

COORDINATING MEDICAID AND FOOD STAMPS

*How New Food Stamp Policies Can Reduce Barriers to
Health Care Coverage for Low-Income Working Families*

Liz Schott
Stacy Dean
Jocelyn Guyer

The **Center on Budget and Policy Priorities**, located in Washington, D.C., is a non-profit research and policy institute that conducts research and analysis of government policies and the programs and public policy issues that affect low- and middle-income households. The Center is supported by foundations, individual contributors, and publications sales.

Board of Directors

John R. Kramer, Chair
Tulane Law School

Henry J. Aaron
Brookings Institution

Kenneth Apfel
University of Texas at Austin

Barbara Blum
National Center for
Children in Poverty
Columbia University

David de Ferranti
The World Bank

Marian Wright Edelman
Children's Defense Fund

James O. Gibson
Center for the Study of
Social Policy

Beatrix A. Hamburg, M.D.
Cornell Medical College

Frank Mankiewicz
Hill and Knowlton

Richard P. Nathan
Nelson A. Rockefeller Institute
Institute of Government

Marion Pines
Johns Hopkins University

Sol Price
Chairman, The Price Company
(Retired)

Robert D. Reischauer
Urban Institute

Audrey Rowe
Lockheed Martin IMS

Susan Sechler
Rockefeller Foundation

Juan Sepulveda, Jr.
The Common Enterprise/
San Antonio

William Julius Wilson
Harvard University

Robert Greenstein
Executive Director

Iris J. Lav
Deputy Director

Acknowledgments

The authors would like to thank Dottie Rosenbaum, Sharon Parrott, Matthew Broaddus, and David Super for their valuable advice and input.

The Center on Budget and Policy Priorities is grateful to the David and Lucile Packard Foundation and the Charles Stewart Mott Foundation for their support that make this work possible.

September 2001

Center on Budget and Policy Priorities
820 First Street, N.E., Suite 510
Washington, DC 20002
(202) 408-1080

E-mail: center@cbpp.org
Web: www.centeronbudget.org

Table of Contents

I.	Introduction	1
II.	Connections Between Medicaid and Food Stamps: Why Food Stamp Policy Can Affect Health Care Coverage for Low-Income Working Families and Vice Versa	5
III.	Background on Food Stamp and Medicaid Eligibility Reviews and Reporting Rules ...	9
IV.	The Role of Quality Control in Shaping States' Food Stamp Policies for Low-Income Working Families	15
V.	What Are the New Food Stamp Reporting Options?	19
VI.	Using Information in the Food Stamp File to Help Eligible Families Remain Enrolled in Health Coverage	22
VII.	Staying on Benefits: New Strategies for Coordinating Food Stamp and Medicaid Retention	25
VIII.	Caveats to Coordination	31
IX.	Conclusion	34
	Appendix A: How Food Stamp Quality Control Concerns Drive State Food Stamp Policies	36

I. Introduction

One of the unexpected consequences of welfare reform has been the decline not only in cash assistance caseloads but also in the number of low-income families receiving food stamps and Medicaid benefits. While the face of low-income families is increasingly that of low-wage workers rather than cash welfare recipients, many of these families remain poor and qualify for food stamps and Medicaid. Millions of these low-income children and families are not, however, receiving these benefits despite being eligible for them.

One of the key challenges in the wake of welfare reform is how to improve the systems and processes that deliver food stamps and Medicaid to low-income working families not receiving cash welfare. Generally, efforts to increase enrollment in food stamps and boost enrollment in Medicaid have proceeded on separate tracks. As a result, low-income working families often face two sets of uncoordinated and duplicative application, reporting, and renewal requirements if they seek to secure and maintain both food stamps and Medicaid. The lack of coordination between Medicaid and food stamps creates unnecessary confusion and paperwork for families and agency staff alike.

Until recently, federal rules gave states relatively little flexibility to simplify and streamline the food stamp requirements that apply to working families, making it difficult, and even of questionable value, for states to coordinate and align their Medicaid and food stamp procedures. Recent federal rules and other clarifications in the food stamp program, however, provide new opportunities for states to improve the access of low-income working families to food stamps. These food stamp options also provide states an opportunity to improve the access of low-income working families to Medicaid benefits. Because these food stamp options have the potential to improve the enrollment of families in Medicaid, it is important that state Medicaid agencies and non-profits working on health care access policy — and not just those concerned with hunger issues — understand the potential advantages of the food stamp changes and participate in shaping state food stamp policy decisions accordingly.

Example of How Food Stamps Can Assist In Simplifying Medicaid

In a number of states, many eligible children and families lose Medicaid coverage at renewal because of failure to complete the paperwork or other procedures required by the state to remain enrolled. Both Washington State and Illinois have implemented systems that automatically extend Medicaid eligibility based on information contained in a food stamp quarterly report or application for recertification. This approach ensures that no Medicaid-eligible food stamp recipient will lose Medicaid coverage for failure to comply with Medicaid redetermination procedures. Because the Medicaid renewal is automatic and invisible to the family, a food stamp recipient never needs to complete Medicaid review forms. Medicaid continues with minimal renewal effort by the state agency and no effort required of the family.

Here are some examples of how these approaches serve to continue Medicaid:

- In Washington State, recipients of TANF or food stamps generally have eligibility reviewed every three months. At each review of TANF or food stamps, the computer automatically restarts the Medicaid 12-month eligibility period. Thus, for example, if a recipient has a TANF or food stamp review in February, 2001, the computer will automatically restart family-based Medicaid for 12 months, until February 2002. This process continues so long as the recipient completes scheduled reviews and remains Medicaid-eligible. If the recipient does not complete the next scheduled (May, 2001) review for food stamps or TANF, the food stamps and TANF will close but Medicaid remains open as no review is due until February, 2002.
- In Illinois, families with children are generally certified for 12 months in the food stamp program and must submit a short report regarding their financial circumstances every three months. Under the Medicaid family coverage category, families receive Medicaid for 12-month periods. Each time a household submits a food stamp quarterly report, the state uses the information to renew Medicaid eligibility for a new 12 months eligibility period. Consider a household that begins receiving Medicaid and food stamps in January, 2001. In March, the family submits a food stamp quarterly report. In addition to using the information to continue food stamps for the next three months period, the state uses the information on that report to renew Medicaid eligibility for 12 months. This results in extending the Medicaid eligibility period by 3 months. If the household fails to submit a quarterly report, it loses its food stamps. Medicaid, however, continues for an additional 9 months (based on the previous quarterly report.)

The purpose of this paper is to review from a Medicaid perspective the key options that states now have that relate to certain requirements that families must meet to secure and retain food stamps. The paper begins with a brief explanation of why individuals interested in health insurance programs should be interested in the implications of these new food stamp options. It

then reviews the reporting and certification rules in the food stamp and Medicaid programs and explores how the new food stamp options make it easier for states to simplify and coordinate food stamp and Medicaid requirements. For example, the section entitled “Using Food Stamp Quarterly and Semi-Annual Reporting for Ongoing Medicaid Certification” describes how states can use the information they gather from families for food stamp purposes to reduce the paperwork that families must file to remain enrolled in health care coverage.¹ Finally, the paper covers some important implementation issues that states may wish to consider when evaluating the benefits of improved coordination.

¹ This paper focuses primarily on the relationship between food stamps and the family-based and children’s Medicaid coverage categories. Most families who receive Medicaid coverage will also be eligible for food stamps. Depending upon the income of a particular family, the eligibility standards selected by the state, and, at times, the age of the children, a family that qualifies for food stamps might qualify for Medicaid coverage for the entire family through section 1931 of the Social Security Act or the children might qualify for children’s coverage category of Medicaid or a separate state child health insurance program funded under SCHIP. At a minimum, most children in families with incomes below 130 percent of the federal poverty line (the food stamp eligibility cut-off) qualify for Medicaid or SCHIP in every state.

II. Connections Between Medicaid and Food Stamps: Why Food Stamp Policy Can Affect Health Care Coverage for Low-Income Working Families and Vice Versa

Although food stamp and Medicaid policy experts and advocates often operate in different spheres, a significant number of low-income working families are enrolled in both programs. Indeed, about half of the children and 56 percent of the parents on Medicaid in 1999 also received food stamps at some point during 1999. Stated from a food stamp perspective, 83 percent of children and 60 percent of parents that received food stamps at some point during 1999 also received Medicaid.² As these data suggest, many families apply for and maintain eligibility for food stamps and Medicaid (and often for cash TANF benefits as well) jointly through the welfare office. Due to the overlap in the administration of food stamps and Medicaid and in the families these programs serve, a state's food stamp policies can affect whether a family is enrolled in Medicaid and vice versa.

The connections between a family's access to Medicaid and food stamps include the following:

- **Complex procedural requirements that keep families from retaining food stamps can “spill over” into Medicaid and vice versa.** Food stamp or Medicaid barriers to access may carry over to — and adversely affect enrollment in — the other program. For example, some states cut a family off both Medicaid and food stamps if the family fails to meet a food stamp procedural requirement, such as filing a monthly reporting form or appearing at a welfare office for a face-to-face interview. Ironically, this inappropriate “spill over” of food stamp requirements

² CBPP analysis of 1999 CPS data. Share of food stamp recipients that also received Medicaid includes only those households with incomes below 130 percent of the poverty line.

into Medicaid means that families may find it easier to retain Medicaid if they forego food stamps, and, thus, eliminate the risk of losing Medicaid for failure to meet a food stamp procedural requirement. (But if families do so, they lose the significant benefits the food stamp program provides.)

- **Families are likely to confuse Medicaid and food stamp requirements.** Even if a state’s food stamp and Medicaid policymakers carefully delineate the requirements applied to each program, many families enrolled in both programs understandably will have difficulty distinguishing which of the rules and requirements they face are driven by food stamp versus Medicaid policy. For example, a recent study found that the vast majority of families with children eligible for or enrolled in Medicaid — more than 70 percent — believe that welfare reform time limits apply to Medicaid. Given such confusion, efforts to make Medicaid or food stamp application and enrollment procedures more family-friendly are likely to be far more successful if both programs simplify and improve their application and enrollment procedures.
- **The value of reducing barriers to enrolling in food stamps may be undercut if the same barriers to securing Medicaid (and vice versa) remain.** Historically, many of the efforts to simplify and streamline Medicaid reporting rules have been undercut because many of the families covered by Medicaid would still be subject to onerous food stamp reporting rules. As a result of the recent changes, the food stamp program now allows states to reduce paperwork demands on working families dramatically. These new state food stamp options will be most effective if states also limit the paperwork requirements associated with Medicaid. By retooling their benefit delivery systems, states can improve access to Medicaid and also strengthen alignment and coordination between Medicaid and food stamps that can make it easier for families to secure both benefits.
- **Food stamp information can be used to make it easier for families to retain Medicaid.** As noted above, food stamp requirements may have “spilled over” into Medicaid and caused eligible families to lose their coverage. A state’s food stamp and Medicaid policies, however, can be designed to assure that food stamp information is used to help eligible families retain Medicaid coverage whenever possible. Since food stamps must gather detailed information about households, states can use existing food stamp information to help families retain Medicaid coverage. This can reduce unnecessary paperwork for families and caseworkers alike.

Adopting procedures that improve access to food stamps for eligible low-income working families holds another health-related benefit as well. At the most basic level, a family’s health care needs can be affected by its ability to secure adequate food. Not surprisingly, recent

research published in the American Journal of Public Health shows that children who have insufficient food had worse outcomes on a variety of health measures when compared to children with adequate food intake.³ The health security of these families depends not only on access to health coverage but also on access to an adequate diet that provides a daily foundation for good health.

³ Alaimo, Katherine, Olson, Christine, Frongillo, Edward, and Briefel, Ronette, *Food Insufficiency, Family Income and Health in U.S. Preschool and School-Aged Children*, American Journal of Public Health, May 2001, Vol. 91, No. 5, pp. 781-786.

III. Background on Food Stamp and Medicaid Eligibility Reviews and Reporting Rules

While much of this paper discusses recent changes in food stamp policies and how these changes can assist in retention of food stamps and Medicaid, this section briefly reviews the longstanding federal requirements that govern how frequently eligibility must be reviewed in Medicaid and food stamps and what types of changes in circumstances must be reported between “reviews” or “certifications.” Those familiar with these rules may wish to skip ahead to the section entitled, “The Role of Quality Control in Shaping Policies for Low-Income Working Families” on page 11.

What are the Food Stamp Certification and Reporting Rules?

Once a family has been approved for food stamps, benefits are available for a period of time, often called a certification period. The certification period is the length of time the household may receive food stamps before having to reapply (assuming it remains eligible over the period). States may set food stamp certification periods as short as one month under some limited circumstances, but typically they may not be longer than 12 months.⁴ A state may use different certification periods for different groups of households. For example, a state may elect to set shorter six-month certification periods for families with earnings but use longer 12-month certification periods for families with fixed incomes. At the end of a food stamp certification period, the household *must* apply for recertification or benefits will stop. When a family applies for recertification, it ordinarily must submit to a new face-to-face interview at the welfare office

⁴ Federal law allows states to use certification periods of 24 months for households in which all adults are elderly or disabled. For all other households, the certification period may not exceed 12 months.

and provide detailed verification of its circumstances (although not all items must be re-verified at each recertification).⁵

Over the months *within* a certification period, a household is responsible for reporting on changes in its income and other circumstances. The state agency must adjust the level of benefits in response to these reports or terminate benefits if the family becomes ineligible. States must impose one of the reporting requirements from the following list, although they can apply different reporting options for different groups of families:⁶

- **Periodic reporting.** States can require a family to submit a report of its circumstances regularly even if there have been no changes. Failure to submit the required report will result in termination of benefits. In the past, some states required a monthly report of circumstances. Today, however, states can choose to require a report of circumstances for a period as long as a quarter. Families that are required to file a monthly or quarterly report of circumstances are not required to file any other reports of changes. (In addition, there is a new option that allows six-month reporting for households with earnings. This option, which is discussed later in this paper, holds real promise for Medicaid and food stamp coordination.)
- **Change reporting.** States can require a family to submit reports only if certain changes in circumstances have occurred. During periods when none of the enumerated changes occurs, no report is needed. Households must report the following information during a certification period unless the state has a waiver modifying these rules⁷:
 - changes in a source of income or changes in total income of more than \$25 a month (other than changes in public assistance or a state-administered general assistance grant);⁸

⁵ States may waive this face-to-face interview requirement and allow households to reapply via mail or telephone.

⁶ These options are briefly discussed here. For a more detailed discussion of food stamp reporting options, see Dorothy Rosenbaum, *Improving Access to Food Stamps: New Reporting Options Can Reduce Administrative Burdens and Error Rates*, Center on Budget and Policy Priorities, September 2000 available at: <http://www.cbpp.org/9-1-00fs.htm>, and Stacy Dean, *Making Food Stamps Work: Important New State Option for Semi-Annual Reporting could Dramatically Improve the Food Stamp Program for Working Families*, Center on Budget and Policy Priorities, December 2000, available at: <http://www.cbpp.org/12-7-00fs.htm>.

⁷ 7 C.F.R. § 273.12(a)(1).

⁸ This is the area that can be increased to \$100 under a change reporting waiver.

- changes in the composition of a household, such as the addition or loss of a household member;
- changes in a household’s residence (and the resulting change in shelter costs);
- the acquisition of a vehicle unless the vehicle is excluded under food stamp resource rules;
- changes in cash on hand, in a bank account, or in certain other resources that bring a household’s total resources above \$2,000; and
- changes in a household member’s legal obligation to pay child support.

If states limit what households are required to report to these few items, other factors that might affect benefits, such as child care expenses, need not be reported and need be discussed only at recertification. In addition, states may obtain waivers from USDA to limit further the types of changes that a household must report. For example, in lieu of reporting changes in more than \$25 a month in earned income, a state can use a “status reporting” approach. Under status reporting, a household is required to report only if it obtains or loses a job, its employment status changes from full-time to part-time or vice versa, or there is a change in the wage rate they earn. A state also can obtain a waiver from USDA so that families only need to report changes in most kinds of income that exceed \$100 per month.

What are the Medicaid Eligibility Period and Reporting Rules?⁹

Once enrolled in Medicaid, a person remains eligible for coverage until found by a state Medicaid agency to be ineligible. Every 12 months, states must review Medicaid recipients’ circumstances to evaluate whether they continue to be eligible for coverage. At a state’s discretion, these reviews (often referred to as “renewals” or “redeterminations”) can occur more frequently than once a year. These renewals need not be face-to-face interviews.

An important difference between food stamps and Medicaid is what actions the state must and can take on behalf of the family at the point of renewal. Under the food stamp program, the burden is on the household to reapply at the end of the certification period. If the household takes no action, the state must terminate benefits. When conducting a Medicaid review, a state is

⁹ HHS has issued a very helpful document which reviews Medicaid eligibility period and reporting rules. See: *Continuing the Progress: Enrolling and Retaining Low-Income Families and Children in Health Care Coverage*, HHS Guidance, July 2001, pp. 13-19, available at <http://www.hcfa.gov/init/outreach/progress.pdf>.

required to base the review to the maximum extent possible on information already known to the Medicaid agency. This means that a state can and should use information it has collected for purposes of eligibility determinations in other programs, such as food stamps, to assess ongoing Medicaid eligibility, and should request information from the family only if needed.¹⁰ In addition, a state's review must be limited to circumstances that might change and affect Medicaid eligibility (e.g., a state cannot require beneficiaries to re-verify their dates of birth during a Medicaid review). While a state may choose to do so, it need not require a family to attend a face-to-face review in the welfare office, submit an eligibility review form, or provide any new verification or documentation.¹¹

Taken together, these rules give states broad flexibility to conduct renewal determinations in Medicaid without requiring unnecessary paperwork or action from a family that recently has provided information on its circumstances under another program, such as food stamps.

Between renewal reviews, families are required to report changes in circumstances that affect their Medicaid eligibility and to do so promptly¹². As in food stamps, states have options for gathering information from families on changes that occur while enrolled. *States can limit families' reporting obligations similar to monthly or quarterly food stamp reports.* States also can require a family to report changes in specific circumstances if there are any. If a

SCHIP Certification and Reporting Rules

States also provide health insurance to low-income children via separate child health programs financed with funds from the State Children's Health Insurance Program (SCHIP). As under Medicaid, federal rules require states to review a child's eligibility for coverage under a separate SCHIP program at least every 12 months.

Also as in Medicaid, states have broad flexibility to decide what steps they expect families to take if their circumstances change between regularly-scheduled renewals. Most simply, a state could opt to provide 12 months of guaranteed coverage (or continuous eligibility), assuring that changes in a family's circumstances do not disrupt a child's eligibility for coverage and need not be reported (with an exception only if a child turns 19). States without 12-month guaranteed coverage can use a range of options to gather information on changed family circumstances, such as requiring families to report changes in earnings that bring them above the eligibility threshold for SCHIP coverage.

¹⁰ See, Letter from Health Care Financing Administration to State Medicaid Directors, April 7, 2000, available at <http://hcfa.hhs.gov/medicaid/smd40700.htm> and Liz Schott, *Steps States Must Take Before Terminating Medicaid Benefits*, Center on Budget and Policy Priorities, June 12, 2000. The requirement for an *ex parte* review in which the state redetermines eligibility, wherever possible, based on information it has secured without contacting the family should apply to regularly scheduled reviews of eligibility, subject to the option of a state to require a face-to-face review. A growing number of states have waived the face-to-face review in renewing families' eligibility for family-based coverage, and more than 75 percent of states have waived a face-to-face review in renewing Medicaid for children.

¹¹ The one exception to this is when an individual's immigration status changes. State must require documentation of immigration status.

¹² 42 CFR 435.916(b).

state exercises the latter option, it can explicitly limit the types of changes that a family needs to report to those that would make the family ineligible for benefits. For example, a family may experience an increase of earnings but still qualify for Medicaid; a state could choose to require a family to report an increase in earnings only if the increase would place the family over the Medicaid eligibility limit. Finally, there are *no* reporting requirements under the state Medicaid option to provide 12-month continuous eligibility to *children*. These children remain eligible regardless of changes in their circumstance during the 12-month period¹³.

What Are the Key Differences Between Medicaid and Food Stamp Rules?

State efforts at coordination and alignment of food stamp and Medicaid retention efforts may have been thwarted in the past by some of the fundamental differences in the federal requirements that apply to food stamps and Medicaid:

- **More flexibility to adopt simpler renewal policies in Medicaid.** States have greater flexibility in fashioning Medicaid than food stamp retention strategies because states can renew Medicaid eligibility without a face-to-face interview and new verification. Also, if a state has current information on a family, it cannot and should not require the family to provide any additional information or paperwork to renew the family's Medicaid eligibility.
- **More flexibility in Medicaid to require reporting of changes only if they are significant changes.** In recent years, states have had more flexibility in the Medicaid program than in the food stamp program to limit the types of changes that families on must report between eligibility reviews. Unlike Medicaid benefits, the amount of food stamps a family receives may fluctuate even with small changes in income. Thus, more attention has been paid in the food stamp program to the requirement that changes be reported and acted on between reviews. Some of this attention has led recently to significant liberalization of food stamp policies to limit the types of fluctuations in earnings that a family must report and a state must take into account between reviews.

¹³ The one exception is that children's cases can be reviewed if they "age out" (or at a specified age) of a state's definition of a child. Families, however, need not report this event because states know the date of the child's birth and can determine when the child becomes ineligible without contacting the family.

IV. The Role of Quality Control in Shaping States' Food Stamp Policies for Low-Income Working Families

Nearly all of the decisions that states make when setting food stamp policies and procedures for working families (and others) are driven at least to some extent by consideration of how these decisions will affect their performance under the food stamp quality control system. It will likely prove difficult for Medicaid policy experts and advocates to discuss coordination and alignment of food stamp and Medicaid rules with food stamp policymakers if they do not possess a basic understanding of how the food stamp quality control rules drive state food stamp policies. (For a detailed discussion of this issue, see Appendix A.)

In general, pressures from the food stamp quality control system have driven many states to adopt food stamp procedures unfriendly to working families. Because of concerns about quality control error rates, many states have increased the frequency with which they call working families into the food stamp office and intensified the level of verification families need to provide for the state to determine benefit levels. A number of states have moved to three-month certification periods in recent years — i.e., they require many households to reapply every three months. As states have increasingly used short food stamp certification periods, they have experienced a corresponding decline in food stamp participation among working families. Between 1994 and 1999, the proportion of working families with children required to come to food stamp offices at intervals of three months or less almost quadrupled, rising from nine to 34 percent. During this time, those states that increased by at least 50 percentage points the proportion of working families required to reapply at least every three months experienced a marked drop in participation of working families — a decline of 29 percent — as compared to the average decline in participation by working families of less than one percent in all other states.¹⁴

¹⁴ See discussion in two Center on Budget and Policy Priorities papers: Stacy Dean, *Making Food Stamps Work: Important New State Option for Semi-Annual Reporting Could Dramatically Improve the Food Stamp Program for Working Poor Families*, December 7, 2000, and Dorothy Rosenbaum, *Improving Access to Food* (continued...)

In other words, the more frequently that working families are required to reapply for food stamps, the less likely they are to retain benefits and the smaller the number of working families on the program. Reapplying for food stamps frequently is a hassle for working families and often causes them to miss work. (Many states assign interview times that may conflict with a household's work schedule; most local offices are not open in the evenings or on weekends.) A USDA survey of food stamp recipients in 1996 found that the average applicant spent five hours applying for food stamps initially and two to three hours applying for recertification.¹⁵ Moreover, if a reapplication is not promptly processed, a family can experience a delay or loss of food stamps.

Even states without three-month certification periods have adopted procedures that are more difficult for working families. Concerns about quality control error rates have caused states to require burdensome paperwork during certification periods and, in particular, frequent reporting of circumstances. Low-wage workers often have fluctuating incomes as they are more likely to earn an hourly wage rather than a flat salary and often lose pay for sick days or other family business. In the case of food stamps, even a fairly small change in income can result in a change in benefit amounts and thus potentially in a payment error.

The state agency procedures shaped by these concerns have not served working families well. Working families should not need to come to the welfare office more frequently than they did when they were on welfare. Yet, overburdened staff are required to frequently meet with, or process paper from, working families. These administrative demands can interfere with states' ability to provide other services aimed more directly at assisting families becoming self-sufficient.

States are also expected to ensure that Medicaid benefits are issued accurately. There is, however, no longer a federally mandated system that all states must use. In response to consistently low error rates, HHS has offered states the option to develop alternate ways to identify and reduce erroneous payments.¹⁶

Many of the new options available to states to help families retain food stamps (described below) were developed in response to the concerns of USDA, states, and non-profit groups alike that the food stamp quality control system has created inappropriate pressure on states to impose burdensome procedural requirements on low-income working families seeking to maintain food stamps.

¹⁴ (...continued)

Stamps: New Reporting Options Can Reduce Administrative Burdens and Error Rates, September 2000.

¹⁵ U.S. Department of Agriculture, Food and Nutrition Service, *Customer Service in the Food Stamp Program*, July 1999 at <http://www.fns.usda.gov/oane/MENU/Published/FSP/FILES/Program%20Operations/fscust.pdf>.

¹⁶ Over thirty states operate their own quality control systems in lieu of federal Medicaid QC. Letter to State Quality Control Directors, HHS, September 12, 2000 at <http://www.hcfa.gov/medicaid/smd91200.htm>.

V. What Are the New Food Stamp Reporting Options?

In response to widespread concerns that low-income working families were missing out on food stamp benefits for which they were eligible, USDA has offered states new opportunities to adopt food stamp procedures more appropriate for working families. As described in detail below, the new opportunities consist of a semi-annual reporting option included in food stamp regulations issued on November 21, 2000 and a quarterly reporting option made available by USDA in January 2001. Both of these options make it easier for states to lessen the burdens working families face in maintaining food stamp eligibility while limiting states' exposure to quality control penalties. Because these options will help to lessen states' exposure to quality control errors, these options make 12-month certification periods for working families more feasible for states and allow states to minimize the paperwork that families must file between annual reviews.

The New Semi-Annual Reporting Option

Federal food stamp regulations issued on November 21, 2000 establish a semi-annual reporting option. This option allows states to freeze benefits for wage-earning families between semi-annual reports rather than adjusting benefits monthly for fluctuations in income.¹⁷ This can dramatically improve the food stamp program for low-income working families because it significantly reduces the burdensome paperwork that families need to complete and that welfare offices must process. Because food stamp benefit amounts are frozen under this option and need not change based on income fluctuations, states will not be subject to payment errors or quality control concerns if a change in income goes unreported.

Under semi-annual reporting, a state would determine a working household's benefits at initial certification. Rather than requiring a family to report any changes or file monthly or

¹⁷ The rules were published at 65 Federal Register 70133 (November 21, 2000) and are available through <http://www.access.gpo.gov>.

quarterly status reports, a state would ask a family only six questions every six months.¹⁸ This report need only cover information from one month (instead of each of the six months.) States continue to need to recertify families at least one time per year. In between the semi-annual reports, the household would be required to report to the state agency *only* if its total monthly income rose above 130 percent of the poverty line. For example, for a family of three in 2001, the household would need to contact the state agency only if its monthly income rose above \$1,533, the threshold at which the family would be ineligible to receive food stamps. If a household's circumstances deteriorate significantly — for example, if a household member loses his or her job — the household *may* report the change and receive higher benefits.¹⁹ More detailed discussion of the semi-annual reporting is contained in a paper, *Making Food Stamps Work: Important New State Option for Semi-Annual Reporting Could Dramatically Improve the Food Stamp Program for Working Poor Families*, Center on Budget and Policy Priorities, December 7, 2000, available at <http://www.cbpp.org/12-7-00fs.htm>.

The New Quarterly Reporting Option

While semi-annual reporting with a six-month benefit freeze is the best way for a state to serve families with earnings, states can take a similar approach for most other families through the quarterly reporting option. Under this option, which was part of a July 1999 federal initiative to improve access to the food stamp program, and was expanded in December 2000, USDA now will allow states to permit virtually all families, rather than just families with earnings, to report circumstances once each quarter with no reporting requirement between these quarterly reports.²⁰ Nine states already have adopted this option pursuant to a USDA waiver.²¹ (It is important to note that a food stamp administrative waiver is not subject to the same level of scrutiny and evaluation that a Medicaid statutory waiver requires. The application and approval process is relatively simple, particularly when USDA has made it clear via guidance they will approve the waiver requests.)

¹⁸ The semi-annual reporting option is set forth at amended 7 CFR 273.12(a)(1)(vii). The six questions are on income, household composition, residence, child support obligation, vehicles and liquid resources.

¹⁹ Under the option provided for in the regulations, states would typically only act on changes that result in higher benefits for the household. Michigan sought and USDA granted a waiver that would allow the state to act on all changes reported by the household, including changes that result in reduced benefits.

²⁰ See letters from Susan Carr Grossman and Arthur Foley of USDA's Food and Nutrition Service to FNS Regional Administrators, July 1999 and December 1999. Initially, quarterly reporting was available only for families with earnings, but USDA has recently extended this option to *all* families, with limited exceptions for homeless individuals, migrant or seasonal workers, and households with no earnings in which all members are elderly or disabled. FNS' Universal Quarterly Reporting Waiver memorandum is available at <http://www.fns.usda.gov/fsp/FoodStampInitiative/Support/QRExpansion.htm>.

²¹ These states are Alabama, Arkansas, Illinois, Louisiana, Massachusetts, New York, South Carolina, Tennessee and Wyoming.

In states with quarterly reporting waivers, families are required to report their circumstances once every three months. Like the semi-annual report form, this report can be limited to six questions and need only cover information from one month. The state uses the information supplied by a household to determine eligibility and benefit amount for the subsequent three-month period. While households are not required to report any changes in income or other circumstances between quarterly reports, if they do report a change, the agency must process it and change the household's benefit level accordingly. More detailed discussion of the quarterly reporting option is contained in *Improving Access to Food Stamps: New Reporting Options Can Reduce Administrative Burdens and Error Rates*, Center on Budget and Policy Priorities, September 1, 2000, available at <http://www.cbpp.org/9-1-00fs.htm>.

VI. Using Information in the Food Stamp File to Help Eligible Families Remain Enrolled in Health Coverage

One of the most important elements of coordination is using information in the food stamp file to renew Medicaid eligibility passively, i.e. without requiring any additional information from the household. As discussed earlier, passive redetermination in Medicaid is not a new concept. States may wish to evaluate how the new food stamp reporting options can assist with Medicaid reviews.

All states use either six- or 12-month certification periods for children's health coverage or family-based Medicaid.²² As already described, Medicaid reviews can and should be based to the maximum extent possible on information already known to the agency. For Medicaid, the state agency cannot require a family to provide information already available to it, as long as it is information that is not subject to change. In addition, the state should use information it has collected for other benefit eligibility assessments to determine ongoing Medicaid eligibility, requesting information from the family if needed.²³

The information contained in the food stamp semi-annual or quarterly reports or applications for recertification can give a state all the information it needs to continue Medicaid for an additional certification period. Generally, a state need not require families that maintain food stamp eligibility to complete separate forms for Medicaid reviews or be contacted separately

²² A growing number of states use 12-month certification periods for families, and over two-thirds of the states use 12-month certification periods for Medicaid for children.

²³ See, Letter from Health Care Financing Administration to State Medicaid Directors, April 7, 2000, available at <http://hcfa.hhs.gov/medicaid/smd40700.htm> and Liz Schott, *Steps States Must Take Before Terminating Medicaid Benefits*, Center on Budget and Policy Priorities, June 12, 2000. The requirement for an *ex parte* review in which the state redetermines eligibility, wherever possible, based on information it already has without contacting the family should apply to regularly scheduled reviews of eligibility, subject to a state's option to require a face-to-face review. A growing number of states have waived the face-to-face review for family-based coverage. More than 75 percent of states have waived a face-to-face review for Medicaid for children.

regarding Medicaid. There are several ways that a state can design Medicaid reviews based on food stamp information:

- **Restart Medicaid certification periods after each food stamp report.** One approach would be for a state with 12 months between Medicaid redeterminations to use the food stamp semi-annual or quarterly reports (or applications for recertification) to restart a new 12-month Medicaid certification period. At initial application for benefits, the state would assign a 12-month certification period for Medicaid and set a food stamp certification period of, for example, six or 12 months. The state would inform the family of the relevant reporting requirements for food stamps. Each time the family provided a report for food stamps and — such as a quarterly or six-month report — its Medicaid eligibility period would be restarted and extended for 12 months from that date so long as the family remains eligible.

Thus, the state would continually roll over to a new 12-month Medicaid certification period as long as the family filed food stamp semi-annual or quarterly reports or annual applications for food stamp recertification and was still eligible for Medicaid. In Illinois, families with children are generally certified for 12 months in the food stamp program and are subject to quarterly reporting. Under the Medicaid family coverage category, families receive Medicaid for 12 month periods. Each time a food stamp household submits a quarterly report, the state uses the information to extend Medicaid eligibility for an additional 12 months. Consider a household that begins receiving Medicaid and food stamps in January 2001. In March, the family submits a food stamp quarterly report. In addition to using the information for continuing food stamps for the next quarter, the state also uses the information on that report to renew Medicaid eligibility for 12 months. This results in extending the Medicaid eligibility period by 3 months. If the household fails to submit a quarterly report, it loses its food stamps. Medicaid, however, continues for an additional 9 months, based on the previous quarterly report.

- **Continue Medicaid based on recent food stamp reports in the file.** At the time of a family or child's annual Medicaid redetermination, the state can use the family's most recent food stamp report to authorize a new Medicaid certification period. A state using periodic reporting will always have food stamp information that is no more than six months old. States with change reporting may have even more recent reports in their possession. As long as the state is relying on the information in these reports to provide current food stamp benefits, HHS has indicated a state can rely on such information to approve a new Medicaid eligibility period.²⁴

²⁴ Letter from Health Care Financing Administration to State Medicaid Directors, April 7, 2000, available at <http://hcfa.hhs.gov/medicaid/smd40700.htm>.

Consider a state with a 12-month Medicaid certification period, a 12-month food stamp certification period, and food stamp quarterly reporting. At the 3-, 6-, and 9- month marks, the family submits food stamp quarterly reports on schedule. At the 12-month point, the household must reapply for food stamps and visit the welfare office.

If, however, the family fails to complete the food stamp recertification process, food stamps would stop but its Medicaid coverage could continue. The state has no new information would alter its decision to renew Medicaid eligibility.²⁵ If the state did not have a process in place to renew Medicaid eligibility based at the time that food stamp quarterly reports come in, it could elect to renew Medicaid based on the prior report at this time. The family would, of course, be required to report any changes affecting Medicaid eligibility.

Both of these approaches would reduce the risk that families would lose Medicaid because they did not respond to requests for information or new eligibility review forms. Since the information needed to assess a family's ongoing Medicaid eligibility can be obtained from a food stamp report that is due at a time other than when the family's Medicaid eligibility redetermination is scheduled, the information for ongoing Medicaid eligibility can be obtained without a threat to, or interruption of, Medicaid receipt. To the extent that a state no longer has current information on a family's circumstances — for example, because a family no longer receives food stamps — and the state does not otherwise have current information about the family, it would need to request information from the family for subsequent Medicaid reviews.

²⁵ Letter from Health Care Financing Administration to State Medicaid Directors, April 7, 2000, available at <http://hcfa.hhs.gov/medicaid/smd40700.htm>.

VII. Staying on Benefits: New Strategies for Coordinating Food Stamp and Medicaid Retention

This section discusses how these new food stamp options can make it easier for states to align and coordinate these policies between food stamps and Medicaid.

States Can Use 12-Month Eligibility Periods for Both Food Stamps and Medicaid

Regardless of which reporting system a state uses, states may use 12-month eligibility periods for both food stamps and Medicaid. By adopting 12-month certification periods, states can facilitate better coordination between Medicaid and food stamps and strengthen retention in both programs in a variety of ways, depending on a state's current Medicaid and food stamp rules.

- **States that use aligned but short Medicaid and food stamp certification periods.** Some states have a policy of aligning their Medicaid enrollment and food stamp certification periods. In these states, a decision to use short certification periods in food stamps “spills over” into Medicaid and means that families may need to go through a review of their Medicaid coverage on a quarterly basis. For these states, exercising the option to use a 12-month certification in food stamps also would allow families to have their Medicaid coverage reviewed annually rather than at more frequent interviews.
- **States that use different Medicaid and food stamp certification periods for the same families.** Some states impose short certification periods on families enrolled in food stamps while limiting their reviews of Medicaid eligibility to once a year. In these states, the differing certification periods for food stamps and

Medicaid may confuse families.²⁶ The new option makes it easier for a state to adopt a 12-month certification period in both food stamps and Medicaid, eliminating unnecessary confusion for families.

More generally, a state that adopts the 12-month certification period in food stamps will be able to reduce the extent to which families find participating in benefit programs to be a concrete barrier and increase participation in both food stamps and Medicaid as a result. A family that is required to visit the welfare office every few months to maintain food stamp eligibility may become so frustrated that it chooses to sever ties to all benefit programs, even if the visits are not technically required to maintain Medicaid.

Coordinating Food Stamp and Medicaid Requirements Under Periodic Reporting

States have long had the opportunity to simplify and streamline Medicaid reporting requirements. While states have made significant progress in this area for children's health coverage, efforts to simplify Medicaid reporting rules for family coverage is mixed. In some cases, states may have felt that improving Medicaid reporting rules for families would not have yielded much change for the family due to food stamp requirements. Virtually all families enrolled in Medicaid also are eligible for food stamps, and these families were subject to the more onerous food stamp reporting rules. Simplifying Medicaid reporting rules for family coverage or children's coverage would have had little pay-off because many families are probably unable to distinguish between a Medicaid reporting requirement and a food stamp reporting requirement.

Under semi-annual reporting, working families' food stamp reporting requirements are dramatically reduced and easier to understand. This means that Medicaid reporting rules may be out of sync with, and be more burdensome than, the new food stamp rules. Families may not perceive any improvement in their overall reporting burdens if Medicaid does not also ease reporting requirements. The same is true for eligibility workers that handle both a families food stamps and Medicaid eligibility.

Under federal rules, Medicaid recipients generally are required promptly to report changes in circumstances that affect eligibility.²⁷ As discussed above, under the food stamp semi-annual reporting option, a family needs to report its circumstances between six-month reports *only* if the family has an increase in income that lifts it over 130 percent of the poverty line. There are several ways in which states adopting this food stamp option can coordinate and consolidate their Medicaid and food stamp reporting requirements to minimize burdens on families and welfare office staff. (For states that choose the food stamp quarterly reporting

²⁶ Moreover, the differing certification periods may be difficult to administer. In at least one state, a policy that sets different certification periods for Medicaid, TANF, and food stamps ran into difficulties in practice when the computer system would not accept different certification periods for a single household.

²⁷ 42 CFR 435.916(b).

option, families are not required to report any changes in circumstances between quarterly reports so only the Medicaid reporting requirements would apply.)

- States can adopt the Medicaid “continuous eligibility” option, which eliminates any reporting of changes that would affect children’s Medicaid eligibility. To date, more than a dozen states have adopted continuous eligibility. Under this option, which is available only in children’s Medicaid and SCHIP, children are determined eligible for 12 months, and no changes of circumstances or income during the certification period can affect their eligibility. Accordingly, under continuous eligibility there is no Medicaid reporting requirement. Families would have to report only those changes needed to comply with food stamp reporting requirements. If a state also selected the food stamp semi-annual reporting option, a household would not need to make a report to either program for six month stretches of time unless its income rose above 130 percent of the poverty level (in which case it would need to report the income increase to the food stamp program). If the state coupled semi-annual food stamp reporting with a 12-month redetermination period, families whose children have 12-month continuous eligibility for Medicaid will need only to report on six questions at the six-month point (for food stamp purposes) and could have the annual food stamp and Medicaid eligibility reviews conducted at the same time.
- Where the entire family receives Medicaid under the family-based coverage category — often known as section 1931 Medicaid coverage — states can disregard fluctuations in income or resources between Medicaid redeterminations.²⁸ (They may also do this under children’s Medicaid categories.) This can be similar to continuous Medicaid eligibility except that changes other than those related to income or resources still need to be taken into account. The family could be instructed that it needs to report changes only in the limited number of circumstances in which changes, other than in income or resources, would affect its Medicaid eligibility during the certification period such as if the family moves out of state. If the state also adopted the food stamp semi-annual reporting option, the only changes a family would need to report for food stamps would be any changes that lifted the family’s income above the food stamp eligibility limit of 130 percent of the poverty line (which would need to be reported for food stamp purposes). The family would also have to file a food stamp report that answered six questions at the six-month point.
- Alternatively, a state could require families to report changes in income only if their total income rises above the family-based Medicaid income eligibility limit, or the food stamp eligibility limit, whichever is lower. Each family would be informed of a specific dollar amount for its family size that triggers the reporting

²⁸ States can disregard fluctuations in income based on the authority in section 1931 to use less restrictive methodologies for treatment of income or resources. Such methodologies could include, for example, disregard of all fluctuations in income or disregard of fluctuations in income that are less than \$100.

requirement. In states where the family-based Medicaid threshold is higher than 130 percent of the poverty line, the state could require a report from a family if its income rises above 130 percent of the poverty line (per the food stamp rules), and take no action on the family's Medicaid eligibility if the family remained eligible.

In the majority of states, where the family-based Medicaid income threshold is below 130 percent of the poverty line, the state could instruct the family to submit a report if its income rises above the Medicaid threshold. Consider, for example, a state that provides family-based Medicaid coverage to families with incomes below the poverty line. In such a state, a family of three would be instructed to submit a report between six-month food stamp reports *only* if total family income increases above \$1,219, the Medicaid threshold for a family of three²⁹. If the family became ineligible for family-based Medicaid coverage, it would be informed that its new reporting trigger would be \$1,533, which is the food stamp income limit based on 130 percent of the poverty line for a family of three.

Coordinating Food Stamp and Medicaid Requirements Under Change Reporting

In many states, some if not all families will still need to report changes in circumstances for food stamp purposes during food stamp certification periods. For example, families in a state that does *not* choose to adopt some form of periodic reporting still will need to report certain changes during certification periods.

Most states with change reporting have obtained *change reporting waivers* from USDA to limit the changes in income that must be reported during a certification period. Nearly half of the states have *status reporting* waivers, under which food stamp households are required to report only changes in their wage rate, obtaining or losing a job, or going from full-time to part-time status or vice versa. In addition, more than one-third of the states have waivers of the food stamp requirement to report changes in monthly earnings of more than \$25; in these states, families generally are required to report only changes of \$100 a month or greater. States with change reporting waivers can coordinate their food stamp reporting requirements with Medicaid reporting requirements in several ways:

- If a state requires families to report changes in earnings for food stamps only if the changes exceed \$100 a month, it can use that same policy for Medicaid. Because states can use “less restrictive methodologies” for family-based Medicaid and children’s coverage categories, a state can choose to disregard any changes in earnings that are less than \$100.

²⁹ When a family’s earnings place it over the family-based Medicaid threshold, it should qualify for up to 12 months of Transitional Medicaid Assistance (so long as it had qualified for family-based Medicaid for three of the last six months).

- Similarly, states with status reporting waivers in the food stamp program can require families to report the same earnings-related changes for Medicaid as they report for food stamps. States can disregard for Medicaid a family's increased earnings (for example from an increase in the number of hours worked) by using the flexibility provided under the family-based Medicaid category. Such a state could conform Medicaid reporting requirements to food stamp requirements during a certification period.
- Under change reporting, states can limit the changes in circumstances that must be reported for Medicaid and food stamps, even if the reporting requirements under each program are different. Since many fluctuations in income or hours of employment do not make a family ineligible for Medicaid, a state can instruct a family to report an earnings change for Medicaid purposes only if the change in income places the family above the Medicaid eligibility cut-off. For example, a family could be instructed to report an earnings increase over \$100 for food stamps and an increase that would place it over the eligibility threshold for Medicaid.

This type of coordination will result in a reporting system that is easier for families to understand because the rules will be simpler and more consistent across programs. In addition, it should yield fewer reports for the state to process.

VIII. Caveats to Coordination

This paper has focused on the benefits as well as the mechanics of improved coordination between Medicaid and food stamps. If states streamline and coordinate administrative requirements for food stamps and Medicaid, low-income families and individuals are likely to find it easier to comply with each program's requirements and to retain program eligibility. In addition, coordination should typically result in reduced administrative burden for state agencies as well. Fewer redundant reports to process and face-to-face interviews to conduct can help to free up eligibility workers' time for other efforts. The overall goal of improved coordination between food stamps and Medicaid is to make it easier for everyone – families as well as the state agency – to keep eligible low-income families connected to these important programs. Less paperwork, simpler and streamlined rules, and fewer office visits all can help states to move toward that goal.

Because of some of the fundamental differences between Medicaid and food stamps, there are certain types of coordination or circumstances that could result in making things more difficult for households to retain benefits. These situations are the exception rather than the rule. Nonetheless, it is important for states and supporters of the program to be aware of some of the possible pitfalls and challenges to coordination.

- **Total Alignment on Reporting and Certification Periods Might Unnecessarily Terminate Families from Medicaid.** A state must continue Medicaid benefits until an individual is determined to be ineligible under any Medicaid category. A state should determine ongoing eligibility on an *ex parte* basis — i.e., based on information available to it — and, to the greatest extent possible, without contacting the recipient. States may, but need not, require a face-to-face review at redetermination. In contrast, a state must stop food stamps at the end of a certification period if the household has not applied for recertification. A household must have a face-to-face review at recertification although a state can conduct recertifications that occur more than once a year by mail, as long as there is one face-face review a year.

Because of these key distinctions, there are limits on the extent to which states should align eligibility reviews and the consequences of a family failing to return a review form. For example a state can use a food stamp face-to-face recertification interview as a Medicaid redetermination. It is not, however, necessary to make the interview a Medicaid requirement. In this way, states can ensure they do not improperly terminate Medicaid because a food stamp requirement that does not apply to Medicaid has not been met. Similarly, states must ensure that they take steps to consider any information already available to them in conducting a Medicaid review.

It also is important for states to remember that failure to provide information requested for ongoing food stamp eligibility cannot, in and of itself, be a basis for terminating Medicaid. Food stamps may be terminated solely because a household does not apply for recertification or if a household does not respond to a request for contact (RFC), but this is not the case for Medicaid. The options discussed on page 16 for using food stamp information for ongoing Medicaid reviews provide a way for states to ensure they do not improperly terminate Medicaid if a family fails to complete a food stamp review.

- **Alignment Should Not Be to the Detriment of A Program.** All of the examples in this paper are cases where alignment results in one or both programs adopting less restrictive policies. As noted in the previous bullet, alignment can work the other way when one program adopts less favorable rules for the sake of conformity. This is not generally a desirable outcome. For example, consider a state that has elected to disregard fluctuations in income for its family coverage Medicaid program. By contrast, in the food stamp program families are required to report changes in monthly income of more than \$100. It would not serve the state or families for the Medicaid program to adopt the more restrictive food stamp reporting rules.
- **Limitations of Computer Systems May Slow Coordination Efforts.** It is essential under any effort to streamline and simplify reporting and certification requirements that a state's computer system apply policies properly. Changes to rules and procedures typically necessitate that a state reprogram its computer to apply the new policies. Such changes can often take time and resources.

For example, if a state's Medicaid eligibility system is completely separate from the food stamp system, it may require significant effort for the state to program its Medicaid computer system to automatically restart the Medicaid eligibility period each time a food stamp report is submitted. Nonetheless, the results may well be worth the time and expense since it could result in significantly reducing both families' and the state's administrative burden.

When pursuing a coordination agenda, states and supporters of the programs may wish to compare any new proposals to families' current reporting and eligibility renewal requirements. In addition, it is also important to ensure that the number of risk points, i.e. circumstances where families are at risk of losing benefits, are reduced not increased. In many cases, improved coordination will result in simpler system for families.

IX. Conclusion

The food stamp program and Medicaid should not work at odds with one another. Low-income working families that are eligible for food stamps also are likely to be eligible for Medicaid. Yet these families often face duplicative and uncoordinated application, reporting, and renewal requirements if they seek to maintain *both* food stamps and Medicaid. The ensuing confusion and burdensome paperwork for families — and benefit agency staff — increase the risk that families will miss out on the health coverage for which they are eligible.

Fortunately, states have new flexibility to help ensure that food stamp procedures strengthen rather than weaken Medicaid enrollment and retention. New options in the food stamp program provide states with opportunities to improve alignment and coordination between the food stamp and Medicaid programs and thereby improve enrollment and retention of low-income families in both programs. By leveraging the various new food stamp options, states can substantially minimize — for state agencies and families alike — the burdens of maintaining Medicaid enrollment.

In particular, the new food stamp options, if adopted, should enable state agencies to send clearer messages to families regarding what they specifically need to do to maintain their participation in food stamps *and* Medicaid. Clearer messages have a significant potential to dispel the mixed signals that families receive in agency offices and to decrease the risk that families will abandon efforts to maintain Medicaid benefits because they regard these efforts as too cumbersome. State Medicaid agencies and health policy advocates have an important role to play both in identifying how the new food stamp options can fulfill families' needs for streamlined, coordinated benefit procedures and in demonstrating how the options can ease the burdens of both families and states. Increased attention from agencies and advocates to these new options can help achieve the goal of increasing families' access to food stamps and Medicaid simultaneously.

Appendix A: How Food Stamp Quality Control Concerns Drive State Food Stamp Policies

Because food stamp benefits are entirely federally-financed, the Food Stamp Act establishes a quality control system that measures the accuracy of state eligibility and benefit decisions and benefit amounts to ensure that states spend federal funds properly. The food stamp quality control provisions of the law require USDA to calculate penalties for states with food stamp error rates above the national average and to provide extra administrative funding to states with very low error rates.

The key quality control error rate is measured by a review of a sample of food stamp cases. The purpose of the review is to determine, based on case files and in-depth field reviews, whether a household was eligible for food stamps and, if so, whether it received the correct amount of food stamp benefits in the month selected for the sample. If, based on the results of the review, the QC reviewer determines that the household was ineligible or received an incorrect allotment, the case is cited with an “error” in the dollar amount of the incorrect issuance. Each year, based on reviews of participating cases, USDA determines the error rate for each state. The error rate has two components: an overpayment error rate (benefits issued to ineligible households, as well as benefits issued to eligible households in excess of what the program’s rules allow) and an underpayment error rate (errors in which eligible, participating households received fewer benefits than they were eligible to receive). States are subject to financial sanctions if their total error rate exceeds the national average.

The underpayment error rate does *not* include the value of benefits that should have been provided to eligible households that were improperly denied or terminated. Although the quality control system also reviews “negative” cases — those denied or terminated from food stamps — these reviews are generally much less rigorous. It is the overpayment and underpayment error rate, not the negative case error rate, that is the basis of fiscal penalties. The negative case error

rate is relevant, however, to extra funding. States may receive additional administrative funding if their combined overpayment and underpayment error rate is below six percent *and* they do not have a high negative case error rate.

Most states with high or rising error rates feel strong pressure to reduce their error rates. Because QC sanctions are triggered when a state's error rate exceeds the national average, by definition about half of the states will be subject to sanction each year. As error rates are not determined until the end of the year, more than half of the states are at risk of a QC penalty. A state might be at risk due to poor performance or simply due to being unlucky in sample selection. Moreover, even a state historically has maintained above-average performance is at risk of a sanction due to a drop in the national average error rate as a result of actions taken by other states. In addition, some states with lower error rates press to continue to reduce their error rates to secure extra administrative funding.

One of the policies that a number of states have implemented in the past to reduce error rates, often at USDA's recommendation, is to require "error prone" households — particularly households with earnings — to come to food stamp offices every three months to reapply. *If an eligible family loses food stamps because it does not come in to apply for recertification, this will not be counted as a QC error of any type.* The states and USDA have reasoned that the more often that families with fluctuating circumstances have to fill out a new form, provide verification, and submit to a certification interview, the more likely it is that the QC reviewer will find that the eligibility and benefit determination for the family was based on accurate information if the case is drawn in a QC sample.

Because food stamp benefit amounts are sensitive to relatively small fluctuations in income, a benefit payment could result in an error (either as an underpayment or an overpayment) if subsequent changes in earned income are not captured and taken into account. Until recently, food stamp benefit errors as small as \$5 per month were counted in a state's QC error rate. (Beginning in fiscal year 2000, this limit was raised, and errors under \$25 are now excluded.) For further information about the food stamp QC system and its effect on state certification periods and reporting policies, see Dorothy Rosenbaum, *Improving Access to Food Stamps: New reporting Options Can Reduce Administrative Burdens and Error Rates*, Center on Budget and Policy Priorities, September 2000 and Dorothy Rosenbaum and David Super, *Understanding Food Stamp Quality Control*, Center on Budget and Policy Priorities, April 2001 at <http://www.cbpp.org/4-30-01fs2.htm>.