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**LINKING MEDICAID AND FOOD STAMPS:
Four Little-known Facts about the Food Stamp Program**

Recent USDA policy guidance and innovative state practices have demonstrated that the food stamp program's procedural requirements may be more flexible than some policy-makers think. The flexibility could allow for improved coordination with other programs such as Medicaid. In particular:

- States can use 12-month certification periods for food stamps and can limit interviews to one per year;
- States can conform their food stamp vehicle and asset tests to align with other programs;
- States can use a one page initiation form as a food stamp application or can shorten their joint applications to fewer than four pages;
- Food stamp reporting requirements can assist states in administering health programs.

Like health insurance, child care subsidies, and the Earned Income Tax Credit (EITC), food stamps is an important benefit that can support work and help bolster the wages of working poor families. A typical family of three with a parent who works 30 hours a week at the minimum wage is eligible for almost \$230 a month in food stamps in 2000. Receipt of food stamps increases the family's pre-tax monthly income by 34 percent.

In many respects, the recent trends in the food stamp program have paralleled those in the state health insurance area. The decline in participation in the program has been a major concern. Nationally, since it peaked in 1994, the number of people receiving food stamps has fallen almost 40 percent, or 11 million people. Some decline in food stamp participation was expected because of eligibility changes in the 1996 welfare law and the strength of the economy, but a consensus has developed that even after taking these two factors into account, a large proportion of the decline is attributable to other factors. This is particularly true among low-income families with children.

Partly because of the strong economy and partly because of states' cash assistance policies, a growing share of families that are eligible for food stamps have earnings while a shrinking share receive public assistance. As is the case with Medicaid, there is mounting evidence that many families that leave cash assistance for work remain eligible but do not receive

food stamps. An Urban Institute study found that only 42 percent of welfare leavers who remained income eligible for food stamps received the benefit. State welfare leaver studies find similar results.

In addition, studies by the U.S. Department of Agriculture (USDA), the agency responsible for the food stamp program at the federal level, have shown that historically only about half of low-income working families that are eligible for food stamps and *do not* receive cash assistance actually obtain food stamps. The reasons cited for nonparticipation in food stamps are similar to those cited for Medicaid — people believe they are not eligible or that they do not need benefits and there are procedural burdens and stigma associated with participation.

In the last several years, with concerns about low Medicaid participation among families leaving Temporary Assistance for Needy Families (TANF) cash assistance and the advent of expanded eligibility under the State Children's Health Insurance Program (SCHIP), states have undertaken efforts to improve participation among working families. Strategies have included: moving to mail-in applications, not requiring an in-office interview, requiring less verification of family income and other circumstances, lengthening the period of time between redeterminations, conducting outreach, and eliminating asset tests.

Some perceive that food stamp rules do not allow similar strategies to be used in food stamps. No doubt, the food stamp program has limitations when compared to Medicaid and SCHIP because of its federal funding and benefit structure and because, unlike health insurance, the level of the benefit is sensitive to fluctuations in income. Nonetheless, recent developments have expanded the opportunities for states to coordinate some of their Medicaid and SCHIP enrollment efforts with food stamps.

These opportunities should be viewed with two populations in mind. First, in almost every state a significant number of families still access the Medicaid program through joint TANF, food stamp, and Medicaid application processes. For many families these processes are their first impression of the Medicaid program. Thus, any improvements that can be made to eliminate barriers to participation in the food stamp program will likely have spillover effects for Medicaid participation among the state's neediest families. Second, many of the low-income working families who do not receive TANF cash assistance and are eligible for Medicaid or SCHIP are also eligible for food stamps. The cut-off for food stamp eligibility for families with children is 130 percent of poverty. Some of these options may offer excellent opportunities for states to expand participation in both programs among eligible working poor families.

1. States can use 12-month certification periods for food stamps and can limit in-office interviews to one per year.

Within the last two years, USDA has issued administrative guidance and regulations that 1) allows state to conduct an in-office interview only once a year, even if

states choose to recertify families more often, and 2) provides new options for reporting changes in income and other circumstances that makes it more likely states could move to longer certification periods without facing unacceptable exposure to quality control (QC) errors.

Many states have moved to 12-month certification periods in their Medicaid and SCHIP programs because of the burden on families of more frequent visits to the welfare office or frequent and extensive verification of families' income and other circumstances. The food stamp program does still require a face-to-face interview once a year and more extensive verification than is usually required in Medicaid, but most states have policies that are much more stringent than the federal food stamp statute and regulations require.

States could align their Medicaid and food stamp procedural requirements so that families are required to submit a full reapplication for both programs only once every twelve months. One way to do this would be to use the new option known as semi-annual reporting. Under semi-annual reporting working families file an abbreviated report on one-month's circumstances once every six months. (States can also elect quarterly reporting, i.e. reports every three months.) There are *no* reporting requirements in between reports unless the household's income rises above 130 percent of the poverty line rendering them food stamp ineligible. Another option, called status reporting, allows states to grant six-month certification periods but require only one interview per year. (One redetermination per year is mail-in.) Under status reporting, the family is required to report only significant changes in its employment status and does not have to report the monthly fluctuations in earnings from changes in the number of hours worked.

The main reason states cite for maintaining burdensome food stamp procedures is the food stamp quality control (QC) system. USDA places enormous pressure on states to achieve and maintain low error rates. Any state with an error rate above the national average is subject to sanction. Too often a state's error rate is the only measure of performance in administering the program that receives any attention. The new options USDA now allows, in addition to easing administrative burdens on families and states, also can help states lower their error rates. The reason is that if a household is not required to report a particular change and chooses not to report it, it is irrelevant that the change occurred for benefit and QC purposes. For example, under quarterly or semi-annual reporting large fluctuations in family income in between required reports would have no impact on a family's food stamp benefit over the period. A state that requires fewer reports lowers its exposure to errors resulting from both a family's failure to report a change and the agency's failure to act correctly on a report.

In addition, for states' 1998 and 1999 QC sanctions, USDA used its discretion to adjust sanction amounts downward for those states serving relatively high or increasing shares of working families or families with immigrant members. The adjustments completely eliminated sanctions for eight of the 24 states originally subject to sanction for

1999 error rates and reduced the total sanction amount from \$75 million to \$31 million. While USDA has not yet announced whether it will continue these specific adjustments for years after 1999, they have indicated that they intend to adjust liabilities in the future in ways that help ensure program access. States should be considerably less hesitant to take actions that would improve access to the working poor and immigrants because of the protections these adjustments provide.

State examples: For working families, Illinois uses 12-month certification periods with quarterly reporting. The food stamp quarterly report is not a condition of Medicaid participation. Missouri uses three-month food stamp certification periods with status reporting for working families, but conducts all but one recertification a year through the mail so that the family has to travel to the welfare office only once a year. USDA announced the semi-annual reporting option in regulation on November 21, 2000.

For more information: USDA guidance on reporting options can be found at www.fns.usda.gov/fsp/Clintoninitiative/default.htm. The option to waive face-to-face interviews and semi-annual reporting can be found in final regulations at 65 Fed. Reg. 70150, 70182, 70195, and 70208 (November 21, 2000). Also see Food and Nutrition Service, USDA, *The Nutrition Safety Net: At Work for Families*, p. 13. (www.fns.usda.gov/fsp/Clintoninitiative/AccessGuide/cover.htm) and Center on Budget and Policy Priorities, *Improving Access to Food Stamps: New Reporting Options Can Reduce Administrative Burdens and Error Rates*, September 2000, available at www.cbpp.org.

2. **States can conform their food stamp vehicle and asset tests to align with other programs**

Under a policy USDA issued in July 1999, states may align their food stamp vehicle and other asset tests for families with children with other programs' by providing a TANF- or state Maintenance-of-Effort (MOE)-funded service to trigger "categorical eligibility" for food stamps. Using this approach, states could conform or eliminate food stamp vehicle and asset tests for all families with children, which could simplify efforts to administer health programs jointly with food stamps.

Recipients of AFDC and TANF-funded cash assistance have long been exempted from food stamp vehicle and asset rules because of a provision of the statute making them categorically eligible. (Benefit levels for categorically eligible households are calculated in the same manner as for other households.) Because TANF benefits are so much broader than cash assistance under the old AFDC system, USDA's new policy allows states to extend categorical eligibility to families receiving *only services* that are supported by federal TANF or state MOE funds, in addition to families receiving cash assistance.

The services that trigger categorical eligibility for food stamps can be as modest or intensive as a state deems appropriate. It is not necessary for a family to actually access a service to be considered a recipient, any more than an individual who has been issued a Medicaid card must go to the doctor to be considered a Medicaid enrollee. If the TANF- or MOE-funded service has the same vehicle or asset rules as Medicaid, then the resource tests for food stamps and Medicaid will be the same for families that receive the TANF- or MOE-funded service.

Because the USDA policy allows states to confer categorical eligibility based on a service as simple and inexpensive as an offer of access to a case manager, it allows states, with a few simple steps, to exempt substantial numbers of applicant and recipient families with children from the food stamp vehicle and asset rules and thereby to address the restrictions these limits pose to food stamp eligibility and the barriers they present to state efforts to administer the programs jointly.

In addition, Congress enacted legislation in October 2000 that grants states the option to align food stamp vehicle rules with the vehicle rules in their TANF assistance programs. "TANF assistance programs" is not limited to the cash benefit program, but includes programs and services that meet the definition of assistance under the federal TANF rules. Typically, this means that the program funded with TANF or MOE dollars triggers TANF data reporting requirements. This option takes effect July 1, 2001.

There are two important differences between this option and categorical eligibility. First, if states choose to align with their TANF rules, the new rules apply to the entire food stamp caseload regardless of whether all households are TANF recipients. Second, unlike categorical eligibility, this option does not extend to all resource limits. States may only import their TANF vehicle rules.

State Example: Maine has extended food stamp categorical eligibility to all families with children in the state by providing a TANF-funded referral and information sheet to all recipients and applicants. As a result, there are no vehicle or other asset tests for families with children in Maine.

For more information: USDA guidance on categorical eligibility can be found at www.fns.usda.gov/fsp/Clintoninitiative/default.htm and in final regulation at 65 Fed. Reg. 70159 and 70197 (November 21, 2000). See also, Center on Budget and Policy Priorities, *New State Options to Improve the Food Stamp Vehicle Rule*, November 28, 2000 and *Windows of Opportunity Strategies to Support Low-Income Families in the Next Stage of Welfare Reform*, January 2000, p. 21 at www.cbpp.org/1-12-00wel.htm.

3. States can use a one page initiation form as a food stamp application or can shorten their joint applications to fewer than four pages.

States have long strived to shorten the length of their applications for food stamps, cash assistance, and Medicaid. Shortening applications and streamlining the application process, especially for children's health benefits, is an area where many states have made tremendous progress in recent years. Several states have also significantly shortened their applications for food stamps and a couple are using a one-page initiation form as the initial application for food stamps, TANF, and health insurance coverage. These states collect the additional information necessary for determining food stamp eligibility at the food stamp interview.

The emergence of shorter food stamp applications has two important ramifications. First, it demonstrates that states can develop a short joint application, which might make applying for health assistance in conjunction with other assistance less foreboding, especially for busy working families and people with limited literacy or English language skills.

Second, if a state develops a short Medicaid or SCHIP application, it could use it as an initiation form for food stamps. Just as some states have used "check-off boxes" on their school lunch applications as an outreach tool for health programs, states could include a box so that families applying for health programs could indicate a desire to apply for food stamps or receive more information on food stamps. The state could either follow up by mailing the family its longer food stamp application, or could skip that step, schedule an interview with the household, and collect additional relevant information and request verification at the food stamp interview. The health application could proceed as it would otherwise, with the redetermination schedules for the two programs aligned at a later date if the family were determined eligible for both programs.

This would allow community groups conducting health outreach and enrollment to also do food stamp work. Similarly, it would allow food banks and soup kitchens that do food stamp outreach to use a form that would also allow low-income families to request health insurance.

State examples: Tennessee and Florida use one page initiation forms for food stamps and collect additional information at the face-to-face interview. Other states, including Georgia, Idaho, Indiana, and Texas have food stamp applications that are four pages or fewer.

4. **Food stamp reporting requirements can assist states in administration of health programs**

Although the food stamp program's more stringent reporting requirements can present barriers for coordinating food stamp and Medicaid procedures, there may also be some administrative advantages for states. For example, HCFA's April 7 letter on reinstating Medicaid eligibility for families and individuals who may have been improperly terminated highlights that up-to-date food stamp records can enable states to carry out *ex parte* reviews of Medicaid eligibility.

In addition, food stamp information can be used to update ongoing Medicaid eligibility. For example, a state that recertifies food stamp households every three or six months, or one that uses quarterly reporting, could use the updated information from the food stamp requirement to trigger a new 12 months of Medicaid eligibility. In this way, if a family is current in complying with food stamp's procedural requirements it would face no additional requirements under Medicaid.

However, states should be very careful to not allow the stringency of food stamp procedural requirements to negatively affect receipt of health benefits. If a state, for example, adopts quarterly reporting for food stamps, it should not adopt a policy (either deliberately, or inadvertently in the way it programs its computers) that would result in the loss of Medicaid coverage for a household that fails to provide the food stamp quarterly report. Households could fail to file the report for a number of reasons. One possibility is that their circumstances have changed and they believe they are no longer eligible for food stamps. Alternatively, the report may have been lost in the mail or the household could have forgotten to file the report. It is quite likely that members of the family remain eligible for Medicaid. Thus, the food stamp quarterly report should not become a condition of eligibility for Medicaid or any other program.

State Example: For families that receive both Medicaid and food stamps, Washington State uses each quarterly food stamp recertification to begin a new 12-month period of Medicaid eligibility.