not have to meet the TANF definition of "assistance.") Households that are categorically eligible for the Food Stamp Program are not subject to the resource test generally applied in the program.

3. Can states align household composition rules?

Yes and no. States have full flexibility to establish rules relating to whose income and resources to consider when determining eligibility for TANF, child care, and SCHIP, but there are federal rules governing these policies in the Medicaid and food stamp programs.

Without waivers of certain federal rules, the household composition rules in Medicaid and the Food Stamp Program differ and as is discussed below, efforts to align the rules in these programs (through existing waiver authority or other means) would lead either to very large benefit cuts or very large increases in program costs. States have broad flexibility in this area in SCHIP, TANF, and child care, but state policy choices have meant that the rules in these programs tend to differ in important ways from those in food stamps and, to a far lesser degree, Medicaid.

The Food Stamp and Medicaid programs have federally prescribed rules about which individuals living together are part of the "assistance unit" and, therefore, receive benefits and whose income and resources are taken into account when determining the eligibility for (and, in the case of the Food Stamp Program, the benefit level of) those assistance unit members. States have broad discretion in their TANF cash assistance programs to define both who in a household will receive benefits and whose income and resources are considered. Most states, however, have chosen to maintain rules very similar to those in place in the former AFDC program. Finally, in both SCHIP and child care, federal law limits who can receive benefits to the children in the household, but states have broad discretion to determine whose income is counted when determining children's eligibility for SCHIP or child care assistance. Table I below provides a brief overview of federal rules and state practice in this area.

The differences in assistance unit rules reflect in large measure the differences in the type of assistance being provided. The Food Stamp Program provides nutrition assistance. Since individuals who purchase and prepare food together are pooling their food budgets, the program provides benefits to all household members and takes into account the income and resources of all household members. The Medicaid program, on the other hand, provides health care coverage to *individuals*. The program is not universal and all low-income individuals cannot receive it. And, unlike food stamps or cash assistance, health care coverage is not a shared

Table 1
Household Composition — Federal Rules and State Practice

Program	Which Members of a Household <i>Typically</i> Receive Benefits Under this Program?	Whose Income and/or Resources are <i>Typically</i> Considered When Determining Eligibility of Individuals Potentially Eligible for Assistance?
Food Stamps	Under <i>federal law</i> : All members of a household, regardless of whether they are related, who “purchase and prepare” food together.	Under <i>federal law</i> : <ul style="list-style-type: none"> • All household members receiving assistance, and • Any household members who generally would receive benefits but is excluded for violating a program rule or because s/he does not meet the immigrant-eligibility requirements
Medicaid	Under <i>federal law</i> : Family Eligibility Category: Children and their parents or caretakers Poverty-Level Category: Children and pregnant women	Under <i>federal law</i> : <ul style="list-style-type: none"> • The income and, if applicable, resources of each person applying for Medicaid for themselves, and • The income, and, if applicable, resources of any individual living in the home and who has a <i>legal duty to support</i> any individual applying for Medicaid. Generally parents have a legal duty to support children and spouses have a legal duty to support each other.
SCHIP	Only children are eligible for SCHIP coverage. Some states have waivers to provide SCHIP coverage to parents or childless adults.	There are no federal rules. Most states, however, only consider the income and, if applicable, resources of the children and their parents when determining SCHIP eligibility.
TANF	Under <i>most states’ policies</i> : Children and their parents or relative caretakers (when no parent lives in the home) typically are eligible for TANF cash benefits. Relative caretakers (grandparents, aunts, uncles, etc.) typically have the <i>option</i> of being a part of the “assistance unit.”	Under <i>most states’ policies</i> : <ul style="list-style-type: none"> • The income and resources of assistance unit members • The income and resources of parents excluded from the assistance unit for failing to meet a program requirement or who do not meet the immigrant-eligibility rules • There is state variation in how the income and resources of stepparents and grandparents in the home are treated when a child and his/her parent are receiving assistance.
Child Care	Under <i>federal guidance</i> : Children are considered the beneficiary of child care subsidies.	There are no federal standards. Many states consider the income and, if applicable, resources of all household or family members; several states only consider the income and, if applicable, resources of children and their parents or caretaker relatives (when no parent is in the home). Most states exclude, exempt or deduct some income in eligibility determinations.

benefit — individuals who receive Medicaid can access free health care, but other members of their families cannot. Moreover, given the expense of purchasing private health care coverage and the fact that typically only those individuals legally responsible for each other (parents and spouses) share in the cost of purchasing health coverage for any particular person, the Medicaid program bases eligibility only on the income and resources of individuals with a legal duty to support a Medicaid applicant.

State and federal policymakers often have discussed conforming the assistance unit and income/resource-counting rules across programs. The impediments are, however, formidable.

- **Converting the food stamp benefit to a “family” rather than “household” benefit is very expensive.** If the food stamp rules were to become more like those in Medicaid or those in place in most TANF cash assistance programs and be available to *families* rather than entire *households*, costs would increase substantially. Consider a household that includes a single mother and her child, the child’s grandmother, and the child’s great aunt (the grandmother’s sister). Under current law, if all individuals purchase and prepare food together, they are all included in a single food stamp unit and the income and resources of all household members are considered when determining eligibility. If, however, food stamp eligibility were based on family units in which individuals have a legal duty to support each other, then the single mother and her child would constitute one assistance unit, the grandmother would be a second assistance unit, and the child’s great aunt would be a third unit. The total food stamp benefits going to these groups would be substantially higher than the level of food stamp benefits the household receives together under current household composition rules.

States can apply for waivers to change the household composition rules in the Food Stamp Program. A waiver to align household composition rules to those in their TANF cash assistance or Medicaid programs (which is permissible under the Food Stamp Act), however, would fail the cost-neutrality test typically applied to waiver requests by the federal government. To meet the cost-neutrality test, states would have to couple such a waiver request with *significant* benefit cuts to some households to offset the increased assistance going to other households. These cuts generally have been viewed as a poor tradeoff for the simplification gained by aligning household composition rules.

- **Converting other programs to food stamp-like “household” units either would result in very large benefit cuts to low-income families or massive expansions in program costs.** On the other hand, other programs could adopt the food stamp “household” benefit structure. Indeed, under current federal rules, states have the flexibility to convert their TANF cash assistance program rules to ones that mirror the food stamp rules. Under this structure, states would consider the income and resources of all individuals who live with parents and children when determining TANF eligibility. Generally, this would result in far lower benefits to TANF families who live with other individuals and would, in fact,

provide lower benefits to many families who are forced to “double-up” with friends and extended family members precisely because their income is so low. Because of this, nearly every state chose to maintain AFDC-like family-based assistance units even when afforded the flexibility to convert to household-based units such as those in the Food Stamp Program.

In the Medicaid program, converting to a household unit for *eligibility* would confer Medicaid benefits to large numbers of individuals who current do not meet a categorical Medicaid eligibility requirement, that is, they are not parents/caretakers, children, elderly, or a person with disabilities. Alternatively, if the Medicaid program maintained its current categorical eligibility requirements but began to consider the income and resources of all household members — including individuals with no duty to provide support to the individual applying for Medicaid and who are unlikely to contribute to the health costs (or cost of providing coverage) to the Medicaid applicant if s/he is found ineligible — a large number of currently-eligible recipients would lose access to health coverage.

Eligibility Policies: Opportunities and Challenges for Alignment

Taken together, federal law does allow states to align certain aspects of eligibility policy, such as what counts as an income or a resource when determining eligibility. At the same time, the nature of the program benefits, federal law, and policy trade-offs make it difficult to align the rules that govern household composition (both who is eligible for benefits and whose income and resources are considered when determining eligibility) between Medicaid, food stamps, and TANF.

III. Current Law Waiver Authority

1. Can current-law waiver authority address areas in which federal rules differ?

Yes, but cost-neutrality requirements often limit what can be achieved through the waiver process.

States may seek waivers of federal requirements set in statutes and regulations governing the Medicaid, SCHIP and Food Stamp Programs. (States cannot seek waivers of TANF and CCDF rules. With some important exceptions in the TANF law, however, these programs already include substantial flexibility). Waiver authority that applies to these programs is fairly far reaching. States have used waivers as a mechanism to achieve modest, yet meaningful, program simplification. For example, USDA has approved hundreds of waivers of administrative rules set in regulation. North Dakota has a food stamp statutory waiver to align the treatment of transferred resources with those under its TANF program and South Carolina has a waiver to use telephone interviews in lieu of the annual face-to-face interview requirement in the Food Stamp Program. Several states also have waivers of Transitional Medicaid rules.

There are limits to what can be achieved via the waiver process due to the requirement that waivers be cost neutral to the federal government. Cost neutrality is not required in statute, but the current and all prior Administrations have maintained a fairly strict policy of ensuring that waivers not increase federal costs. (Administrative savings are not counted in this calculation.) If a waiver aligns a restrictive program's rules to the rules in a more generous program and would result in increased federal costs, the state must cut benefits elsewhere to offset the increase. States typically have been reluctant to implement changes that would require some families losing substantial benefits in order to increase benefits to other recipients.

While each individual program has its own waiver authority, nothing prohibits states for requesting or the federal government from approving cross- program waivers. Many states had joint AFDC, food stamp, and Medicaid waivers during the early 1990's. This process can be cumbersome for states, however, as it requires the state to work with multiple agencies within two federal departments, each with different clearance processes and timetables for approval.

Conclusion

Current federal law allows for substantial alignment in key areas of procedural requirements and eligibility policy. This flexibility can be used to create a system in which it is far easier for families to access program benefits and for states to administer those benefits than is the case in many states today. One reason that procedures and eligibility policies are not more aligned is that many of the opportunities for program alignment are relatively new — they arise out of the significant changes made in the Food Stamp Program in the 2002 Farm Bill. As states become more familiar both with the 2002 Farm Bill changes to the Food Stamp Program and the program alignment opportunities these changes when coupled with the flexibility in the Medicaid, TANF, SCHIP, and child care programs provide, states may find it easier to move to a more streamlined structure, easing burdens on families and stretched state agencies.