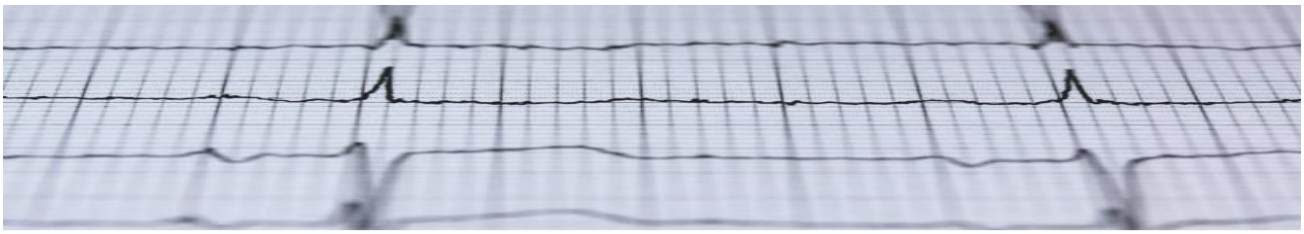
THE CLASS OF 1964 POLICY RESEARCH SHOP

MITIGATING MEDICAID CLIFFS



PRESENTED TO THE VERMONT HOUSE COMMITTEE ON HEALTHCARE

Rep. Lori Houghton, Committee Member, and Rep. Anne Donahoe, Vice-chair

This report was written by undergraduate students at Dartmouth College under the direction of professors in the Nelson A.Rockefeller Center. Policy Research Shop (PRS) students produce non-partisan policy analyses and present their findings in a non-advocacy manner. The PRS is fully endowed by the Dartmouth Class of 1964 through a class gift given to the Center in celebration of its 50th Anniversary. This endowment ensures that the Policy Research Shop will continue to produce high-quality, non-partisan policy research for policymakers in New Hampshire and Vermont. The PRS was previously funded by major grants from the U.S. Department of Education, Fund for the Improvement of Post-Secondary Education (FIPSE) and from the Ford Foundation and by initial seed grants from the Surdna Foundation, the Lintilhac Foundation, and the Ford Motor Company Fund. Since its inception in 2005, PRS students have invested more than 70,000 hours to produce more than 200 policy briefs for policymakers in New Hampshire and Vermont.

PRS POLICY BRIEF 2122-14
September 12, 2022

PREPARED BY:

MEHAK BATRA
NIKOLAOS VICHOS
SCARLETTE FLORES

NELSON A. ROCKEFELLER CENTER FOR PUBLIC POLICY AND THE SOCIALSCIENCES
Contact:
Nelson A. Rockefeller Center, 6082 Rockefeller Hall, Dartmouth College, Hanover, NH 03755
http://rockefeller.dartmouth.edu/shop/ • Email: Ronald.G.Shaiko@Dartmouth.edu

TABLE OF CONTENTS

EXECUTIVE SUMMARY 2
STATEMENT OF PURPOSE 2
1 INTRODUCTION: PROBLEM OF MEDICAID CLIFFS IN VERMONT 3
2 PREVIOUS AND EXISTING POLICIES IN VERMONT 4
2.1 CURRENT BENEFIT CLIFFS IN VERMONT 4
2.2 REACH UP: OVERVIEW OF TANF BENEFITS 5
3 CASE STUDIES FROM OTHER STATES 6
3.1 CASE STUDY: MISSISSIPPI 7
3.2 CASE STUDY: MAINE 9
3.3 CASE STUDY: MASSACHUSSETS 10
3.4 CASE STUDY: NEW YORK 12
4 EXAMINATION OF POLICY ALTERNATIVES 13
4.1 POLICY ALTERNATIVE 1: Transitional Medicaid and Increasing Copays 13
4.2 POLICY ALTERNATIVE 2: No Wrong Door Policy 14
5 CONCLUSION 15
6 REFERENCES 16

EXECUTIVE SUMMARY

A Medicaid coverage cliff is a situation in which beneficiaries have incomes that exceed the limit for Medicaid supplemental coverage but still do not earn enough to afford private insurance. This report identifies the scope of Medicaid cliffs in Vermont and gives the Vermont House Committee on Healthcare recommendations on its current policies, provides case studies that explore new policies Vermont may implement, and offers alternative policies that can be put in place. First, the report examines the current state of Medicaid and Medicaid benefit cliffs in Vermont. Next, the report assesses previous and existing programs in Vermont that alleviate the pressure of benefits cliffs including Reach Up, a cash assistance program that targets families. Then, it explores case studies from other states such as Mississippi, Maine, Massachusetts, and New York that may help inform the efforts of the Committee to mitigate cliffs. Lastly, the report presents two alternative solutions: Transitional Medicaid with Increasing Copays and the promotion of the No Wrong Door Policy.

STATEMENT OF PURPOSE

One of the largest social assistance programs in the country is Medicaid, the joint federal-state public insurance program that provides primary health coverage to more than 80 million low-income Americans. The Medicaid system covers one-in-five Americans and finances nearly a fifth of all personal healthcare spending in the United States.[1] In Vermont specifically, 28 percent of Vermont residents were covered by Medicaid or the Children's Health Insurance Program (CHIP) in 2019.[2] Moreover, Medicaid covers 50 percent of children, 20 percent of individuals with disabilities, and 63 percent of nursing home residents. Sixty-five percent of the adult Medicaid enrollees in VT are working.[3]

Despite the scope and size of Medicaid, many states lack the ability to extend coverage to every family that needs health insurance. At the state level, acquiring adequate funding for Medicaid and efficiently aiding low-income uninsured populations has proved particularly difficult. For the past decade, Vermont has put great efforts into expanding Medicaid for its citizens so that a greater number of citizens can have adequate insurance.[4] However, income that exceeds the Medicaid coverage limit jeopardizes health coverage for families trying to make ends meet.

The continuing existence of Medicaid cliffs in Vermont indicates that previous attempts to tackle the issue may not have been adequate. Further, two key dynamics complicate possible solutions. First, the fear of losing healthcare benefits disincentivizes current beneficiaries from pursuing higher paying jobs. Second, tight links between federal welfare programs can result in zero-sum games at the state level, where the expansion of certain programs catalyzes the defunding of others, or vice versa. Keeping these factors in mind, this report carefully considers how other states have mitigated Medicaid cliffs and suggests alternative policies. Ultimately, this report intends to give Vermont legislators the tools and information they need to bring about continuous support for low-income families in need, particularly those families aspiring to pursue higher paying jobs.

1 INTRODUCTION: PROBLEM OF MEDICAID CLIFFS IN VERMONT

Low-income families rely on federal benefits and state-funded social assistance programs to support themselves. Among these benefits, the most popular programs include Medicaid, the Supplemental Nutrition Assistance Program (SNAP), Earned Income Tax Credit (EITC), Supplemental Security Income (SSI), Housing Assistance, and Temporary Assistance to Needy Families (TANF). Over the past decade, Vermont has aimed to expand and maximize assistance to needy families through programs like Reach Up, its version of TANF, a cash assistance program that targets families.[5] Over time, however, many families run into "benefit cliffs," where an increase in income causes a sharp decline in the assistance received. In a stark example, Medicaid beneficiaries can lose federal medical insurance after a wage increase of even a few dollars.

Vermont often leads the nation in health care innovations. Since Governor Phil Scott declared a state of emergency at the onset of the COVID-19 pandemic in March 2020, the state has worked to increase constituents' access to health care services, strengthen the health care system, and support providers that suffered during the pandemic. At that time, due to a collapse of industries and severe job losses, a larger number of families and individuals began to qualify for state means-tested benefits, particularly Medicaid.[6] Per Vermont's Medicaid policies, the state ensured that no beneficiaries lost Medicaid eligibility during the pandemic.[7] As Vermont looks beyond the COVID public health crisis and its ramifications, the state continues to demonstrate its commitment to improving its health care system. While pandemic-era policies temporarily stalled the effects of benefit cliffs for low-income families and individual beneficiaries losing Medicaid coverage after marginally exceeding the eligibility threshold, the issue has now returned for those for whom both Medicaid and private insurance are out of reach.

The state has implemented several measures to support beneficiaries on a temporary basis as it seeks more permanent solutions. In June 2022, Governor Phil Scott announced an agreement with the federal government, aptly named the Global Commitment, to expand Medicaid and provide coverage to 200,000 Vermonters.[8] The five-and-a-half-year agreement began on July 1, 2022 and gives Vermont flexibility in its use of federal Medicaid dollars.[9] Vermont had established itself as a leader in social services provision, though, far before the pandemic started and has taken steps to mitigate benefits cliffs. In 2017, the Vermont General Assembly established a Minimum Wage Study Committee to study the impact public benefits have on low-income families.[10] Given the interconnected nature of social services, these policies demonstrate how the Vermont legislature has addressed—and may continue to address—benefit cliffs, including those affecting Medicaid beneficiaries.

In coordination with the Vermont House Committee on Healthcare, the authors of this report explore potential policies that could mitigate these Medicaid cliffs. The report identifies a series of comparative case studies in which states such as Mississippi have found success in easing benefit cliffs through unique state welfare programs and specific funding responsive to federal social assistance programs.

2 PREVIOUS AND EXISTING POLICIES IN VERMONT

Vermont has been one of the leading states to address benefit cliffs. Through proactive policymaking, the state has worked to ensure that recipients of key social assistance programs, including TANF, SNAP, and Medicaid, can continue to receive support even after marginal wage increases. Vermont has worked in the past to reduce benefits cliffs in programs such as TANF, although cliffs persist in some programs like Medicaid. In 2017, the state legislature passed HB 326, which helped low-income families build assets by increasing asset limits for TANF from $2,000 to $9,000.[11] That year, the legislature also created a Minimum Wage Study Committee to study how the state could mitigate the impacts of benefit cliffs.[12] This section will provide an overview of welfare policy in Vermont and outline Reach Up, an example of an existing Vermont program designed to mitigate the effects of benefits cliffs. As the state looks to address Medicaid-related cliffs, this section will help inform areas in which Vermont's previous policies may be improved.

2.1 CURRENT BENEFIT CLIFFS IN VERMONT

In June 2017, the Vermont General Assembly created a Minimum Wage Study Committee to explore how minimum wage hikes would affect Vermont's economy and how to lessen the impact of benefits cliffs.[13] Paul Dragon, a director at the Vermont Agency of Human Services, said that the benefits cliff problem in Vermont has turned into a slope rather than a "sharp cliff" due to the efforts of the Vermont Agency of Human Services over the past decade.[14]

In February 2017, Deb Brighton from the Joint Fiscal Office submitted a report to the House Committee on Commerce and Economic Development that outlined that the "short-term drop in resources as earnings increase affects mainly families with incomes between 100 percent and 300 percent of the federal poverty level who have children younger than thirteen needing child care."[15] In 2017, the Joint Fiscal Office also outlined the different social assistance programs available to a single parent and two children in the state.[16] Figure 2.1.1 illustrates how the unique benefit programs the state offered decreased as the parent earned more money and how they interacted together to provide social assistance to people. The report also found that the loss of financial support hits single parents significantly harder: they end up spending twice as much on childcare as on food.

Figure 2.1.1 also breaks down the various benefit programs offered at that time to a single parent with two children, the group in Vermont most vulnerable to benefit cliffs. A single parent who made $20,000 in 2017 or around 100 percent federal poverty level, qualified for about $17,000 in benefits after tax income, including $2,000 from SNAP, $2,500 from the federal EITC, $500 from federal child tax credits, $5,000 from the federal premium subsidy, $5,000 from childcare subsidies, and $500 from Cost Sharing VTHC. For a worker who made $40,000 at that time, or 200 percent of the federal poverty level, the after-tax income compensates for most of the lost benefits for the single parent.

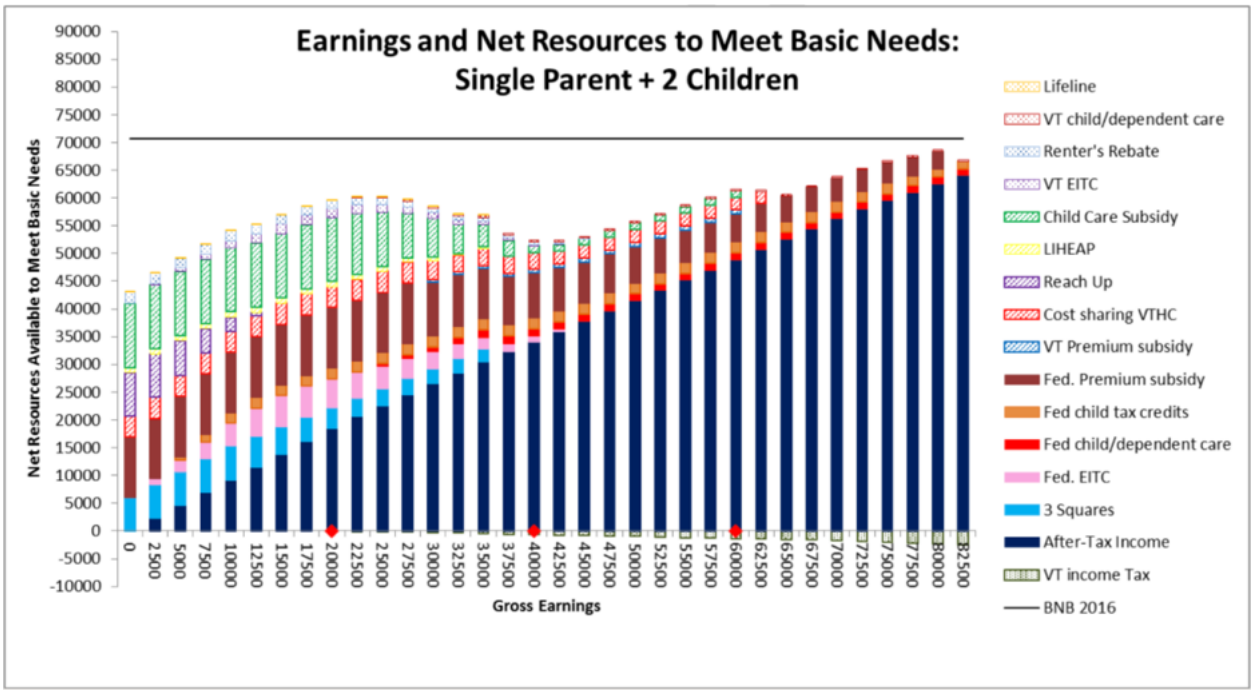


Figure 2.1.1: Net Resources Available to Meet Basic Needs in Vermont by Gross Earnings in 2017. The red diamonds on the horizontal axis are at 100 percent, 200 percent, and 300 percent of the Federal Poverty Level. Joint Fiscal Office/Deb Brighton.[17]

Figure 2.1.1 also demonstrates how Medicaid benefits no longer apply after gross earnings surpass 138 percent of the federal poverty level.[18] Next, at 200 percent of the federal poverty level, SNAP, or 3SquaresVT, and childcare subsidies start to dwindle. The loss of these three programs within a short income range illustrates the cliffs that result from Vermont policies. When a single parent with two children stops receiving Medicaid, SNAP benefits, and has limited childcare subsidy benefits, taking a lower paying job could seem like the better option for the family. While Dragon and the figure highlighted childcare financial assistance as a barrier to eliminating benefit cliffs for working parents, families are not the only ones who struggle with benefits cliffs. Individuals in Vermont also struggle with benefit cliffs and can benefit from additional policies Vermont implements to tackle cliffs.

2.2 REACH UP: OVERVIEW OF TANF BENEFITS

Reach Up, a TANF program run by the Department for Children and Families of Vermont, helps low-income parents gain access to job skills and work so that they can support their children.[19] Benefits available through this program include services that support work like childcare, healthcare, or transportation; case management support; and monthly cash payments to help pay for food, clothing, housing, or utilities.[20] Reach Up works as the primary cash assistance program for low-income families in Vermont. However, in the past decade, TANF has decreased its assistance to families in need.

The Public Assets Institute, a Vermont non-profit, found that the Vermont General Assembly has not increased the maximum Reach Up grant issued to a family since 2004, even though the cost of

basic family needs has increased from $1,464 to $2,112 per month.[21] While in 2004, a Reach Up grant was able to provide 49.6 percent of need, the percentage went down to 34 percent in 2019.[22] In fact, the Institute found that the program still left people in extreme poverty even with the social assistance it provided. Figure 2.2.1 illustrates how Reach Up grants no longer provide Vermont citizens with the safety net they were looking for as the principal cash assistance program of the state.[23] For example, a family of four receiving a maximum monthly Reach Up grant of $726 with their maximum benefit of $640 in 3SquaresVT would have a total $1,366 in benefits, or 64 percent of the federal poverty level.[24]

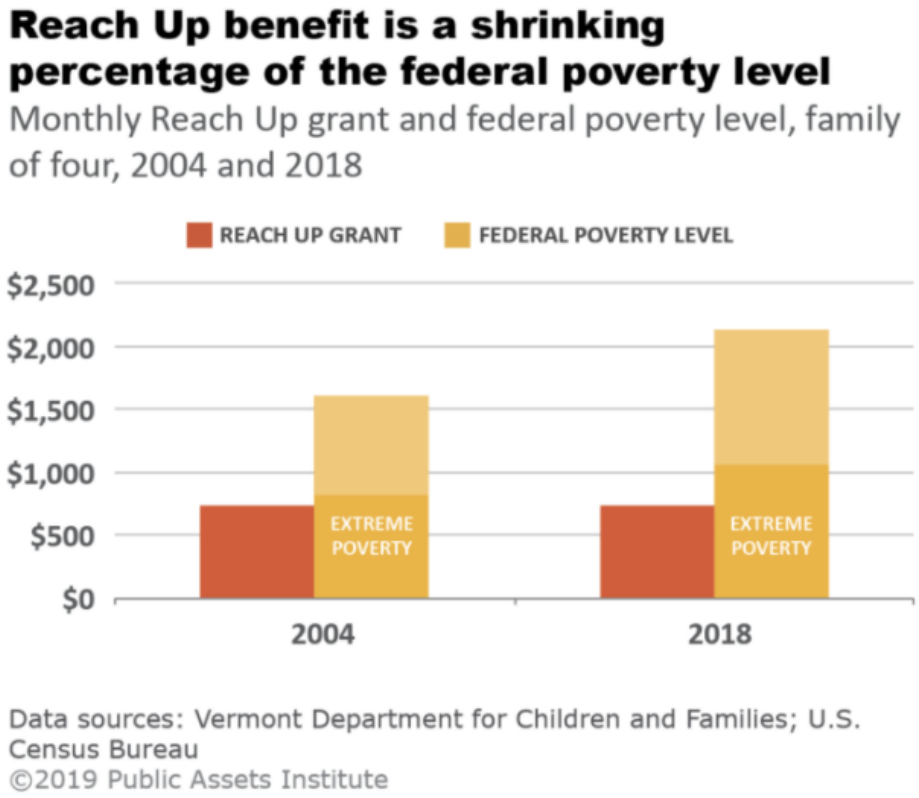


Figure 2.2.1: Reach Up benefits for people living in poverty, 2004 compared to 2018.

3 CASE STUDIES FROM OTHER STATES

Different states have implemented unique policy solutions to address benefit cliffs. Massachusetts and Maine have specific assistance programs that aid individuals as they transition to higher paying jobs. On the other hand, Mississippi uses a multi-program, two-prong approach to tackle benefit cliffs. Finally, New York utilizes health-insurance-based-bridge program to mitigate the effects of the cliff. Using these states as examples, the Vermont House Committee on Healthcare may consider applying these state policies to the welfare infrastructure in Vermont.

3.1 CASE STUDY: MISSISSIPPI

Mississippi created a two-pronged model to support low-income families transitioning off another benefit program, TANF. Through a Continuum of Services Model (CSM), Mississippi expanded TANF transitional benefits while encouraging asset mapping, which allows caseworkers to apply multi-program resources to support a client on a career pathway.[25]

Mississippi created an effective policy response to the issue of benefits cliffs. By developing a Continuum of Services Model (CSM), Mississippi aimed at supporting low-income families that were transitioning into employment and off of TANF.[26] CSM expanded access to benefits while also facilitating this wraparound support, which provides help from the time of benefits application to skills assessment and employment, and through a follow-up period.[27]

The first aspect of CSM is using transitional TANF funds to mitigate benefits cliffs. Families on TANF are eligible to receive childcare support. However, once their wages rise above TANF limits, families reliant on TANF for childcare cannot obtain childcare and development subsidies. To address this cliff, Mississippi expanded transitional TANF benefits, providing a transportation reimbursement (up to $300 per month) for 18 months and childcare coverage for two years.[28] The effect of this support can be seen in Figure 3.1.1, which illustrates a case study of a parent of two who decides to attend nursing school to become a Registered Nurse (RN).[29] The purple dotted line in Figure 3.1.1 indicates the net TANF transitional resources the parent could receive in Mississippi while they are in nursing school and working part-time. The shaded purple column indicates the 24-month transitional TANF period during which the parent is eligible for childcare assistance. Upon entering RN school and obtaining part-time employment, the parent's net resources increase by approximately $10,700. Compared to a situation without the transitional TANF model, the parent receives $7,500 more in net resources, providing incentive to the individual to work and obtain a higher degree. Even when the parent in Figure 3.1.1 reaches the status of a full-time RN, these net resources do not go away. While the parent does not have transitional TANF or childcare assistance anymore, the parent still has $13,700 in net resources to support housing, childcare, and food costs.

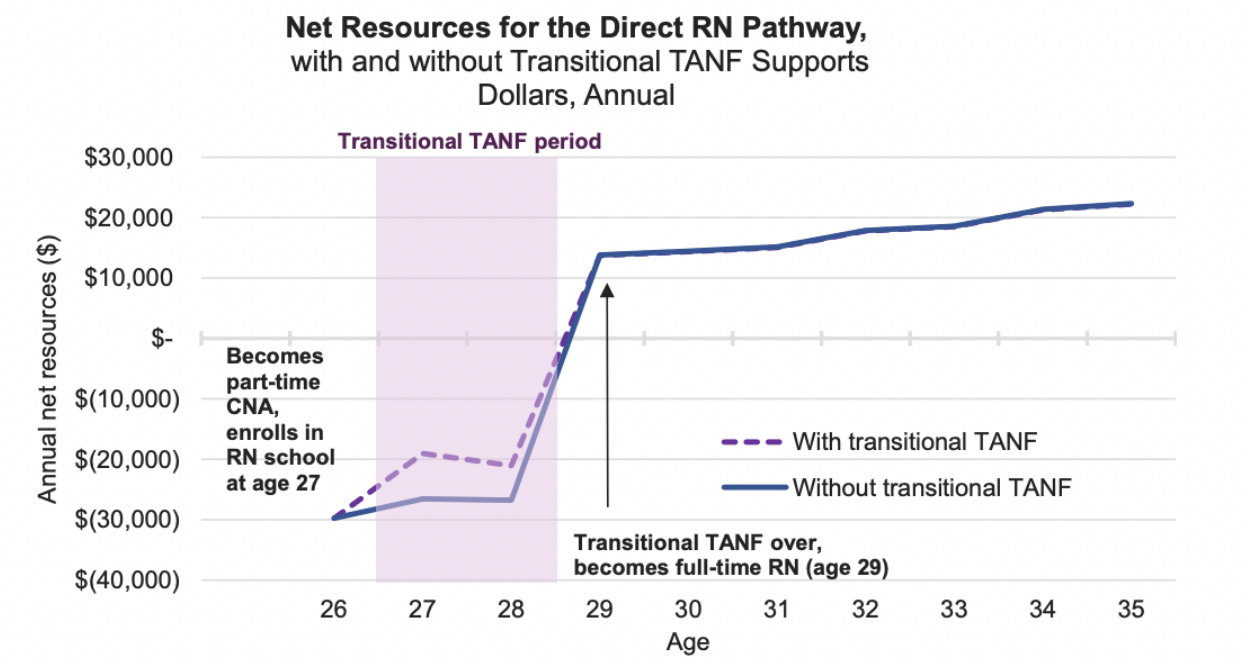


Figure 3.1.1: Comparison of Net Resources, with and without Transitional TANF Supports Dollars. Net Resources only include tax credits, TANF, and transitional TANF for the benefits amount. The Parent of two lives in Jackson, MS. Values below zero are in parentheses and indicate negative financial resources.[30]

The second aspect of CSM is asset mapping, which encourages caseworkers to utilize resources from different programs to better support low-income families, helping fill a hole left as a family in need hits a benefit cliff. Caseworkers help clients transition between or beyond benefits by utilizing multi-program resources available through TANF, SNAP, SNAP Employment and Training (SNAP E&T), and the Workforce Innovation and Opportunity Act (WIOA).[31] The combined effects of transitional TANF benefits and resources provided through asset mapping are illustrated in Figure 3.1.2, which repeats the same case study from Figure 3.1.1 but also includes additional funding that could be provided through asset mapping. The parent of two also receives SNAP between the ages of 26 and 28 and SNAP E&T as well as WIOA while in nursing school. For this case study, the value of SNAP E&T is approximately $1,428 per year and WIOA funds cover most of the parent's tuition and fees ($6,000 over two years).[32] When compared with Figure 3.1.1, net tuition cost for the parent is considerably cheaper. The additional funds from these services are sourced from the multiprogram resource partnerships found by case managers.[33]

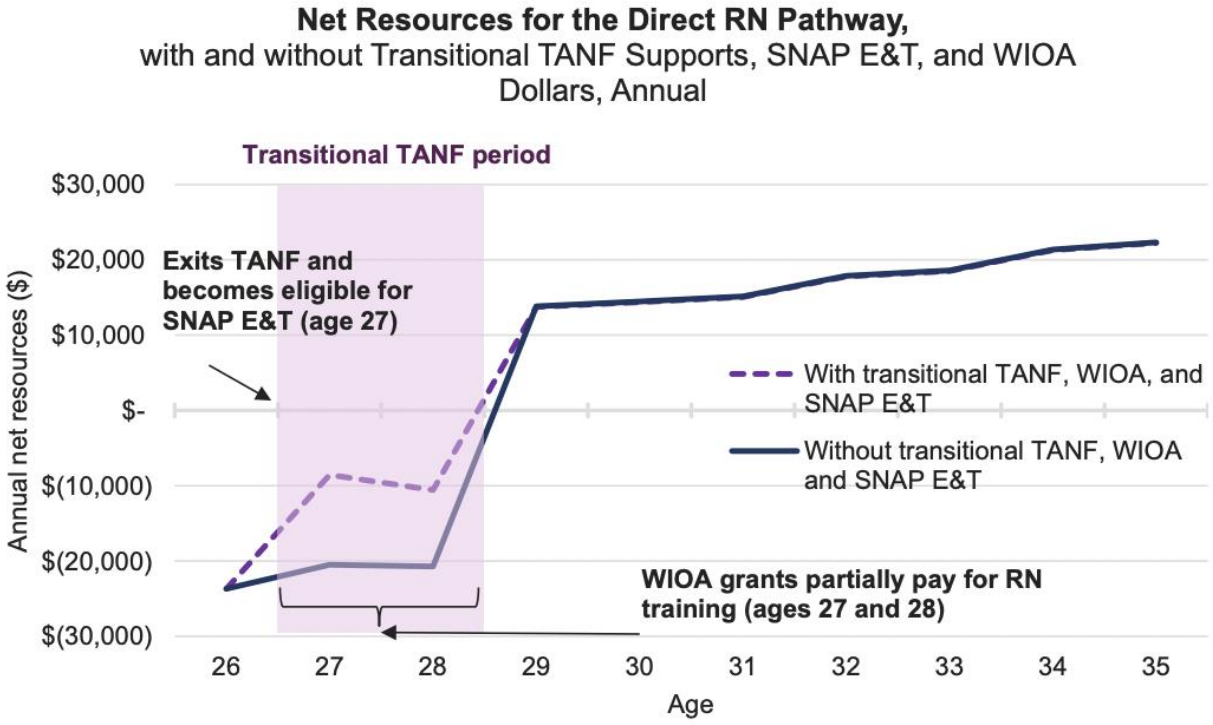


Figure 3.1.2: Comparison of Net Resources, with and without Transitional TANF Supports Dollars and Asset Mapping. Net resources only include tax credits, WIOA training grants, SNAP, SNAP E&T, TANF, and transitional TANF for the benefits. The inclusion of SNAP moves the blue line higher relative to Figure 3.1.1. The inclusion of WIOA and SNAP E&T will move the purple dotted line higher relative to 3.1.1. We assume the single mother of two children lives in Jackson, Mississippi. Values below zero are in parentheses and indicate negative net financial resources.[34]

Implementing a similar two-prong policy in Vermont could bring about significant improvements in mitigating Medicaid cliffs. In Vermont, transitional Medicaid benefits could take the form of temporary funds to cover medical costs. When it comes to asset mapping, Vermont policymakers could identify different multi-program resources such as SNAP or EITC to support Vermonters as they transition off Medicaid.

3.2 CASE STUDY: MAINE

The State of Maine sought to address benefits cliffs in its TANF program through its 2019 bipartisan package of bills referred to as "Invest in Tomorrow" (LD 1772, LD1774).[35] Maine hoped to cut state-wide child poverty by half in the next ten years with this program. Table 3.2.1 illustrates how the program seeks to help families maintain their benefits as they transition to employment.

Year	1	2	3	5	Total
Salary	$10/hour, HT	CNA, $13/ hour, FT	CNA, $15/ hour, FT	RN, $20/ hour, FT	
Earnings/month	$900	$2,200	$2,600	$3,400	
Benefits	$2,400	$1,700	$1,400	$1,000	
Total resources	$3,300	$3,900	$4,000	$4,000	
Change in earnings		+$1,300	+$400	+$800	**+$2,500**
Change in benefits		-$700	-$300	-$400	**-$1,400**
Change in resources		+$600	+$100	+$400	**+$1,100**
Slope		46%	25%	50%	**44%**

Source: Levert, Mike. "Benefits Cliffs Policy Brief." Presented to the John T. Gorman Foundation in support of the Maine Whole Family Approach to Jobs Project.

Table 3.2.1: Summary of transitional benefits and resources.[36]

The program takes steps to ensure that families maintain their transitional assistance by eliminating the gross income test for TANF.[37] As a result, it becomes less likely that families will lose TANF support, as it will presumably rely on the remaining income standards such as net income tests. Moreover, it also authorizes an increase in TANF funds for transitional food assistance.[38]

Invest in Tomorrow also takes steps to facilitate families' transition to stable employment. First, it increases the Earned Income Disregard, a program that allows eligible tenants to increase their income through employment without triggering rent increases, to support parents' transition to work.[39] The program invests two million dollars in whole-family pilot programs.[40] It seeks to help families transition to stable jobs, since unstable employment could exacerbate the effect of a cliff. Finally, the program attempts to smooth families' transition to employment by focusing on a range of different programs. To do that, it establishes a working group to align programs and improve accountability for better outcomes for families.[41] The program seeks to partially mitigate cliffs by ensuring that benefit losses do not occur simultaneously.

3.3 CASE STUDY: MASSACHUSSETS

Massachusetts attempted to mitigate Medicaid cliff effects by alleviating other costs that Medicaid beneficiaries also incur. More specifically, the Massachusetts Rental Voucher Program (MRVP) and childcare programs have aided in reducing the minimum wage required to maintain basic needs.[42] In a study conducted on cliff effects in Massachusetts, researchers found that it takes a single parent an annual income of $54,280 without federal aid to cover basic needs for two children (this is roughly a

wage of $29/hr).[43] Childcare and housing comprise 52 percent of these costs.[44] With federal benefits such as Medicaid, SNAP, EITC, and the Child Tax Credit (CTC), this income goal may be greatly subsidized; however, federal aid declines as wages increase. SNAP and EITC decrease at around $14/hr, and CTC at about $15/hr, as shown in Figure 3.3.1 below.[45] Medicaid coverage ends at around $15/hr.[46] With many parents limited on cash, they may seek cheaper housing, inadequate childcare, or opt out of paying for health insurance.

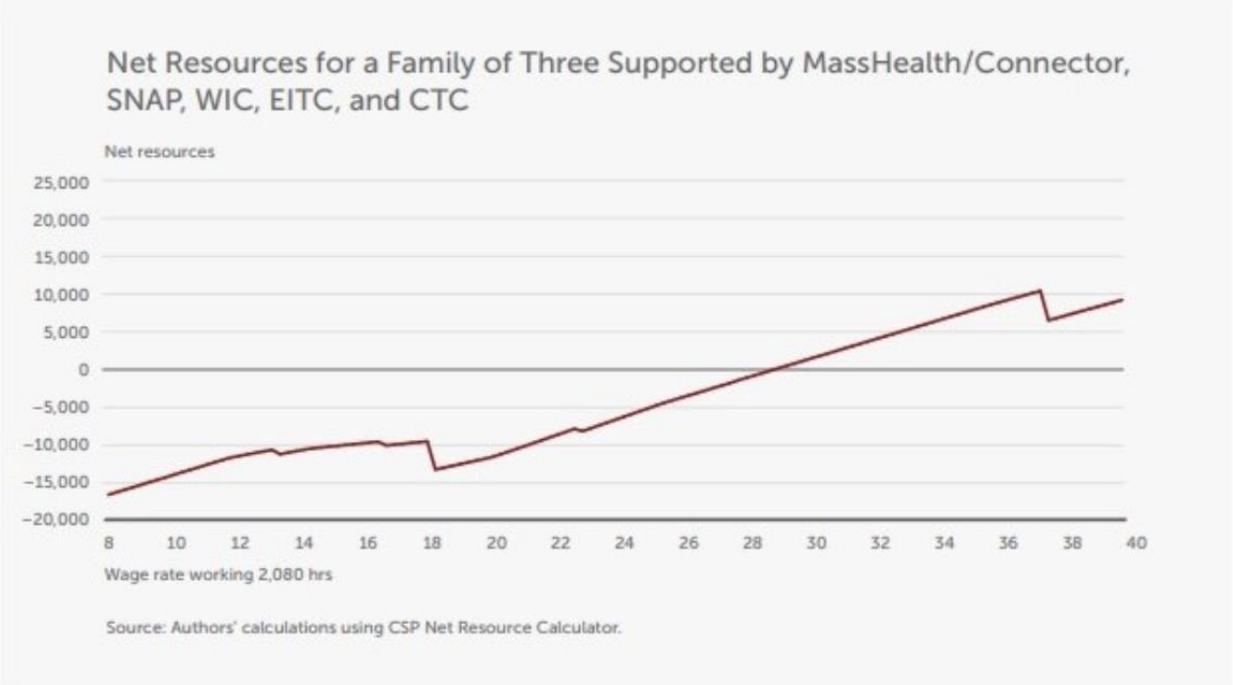


Figure 3.3.1: Net Resources a family of three receives in Massachusetts over various wages.

The cliff effect begins at around $14/hr, and it is not until a wage of $22/hr that a person can afford to pay these costs with federal aid.[47] Clearly, there is a gap that can be minimized. In that same study, researchers did a comparison of cliff effects depending on whether housing assistance was included. It showed a rise in net resources from $9/hr to $14/hr which helped make costs much more bearable, and health insurance more affordable. This can aid not only parents, but any single person receiving benefits.

Vermont has similar housing programs to Massachusetts, such as the Section 8 rental assistance program and the Vermont Emergency Rental Assistance Program (VERAP), that could be expanded and used to relieve hefty housing and rental costs.[48] There is high demand for these programs. In nine months, Vermont spent half of its initial VERAP grant of $110 million.[49] As pandemic-relief funding ceases to exist, Vermont will have to find additional funding sources in order to keep up with the demand and need that is present in the state. These temporary rental assistance and child care programs have a great potential to continue to help Vermont residents as they transition off of benefits.

3.4 CASE STUDY: NEW YORK

New York is another state that has come up with an effective policy solution to tackle the issue of Medicaid cliffs. The state administers the Essential Plan, a bridge program between Medicaid and marketplace coverage.[50] The plan offers essential medical services for low-income people who cannot afford coverage through their provider but do not qualify for Medicaid. It is estimated to assist 885,000 New Yorkers.[51]

The state offers four different essential plans, depending on the beneficiary's income level as a percentage of the Federal Poverty Line (FPL):

a. Essential Plan 1: income greater than 150 percent and less than or equal to 200 percent of the FPL
b. Essential Plan 2: income greater than 138 percent and less than or equal to 150 percent of the FPL
c. Essential Plan 3: income equal to or greater than 100 percent and less than or equal to 138 percent of the FPL and not eligible for Medicaid due to immigration status
d. Essential Plan 4: income below 100 percent of the FPL and not eligible for Medicaid due to immigration status

Table 3.4.1 demonstrates how costs and benefits vary between different plans. Note how Plan 4, the one for the lowest income New Yorkers, has essentially no copays and a low maximum out-of-pocket cost.[52] On the other hand, Plan 1 has copays, higher costs, and no coverage of certain items.[53] Plans 2 and 3 are middle-level plans.[54] The way the program mitigates cliffs is by offering different premium, out-of-pocket, or co-pay expenses, depending on the program. Consequently, as a person's income increases or decreases, they can switch between different programs, according to their financial need and immigration status.

	Essential Plan 1 Annual individual income: $17,656 - $23,540	Essential Plan 2 Annual individual income: $16,245 - $17,655	Essential Plan 3 Annual individual income: $11,770 - $16,243	Essential Plan 4 Annual individual income: Below $11,770
Premium (per month)	$20	$0	$0	$0
Deductible (per year)	$0	$0	$0	$0
Maximum Out-of-Pocket Limit	$2,000	$200	$200	$200
Cost Sharing				
Preventive Care	$0	$0	$0	$0
Primary Care Physician	$15	$0	$0	$0
Specialist	$25	$0	$0	$0
Inpatient Facility (including behavioral health)	$150 per admission	$0 per admission	$0 per admission	$0 per admission
Outpatient behavioral health	$15	$0	$0	$0
Outpatient Facility	$50	$0	$0	$0
Emergency Room	$75	$0	$0	$0
Ambulance	$75	$0	$0	$0
Urgent Care	$25	$0	$0	$0
Surgeon	$50	$0	$0	$0
Physical Therapy, Occupational Therapy, Speech Therapy	$15	$0	$0	$0
Durable Medical Equipment and Supplies	5% Coinsurance	$0	$0	$0
Hearing Aids	5% Coinsurance	$0	$0	$0
Non-emergency transportation	Not covered	Not covered	$0	$0
Adult Dental* (preventive, routine and major dental care)	$15	$0	$0	$0
Vision Care – Exams*	$15	$0	$0	$0
Vision Care – Lenses and Frames*	10% Coinsurance	$0	$0	$0
Vision Care – Contact Lenses*	10% Coinsurance	$0	$0	$0
Non-prescription drugs	Not covered	Not covered	$1	$0
Prescription Drugs				
Tier 1	$6	$1	$1	$0
Tier 2	$15	$3	$3	$0
Tier 3	$30	$3	$3	$0
(Note that copays for mail order prescription drugs are 2.5 times retail copays above for 90-day supply)				

Table 3.4.1: Summary of Essential Plan Costs and Benefits.[55]

4 EXAMINATION OF POLICY ALTERNATIVES

In this section, we offer two policy alternatives: 1) transitional Medicaid with increasing copays and 2) the No Wrong Door Policy.

4.1 POLICY ALTERNATIVE 1: Transitional Medicaid with Increasing Copays

A potential policy solution that could mitigate benefit cliffs is the introduction of transitional Medicaid, with copays that increase with a person's income. While the current eligibility cutoff point and copays for people on Medicaid would remain the same, people who reach an income where they could lose their eligibility will instead have copays that increase with their income. States can impose these copayments, coinsurance, deductibles on most Medicaid-covered benefits, both inpatient and outpatient services, and these amounts charged can vary with income. However, depending on the details, these proposed changes might require a waiver of certain federal rules or a creation of a state-funded program. The copays keep increasing until the cost becomes similar to what the beneficiary would encounter in the private market for insurance. Figure 4.1 provides an illustration of what this alternative could look like.

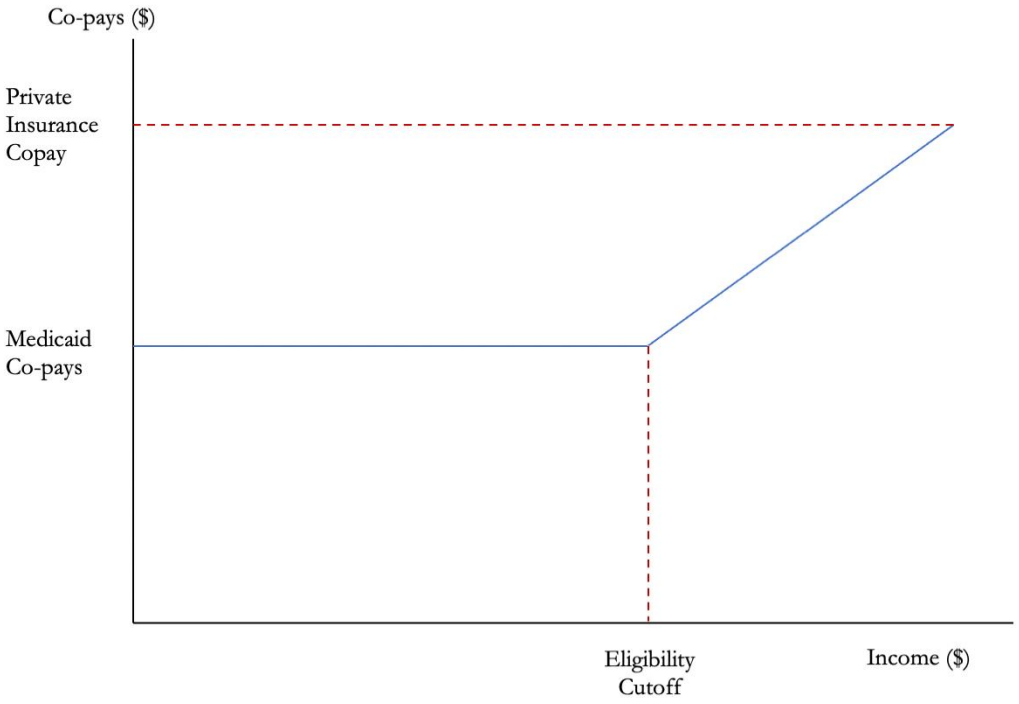


Figure 4.1.1: Transitional Medicaid and Increasing Copays Illustration.[56]

A benefit of this policy is that it provides a very smooth transition for Medicaid beneficiaries. Instead of losing complete Medicaid coverage, the beneficiary is instead provided with the necessary support, until they reach an income level where they could afford a different option. The implementation of this policy could have spillover benefits in the sense that similar transitional policies could be implemented in other welfare programs, like SNAP or TANF.

A potential drawback of this policy would be the increased cost on the government's behalf. Since this policy would essentially entail a partial expansion in Medicaid coverage, the cost of Medicaid would increase. Another potential drawback is the need to frequently receive information about the beneficiaries' income. To ensure that the transition is as smooth as possible, beneficiaries would need to provide information about income changes frequently. This could create logistical difficulties and would require the employment of more caseworkers to constantly examine each beneficiary's individual circumstances.

4.2 POLICY ALTERNATIVE 2: No Wrong Door Policy

One of the provisions of the Affordable Care Act (ACA) was known as the "No Wrong Door" policy. In a paper to be released soon, Families, USA, the leading advocacy organization for beneficiaries, will promote a concept called "No Wrong Door," under which applicants for one health insurance program will automatically be enrolled in other programs for which they qualify, at lower cost to themselves.[57] Many families who face the "cliff" because they are no longer eligible for Medicaid will

almost certainly be eligible for no-cost insurance through the exchanges. This policy enables people to complete one application to determine health and social programs for which they or their family were eligible. Social programs include Medicaid, CHIP, SNAP, TANF and community-based resources.

All a person has to do is fill out one application, thus reducing the struggle of healthcare paperwork and the need to find different methods to obtain financial or health assistance. This trend of streamlining the application process has started to take effect in states like Oklahoma. The Oklahoma Office of Management and Enterprise Services is moving applications to a central digital portal to complete service requests.[58] This process is not only more efficient for constituents but also for government employees, who only have to review one application. While it takes effort to enable a holistic, person-centered operating system, the rewards of this system can be far greater than the financial burden of the upfront costs.

5 CONCLUSION

The purpose of this report is to advise the Vermont House Committee on Healthcare about the different policy tools and resources they can use to better address Medicaid cliffs. The report is broken down into three sections. The first section gives context on the current state of benefit cliffs in Vermont as well as provides insight on how the state currently tackles benefit cliffs. It explains how first families with children under thirteen struggle the most with the cliffs and how Vermont utilizes programs such as Reach Up in order to support individuals and families. However, the report finds that Reach Up has some limitations and cannot fully support Vermont residents in its current state. The second section gives case studies from four different states: Mississippi, Maine, Massachusetts, and New York. Each of these states has unique approaches to benefit cliffs. Specifically, Mississippi utilizes a Continuum of Services Model (CSM) which allows residents to transition off TANF. Maine and Massachusetts have both temporary and permanent programs in place that help families facilitate their transition off of benefits. On the other hand, New York administers a bridge program between Medicaid and marketplace insurance. Finally, the report ends with two policy alternatives that the state can consider. First, transitional Medicaid with Increasing Copays, which would allow copays to increase with a person's income. Second, the No Wrong Door Policy, which would streamline the application process of applying for benefits.

7 REFERENCES

[1] Robin Rudowitz, R. G. (2020, February 4). *10 things to know about Medicaid: Setting the facts straight*. KFF. Retrieved September 11, 2022, from https://www.kff.org/medicaid/issue-brief/10-things-to-know-about-medicaid-setting-the-facts-straight/
[2] Ibid.
[3] Ibid.
[4] National Conference of State Legislatures (NCSL). (2019). (issue brief). Moving on Up: Helping Families Climb the Economic Ladder by Addressing Benefits Cliffs. Retrieved September 11, 2022, from https://www.ncsl.org/Portals/1/Documents/cyf/Benefits-Cliffs_v03_web.pdf.
[5] Ibid.
[6] "Novel Coronavirus (COVID-19): Vermont State Response & Resources." *Novel Coronavirus (COVID-19): Vermont State Response & Resources | Office of Governor Phil Scott*, https://governor.vermont.gov/covid19response.
[7] "2021 Eligibility Tables." *Vermont Health Connect*, https://info.healthconnect.vermont.gov/compare-plans/eligibility-tables/2021-eligibility-tables.
[8] *Vermont announces Medicaid flexibility to support Vermonters' health*. Vermont announces Medicaid flexibility to support Vermonters' health | Vermont Business Magazine. (n.d.). Retrieved September 11, 2022, from https://vermontbiz.com/news/2022/june/28/vermont-announces-medicaid-flexibility-support-vermonters%E2%80%99-health
[9] Ibid.
[10] Minimum wage study committee. Committees & Studies | Vermont Legislative Joint Fiscal Office. (n.d.). Retrieved September 11, 2022, from https://ljfo.vermont.gov/committees-and-studies/minimum-wage-study-committee
[11] *H.326 (Act 29)*. State House Dome. (n.d.). Retrieved September 11, 2022, from https://legislature.vermont.gov/bill/status/2018/H.326
[12] Minimum wage study committee. Committees & Studies | Vermont Legislative Joint Fiscal Office. (n.d.). Retrieved September 11, 2022, from https://ljfo.vermont.gov/committees-and-studies/minimum-wage-study-committee
[13] Ibid.
[14] 2017, C. R.-C. A. 13, Ethan Weinstein Sep 11 2022, 1:38 P. M. S. 11, Dominic Minadeo Sep 11 2022, 11:17 A. M. S. 11, Mark Bushnell Sep 11 2022, 9:52 A. M. S. 11, Sarah Mearhoff Sep 9 2022September 9, 2022, & Lola Duffort Sep 9 2022September 9, 2022. (2017, August 13). Working parents affected most by minimum wage 'benefits Cliff'. VTDigger. Retrieved September 11, 2022, from https://vtdigger.org/2017/08/13/working-parents-affected-minimum-wage-benefits-cliff/
[15] Ibid.
[16] Ibid.
[17] Ibid.
[18] Ibid.
[19] Reach up. Department for Children and Families. (n.d.). Retrieved September 11, 2022, from https://dcf.vermont.gov/benefits/reachup
[20] Ibid.
[21] For reach up families, basic needs are out of reach. Public Assets Institute. (2019, April 8). Retrieved September 11, 2022, from https://publicassets.org/library/publications/reports/for-reach-up-families-basic-needs-are-out-of-reach/
[22] Ibid.
[23] Ibid.
[24] Ibid.

[25] Benefits cliffs and the financial incentives for Career Advancement. (n.d.). Retrieved September 11, 2022, from https://www.atlantafed.org/-/media/documents/community-development/publications/discussion-papers/2020/01-benefits-cliffs-and-the-financial-incentives-for-career-advancement-2020-01-31.pdf
[26] Ibid.
[27] Ibid.
[28] Ibid.
[29] Ibid.
[30] Ibid.
[31] Ibid.
[32] Ibid.
[33] Ibid.
[34] Ibid.
[35] Governor mills signs into law bipartisan bills to combat poverty in Maine. Governor Mills Signs Into Law Bipartisan Bills To Combat Poverty in Maine | Office of Governor Janet T. Mills. (n.d.). Retrieved September 11, 2022, from https://www.maine.gov/governor/mills/news/governor-mills-signs-law-bipartisan-bills-combat-poverty-maine-2019-06-27
[36] Meghan McCann, L. K. (n.d.). Addressing benefits cliffs. Retrieved September 11, 2022, from https://www.ncsl.org/research/human-services/addressing-benefits-cliffs.aspx
[37] Ibid.
[38] Ibid.
[39] Ibid.
[40] Ibid.
[41] Ibid.
[42] Massachusetts Rental Voucher Program (MRVP). Mass.gov. (n.d.). Retrieved September 11, 2022, from https://www.mass.gov/service-details/massachusetts-rental-voucher-program-mrvp
[43] Albelda, R., & Carr, M. (2017). Combining Earnings with Public Supports: Cliff Effects in Massachusetts. Communities & Banking, 28(1), 4–7. Retrieved September 12, 2022, from https://www.proquest.com/docview/1882020573?parentSessionId=oPjI4n3IOcNmtj8%2F3gZhGNL5pXgslwo7LCFGYIMk%2FT0%3D&accountid=10422.
[44] Ibid.
[45] Ibid.
[46] Ibid.
[47] Ibid.
[48] Vermont Emergency Rental Assistance Program. (n.d.). Vermont State Housing Authority. Retrieved August 20, 2022, from https://erap.vsha.org/
[49] Elder-Connors, L. (2022, January 20). Vermont has spent about half of its rental assistance funds. Vermont Public. Retrieved September 12, 2022, from https://www.vermontpublic.org/vpr-news/2022-01-20/vermont-has-spent-about-half-of-its-rental-assistance-funds
[50] How benefits cliffs and financial gaps undermine the safety net ... - FPWA. (n.d.). Retrieved September 12, 2022, from https://www.fpwa.org/wp-content/uploads/2021/04/2104019_FPWA-benefitcliffs-rev2_FINAL_4.19.2021.pdf
[51] Ibid.
[52] New York Essential Plan. the #1 most affordable health plan in NY. NYHealthInsurer.com. (2021, November 17). Retrieved September 12, 2022, from https://www.nyhealthinsurer.com/new-york-essential-plan/
[53] Ibid.
[54] Ibid.
[55] Essential Plan Benefits and Cost Sharing. info.nystateofhealth.ny.gov. (n.d.). Retrieved September 12, 2022, from https://info.nystateofhealth.ny.gov/sites/default/files/Essential%20Plan%20Benefits%20and%20Cost%20Sharing.pdf
[56] Designed by Nikolaos Vichos
[57] Health Care's fragmented eligibility systems: What happens when uninsured families enter through the wrong door? Families Usa. (2021, December 8). Retrieved September 12, 2022, from https://www.familiesusa.org/resources/health-cares-fragmented-eligibility-systems-what-happens-when-uninsured-families-enter-through-the-wrong-door/#:~:text=To%20surmount%20those%20obstacles%2C%20a,immediately%20into%20the%20coverage%20for
[58] *What is no wrong door? and how to apply across government*. Granicus. (2019, September 30). Retrieved September 12, 2022, fromhttps://granicus.com/blog/no-wrong-door/#:~:text=One%20of%20its%20provisions%20was,their%20family%20were%20eligible%20for.