Navigating Benefits Cliffs in HPOG

ADMINISTRATION FOR CHILDREN & FAMILIES

HPOG

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To learn more about the HPOG program and its grantees, please visit https://www.acf.hhs.gov/ofa/programs/hpog.

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TABLE OF CONTENTS

INTRODUCTION

About the Health Profession Opportunity Grants Program

In 2010, Congress authorized the Health Profession Opportunity Grants (HPOG) program to develop demonstration projects that provide Temporary Assistance for Needy Families (TANF) recipients and other low-income individuals with the "opportunity to obtain education and training for occupations in the healthcare field that pay well and are expected to either experience labor shortages or be in high demand."[1]

The Administration for Children and Families (ACF) in the U.S. Department of Health and Human Services (HHS) oversees the HPOG program. Within ACF, the Office of Family Assistance (OFA) administers HPOG awards. In 2010, ACF awarded 32, 5-year grants to organizations across 23 states; this first round of grants is known as HPOG 1.0. In 2015, ACF awarded an additional 32, 5-year grants to organizations across 21 states, with approximately $72 million distributed annually. These grants were given to 10 higher education institutions, 5 tribal organizations, 7 workforce system agencies, 4 state government agencies, and 6 community-based organizations.

A little more than half of the grantees in HPOG 2.0 (17 of 32) had previously received funding through HPOG 1.0; the rest were new HPOG grantees. As of July 2020, HPOG 2.0 had enrolled 35,776 people and 6,858 TANF customers. HPOG grantees provide education and training to TANF recipients and other low-income individuals to prepare them for healthcare occupations that pay well and are in demand. The grantees aim to be responsive to community workforce needs and to improve job prospects for adults, matching careers in a growing field with people who are eager to fill them.

HPOG grantees follow a career pathway strategy—a series of connected education and training programs, coupled with support services, that enable participants to secure industry-relevant certification and obtain employment in an occupational area. Participants advance to higher paying jobs through stackable credentials and a clearly delineated career path. They receive the opportunity to obtain higher education, training, and the support services they need to secure positions that have the potential for sustainability and advancement, ultimately leading them to financial self-sufficiency.

About this Paper

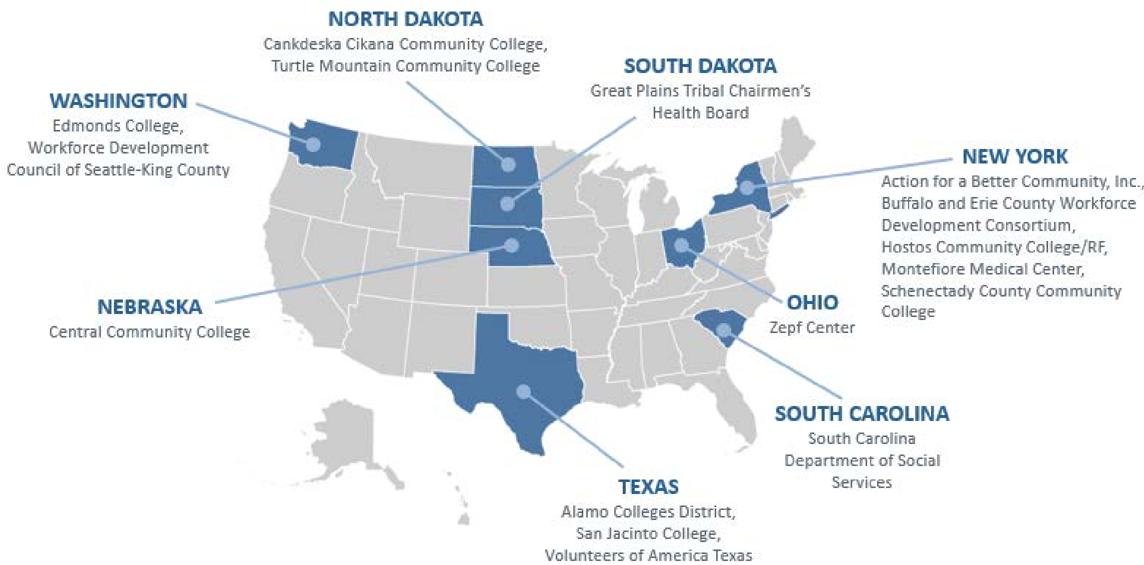
This paper offers current HPOG grantees and other workforce development projects insights into career pathway strategies that may be overlooked. It examines real data on family expenses, healthcare occupation wages, and public benefits for eight states, each of which has at least one HPOG 2.0 grantee. In particular, it explores how a small increase in income can cause a family to become ineligible for public benefits and how the value of the lost benefits surpasses the gain in earnings, a phenomenon typically referred to as "the benefits cliffs effect."

The paper begins by examining the wages of occupations that require progressively higher levels of skill and education in the healthcare career pathway. The data show that, in most states, individuals can expect to earn more as they stack credentials and move forward on their career paths. However, because there is a salary range for each occupation, many of which overlap, it is possible to obtain additional credentials and skills without increasing earnings, at least in the short term.

[1] HPOG was authorized by the Patient Protection and Affordable Care Act (ACA), Public Law 111-148, 124 Stat. 119, March 23, 2010, sect. 5507(a), "Demonstration Projects to Provide Low-Income Individuals with Opportunities for Education, Training, and Career Advancement to Address Health Professions Workforce Needs," adding sect. 2008(a) to the Social Security Act, 42 U.S.C. 1397g(a), and extended by the Bipartisan Budget Act of 2018, Public Law 115-123, through fiscal year 2019.

A model of the possible benefits cliffs encountered by a family consisting of two children and one parent who works full time was developed for this paper. This Benefits Cliffs Model (the Model) includes public benefits that help with food, housing, health coverage, and child care. Analysis is presented for eight different states: Nebraska, New York, North Dakota, Ohio, South Carolina, South Dakota, Texas, and Washington. These states were selected because they provide a variety of state benefits eligibility requirements and cost-of-living factors and represent different regions of the country.

Figure 1: HPOG Grantees in the Eight States Examined for this Analysis



For each state, the paper examines the income levels where families may encounter benefits cliffs with wages in the healthcare career pathway. Research has found that there are points on the journey toward economic independence where moving forward on the career pathway can leave families worse off financially because they earn too much to qualify for certain work supports.[2] Losing child care benefits is particularly concerning for working families with small children.

It is unrealistic to expect HPOG grantees or other service providers to conduct their own in-depth analysis of the benefits cliffs in their areas. Instead, this report helps those working with TANF recipients and other low-income individuals understand the factors that impact the severity of the cliffs effects and how they can help workers approach and move past these cliffs.

Finally, the paper describes strategies for working with HPOG participants and other low-income individuals as they confront benefits cliffs. These include acknowledging the issue, reframing the loss of benefits as a positive step toward economic independence, and identifying ways to cover the family's added expenses. By discussing benefits cliffs with participants, HPOG grantees can help TANF recipients and other low-income individuals move past the benefits cliffs and achieve economic independence.

[2] Altig, D., Ilin, E., Ruder, A., & Terry, E. (2020). *Benefits Cliffs and the Financial Incentives for Career Advancement: A Case Study of a Health Care Career Pathway.* Federal Reserve Bank of Atlanta. Retrieved from https://www.frbatlanta.org/-/media/documents/community-development/publications/discussion-papers/2020/01-benefits-cliffs-and-the-financial-incentives-for-career-advancement-2020-01-31.pdf.

Background

In the United States, federal and state governments provide a variety of public benefits programs to support individuals living at or near poverty in achieving a basic standard of living. All benefits programs have eligibility limits typically based on income, so families qualify for less government assistance as their earnings increase.

Employers and social service providers share stories of low-income workers who turn down raises, decline promotions, or refuse additional hours. Employees explain that if they earn too much, they will lose food stamps, stop getting help to pay for child care, or have to move out of subsidized housing. The financial burden and disruption to their lives simply are not worth the small pay increase.

This phenomenon is known as the "benefits cliff."[3] Workers encounter a benefits cliff when an increase in pay causes them to become ineligible for a public benefit that previously helped cover basic needs. If families cannot find a way to absorb this added expense, they cannot make ends meet. In most states, there is not a single benefits cliff, but rather a series of cliffs.

The Federal Reserve Bank of Atlanta describes benefits cliffs as something that "prevents individuals from earning credentials to advance from entry-level to higher paying occupations" and that "these benefits cliffs can be so severe that low-income workers may be temporarily better off financially by *not* advancing."[4] People served by HPOG awards and other workforce development programs that focus on career pathways will inevitably encounter benefits cliffs as their income increases with additional training and skills. Finding ways to help low-income individuals move past benefits cliffs is critical to improving their long-term financial stability and for career pathway programs to achieve their intended impact.

Wages in the Healthcare Career Pathway

Like all career pathways, the healthcare field includes dozens of different jobs. By acquiring additional education, training, and experience, people can move from low-paying jobs requiring few specialized skills to more skilled occupations with higher wages. This report examines a simplified healthcare career pathway for five occupations: Home Health Aide/Personal Care Aide, Nursing Assistant, Phlebotomist, Licensed Practical Nurse (LPN)/Licensed Vocational Nurse (LVN), and Registered Nurse (RN). These are some of the most common healthcare trainings for HPOG participants.

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[3] The research for this paper builds on several studies conducted by groups across the country. See:
East, J.F., & Roll, S. (2010). *Child Care and Low Income Families: Coping with the Cliff Effect.* The Women's Foundation of Colorado. Retrieved from https://www.wfco.org/document.doc?id=58.
Indiana Institute for Working Families. (2012). *The Cliff Effect: One Step Forward, Two Steps Back.* Indiana Community Action Association. Retrieved from http://www.incap.org/cliffeffectpresentation2013.html#.X1kUAospCUk.
Design Impact. (2016). *The Cliff Effect: New Approaches to Overcoming Self-Sufficiency Barriers.* Retrieved from https://www.gcfdn.org/Portals/0/Uploads/Documents/wf_Cliff_Effect_Qualitative_Insights.pdf.
Women's Fund of the Greater Cincinnati Foundation. (2016). *Pulse Report: Outlining the Disincentives and Opportunity Costs for Working Mothers.* Retrieved from https://issuu.com/gcfdn/docs/wf_pulse_report_outling_the_disince.
[4] Altig, D., Ilin, E., Ruder, A., & Terry, E. (2020). *Benefits Cliffs and the Financial Incentives for Career Advancement: A Case Study of a Health Care Career Pathway.* Federal Reserve Bank of Atlanta. Retrieved from https://www.frbatlanta.org/-/media/documents/community-development/publications/discussion-papers/2020/01-benefits-cliffs-and-the-financial-incentives-for-career-advancement-2020-01-31.pdf.

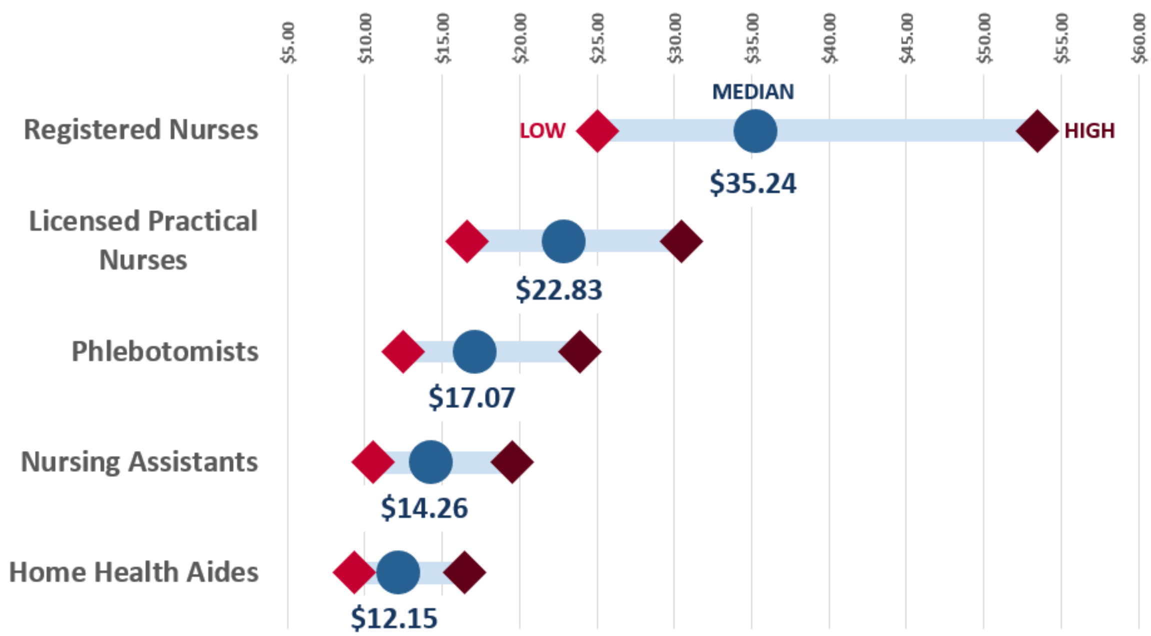
Table 1: Healthcare Career Occupation Wages[5]

Occupation	Job Summary	2019 Median Pay[6]	2019 Pay Range[7]
Home Health Aides/Personal Care Aides	Help people with disabilities, chronic illnesses, or cognitive impairment by assisting in their daily living activities.	$25,280 $12.15/hour	$19,430–$34,180
Nursing Assistants	Provide basic care and help patients with activities of daily living.	$29,640 $14.25/hour	$21,9 60–$40,620
Phlebotomists	Draw blood for tests, transfusions, research, or blood donations.	$35,510 $17.07/hour	$26,000–$49,750
LPNs/LVNs	Provide basic nursing care.	$47,480 $22.83/hour	$34,590–$63,360
RNs	Provide and coordinate patient care and educate patients and the public about various health conditions.	$73,300 $35.42/hour	$52,080–$111,220

[5] Bureau of Labor Statistics. (2020, September). *Occupational Outlook Handbook: Healthcare Occupations.* Retrieved from https://www.bls.gov/ooh/healthcare/home.htm.
Bureau of Labor Statistics. (2019, May). *Occupational Employment Statistics Survey.* U.S. Department of Labor. Retrieved from https://www.bls.gov/oes/tables.htm.
[6] Median is the 50th percentile. By definition, half of all workers in the occupation earn more than the median, and half earn less.
[7] Pay range includes the annual wages for 80 percent of workers in a given occupation. The lower end of the pay range represents the 10th percentile, and the upper figure is the 90th percentile.

As Figure 2 illustrates, each step forward on the career pathway brings additional earnings potential.[8] The light blue bars between the low and high hourly wages represent the range of earnings for 80 percent of the workers in those occupations. Career pathway programs tend to focus on average or median wages, represented in Figure 2 by the blue dots, to determine what participants can expect to be paid. How much an individual actually earns is influenced by several factors, such as experience, location, specialization, and skills. Wages at the low end represent entry-level positions in low-paying parts of the state or country. Clearly, on average, each step forward on the career pathway means higher wages. Yet the salary ranges for many occupations overlap.

Figure 2: Hourly Wages by Occupation, United States, 2019



In terms of median wages, the largest jump in pay on the career pathway happens when someone moves from being an LPN to an RN. However, across the country and in every state examined, the lowest paid RNs earn less than the highest paid LPNs, even though becoming an RN requires much more education and training. Pay ranges for the other healthcare career occupations show even more overlap. Wages for occupations in the healthcare career pathways for each of the eight states are presented in Appendix A.

Looking exclusively at earnings potential, advancing from one step to another on the healthcare career pathway moves the family away from poverty and toward economic independence. The picture is not as clear when accounting for the other side of the financial stability equation: expenses.

[8] Data were gathered by state from the May 2019 *Occupational Employment Statistics Survey* from the U.S. Department of Labor (https://www.bls.gov/oes/tables.htm), which determines the hourly and annual wages for hundreds of occupation groups by state. The percentile of earnings gives an idea of the range that people are being paid for a particular job in a particular place.

BENEFITS CLIFFS

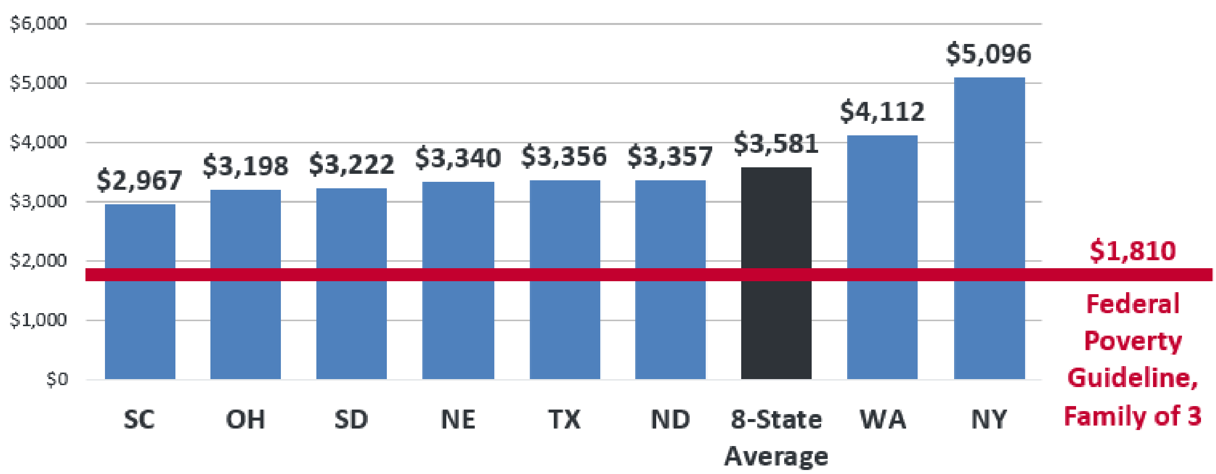
To target resources to families that are most in need, public benefits programs limit eligibility, most often by household income. People on a career pathway will eventually leave benefits programs as their wages increase. Ideally, this happens when they are earning enough so that the support is no longer needed. Some public benefits phase out gradually, with households assuming a greater portion of the benefits cost as their income increases. Others have a sharp cutoff where assistance disappears when families still need it. There are points when earning even an additional $1 results in the loss of a benefit worth hundreds of dollars to a family. In some instances, the loss of the benefit will prevent the family from making ends meet. This is the benefits cliff. As described in the sections below, the Benefits Cliffs Model shows that people in every state encounter at least one cliff on the path from poverty to economic independence.

Two factors influence the income at which people from different states may encounter cliffs and the depth of those cliffs. The first is cost of living. Workers in states where child care is less expensive, for example, may face a shallower cliff when they lose those benefits. The second factor is the design of eligibility and benefit levels. Benefits programs that phase out gradually cause smaller cliffs or no cliffs at all. Both factors are examined in the Benefits Cliffs Model.

What Does a Family Need to Get By?

There is growing consensus that the official poverty threshold does not accurately reflect what a family truly requires to pay for basic needs. To at least partially account for this, the Benefits Cliffs Model uses a limited set of basic expenses to identify the amount a working parent with two children needs to earn to cover the family's costs. This is called the "basic budget." The basic budget falls above the poverty threshold but below other self-sustaining income estimates that include other expenses.[9] The basic budget ranges from less than $3,000 per month for the family of three in South Carolina to more than $5,000 for the same family in New York.[10]

Figure 3: Poverty and Basic Monthly Budget by State



[9] One such estimate, the Living Wage Calculator developed at Massachusetts Institute of Technology, provided the basis for some expenses in the Benefits Cliffs Model. See Appendix C for details on the Living Wage Calculator.
[10] Components of the basic budget are described in the Appendix C.

A family's break-even income is enough to cover the basic monthly budget, which includes food, housing, transportation, health insurance premiums, child care, other basic necessities, and payroll taxes withheld from the paycheck. This basic budget is limited. For example, it does not include telephone, educational, or medical expenses beyond insurance premiums.

Figure 4: Components of the Basic Budget

The federal minimum wage in 2020 is $7.25. Five of the eight states have set a higher minimum wage. In most states examined, a single parent with two children earning minimum wage cannot afford the basic budget, even with public assistance. The only exceptions are New York and Washington, the two states with highest minimum wages, $11.80 and $13.50, respectively.

Public benefits help low-income working families cover some of their basic needs. They are available to help cover the cost of four key expenses: food, child care, housing, and health coverage. Some benefits levels and eligibility limits are set by federal regulations. These include programs administered by the U.S. Department of Housing and Urban Development (HUD) such as public housing subsidies or the Housing Choice Voucher Program (HCVP, also known as Section 8) and by the U.S. Department of Agriculture (USDA) such as the Supplemental Nutrition Assistance Program (SNAP, sometimes called food stamps).

TANF is federal funding provided to states as a block grant that helps very low-income families with their basic needs. Eligibility for TANF cash assistance is limited to approximately half of the Federal Poverty Level (FPL). A family comprising two children and one parent working full time at minimum wage earns too much to qualify for this cash assistance in the Benefits Cliffs Model. However, many states use a portion of their TANF block grant to support state child care programs, which are included in the Model.

Two other benefits that are important to the financial stability of working families are assistance for child care and the Medicaid/Children's Health Insurance Program (CHIP) for health insurance coverage. Income eligibility levels for these programs are set by states within federal guidelines and vary widely. The structures of Medicaid/CHIP and state child care assistance programs create the largest benefits cliffs in the Model. The earnings at which people encounter cliffs for federal programs are consistent across all states, but where the cliffs fall for Medicaid/CHIP and state child care assistance are not.

Finally, federal and state tax credits such as the Earned Income Tax Credit and Child Tax Credit help millions of low-income working families make ends meet, especially when the credits are refundable. These tax credits are adjusted by family size, increase as earnings increase, and begin to phase out at higher incomes. As described in Appendix C, the nonrefundable portion of these credits is built into the method used to estimate income tax withheld from workers' paychecks. Like other infrequent benefits, the refundable portion is not included in the Model because the money does not come to families monthly, but rather when they file their annual tax returns.

The Benefits Cliffs Model

This paper examines the financial circumstances of a family of three consisting of a working parent, a school-aged child, and a preschool-aged child. Some benefits cliffs models look at the value of benefits received. This Model explores how benefits reduce a family's monthly expense. If a family receives a benefit, those costs are covered and it means more money is available at the end of the month.[11]

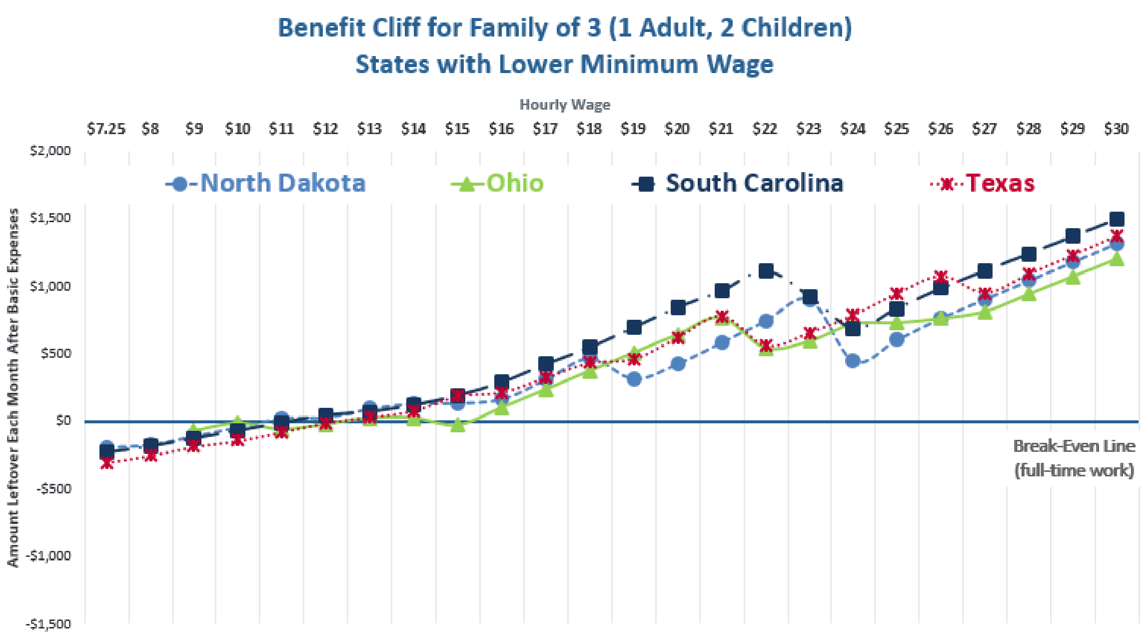
The Model makes several other assumptions. It assumes that the parent works one full-time job, 40 hours per week, 52 weeks per year, with no overtime.[12] In the Model, the family receives all the benefits for which it qualifies, can live in a subsidized housing unit and access suitable child care that accepts a voucher or subsidy, and loses benefits as soon as its income exceeds eligibility thresholds.[13] This is a simplified picture of how benefits programs function.[14] Finally, the Model assumes that the family maintains the same level and quality of service with or without public benefits support. In reality, many look for less expensive options.

The Benefits Cliffs Model shows how much money the family has leftover each month after paying for items in the basic budget. If the leftover amount is positive and falls above the "break-even" line, the family can make ends meet. Any points below this line are concerning because they mean the family cannot afford its basic expenses, even with public benefits.

Figures 5 and 6 show benefits cliffs for all eight states. Each point on in the charts represents a raise of $1 per hour, meaning an extra $2,080 per year or $173.33 per month. If an expense increases more than that amount, it will cause a dip, also called a cliff.

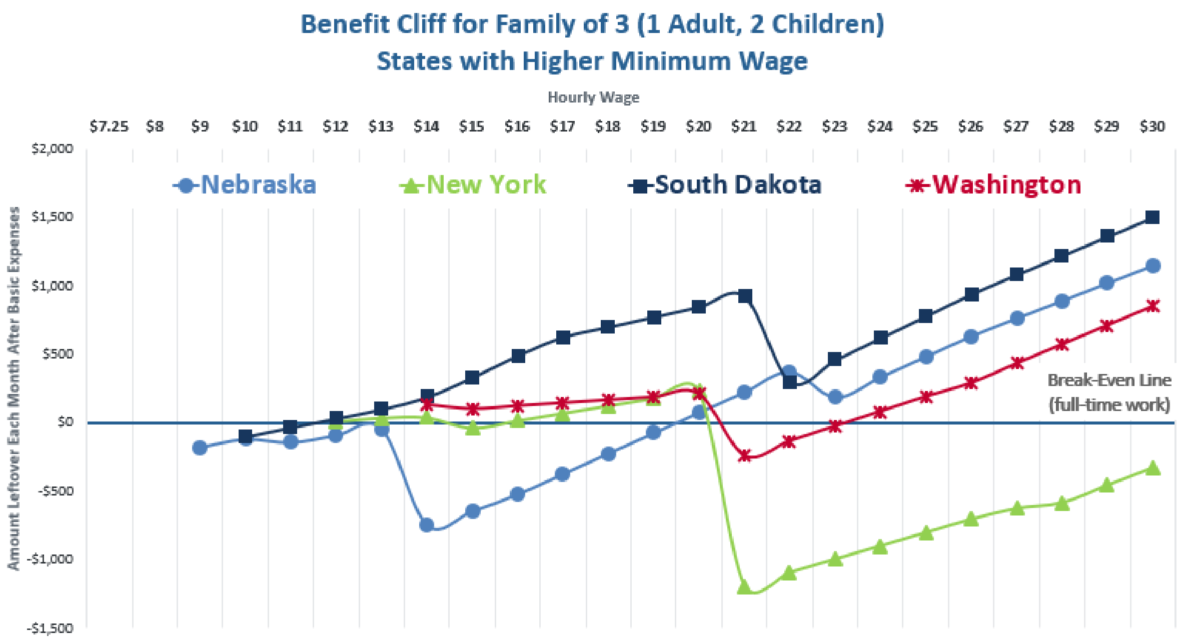
There is no average or standard series of cliffs because each state sets its own eligibility requirements and benefits for certain programs. Figures 5 and 6 compare the benefits cliffs of all eight states, whereas Appendix B describes specific details about the cliffs for each state.

Figure 5: Benefit Cliff for Family of 3



[11] Appendix C provides a fuller description of the Model's methodology.
[12] The Model does not account for nonwage forms of income, such as child support payments. Bonuses are also excluded.
[13] In reality, not everyone who qualifies for benefits accesses them. A recent study by the Congressional Budget Office found that only one-quarter of households that qualify for federal rental assistance actually receive the subsidy.
[14] Some benefits have a transitional period where a family can continue to receive the benefit for a few months after its income rises above eligibility thresholds. These transitions are helpful for families, but difficult to quantify in the Model. The Model excludes these transitional benefits and includes only continuous eligibility.

Figure 6: Benefit Cliff for Family of 3



State Comparisons

The Model begins with a single parent working full time at the state's minimum wage. Earning minimum wage, the family qualifies for several public benefits including HUD assistance for housing, SNAP that covers some food, health coverage without a premium for the children via CHIP, and child care subsidy. In some states, the entire child care cost is covered for parents who are earning minimum wage, whereas other states require a copay. In states where Medicaid has expanded, there is no cost to the family for the parent's health coverage at the beginning of the Model.

The eight states can be divided into two groups based on their minimum wage. For the data analyzed, states that set minimum wage higher tend to provide more generous public benefits, although many have higher taxes. These factors influence the shape of benefits cliffs.

North Dakota, South Carolina, and Texas use the federal minimum wage of $7.25 per hour. Ohio's minimum wage grows with inflation and was set at $8.70 per hour starting in 2020. As shown in Figure 5, the benefits cliffs for each of these states follows a similar pattern. Working full time at minimum wage, the family cannot make ends meet even with assistance from public benefits. As the parent's income grows in $1-per-hour increments, the family remains close to the break-even line. When it earns too much to continue receiving a subsidy for child care or health coverage for the children through CHIP, the family confronts a cliff. Increased expenses caused by the loss of benefits means the family is in a worse financial situation despite earning more. However, the family can cover its additional costs with relatively few additional raises.

The pattern diverges for the four states with higher minimum wage: Nebraska, New York, South Dakota, and Washington. New York and Washington are more expensive than the eight-state average, which means families must pay more for items in the basic budget. The greater cost prevents the family from getting further ahead.

The states with higher minimum wages are more likely to have expanded Medicaid to parents who earn up to 138 percent of FPL and often require a smaller child care copayment. These more generous benefits help low-income working families. However, as shown in Figure 6, there is a deep cliff in each state when the family's income exceeds eligibility limits for child care benefits. In Nebraska, New York, and Washington, the amount that families must pay when they lose child care is so great that it pushes them below the break-even line. For many working families, it would not make financial sense to take a small pay raise if it meant losing that important benefit. This is particularly concerning because some wages in the healthcare career pathway fall near those cliffs.

The Benefits Cliffs and Healthcare Occupation Wages

In some cases, benefits cliffs are shallow, so the family can move past them quickly with a few small raises. For example, a worker moving from the U.S. median wage for home health aide to the U.S. median for nursing assistant loses SNAP benefits. In most cases, the increased earnings are enough to make up for the loss of benefits.

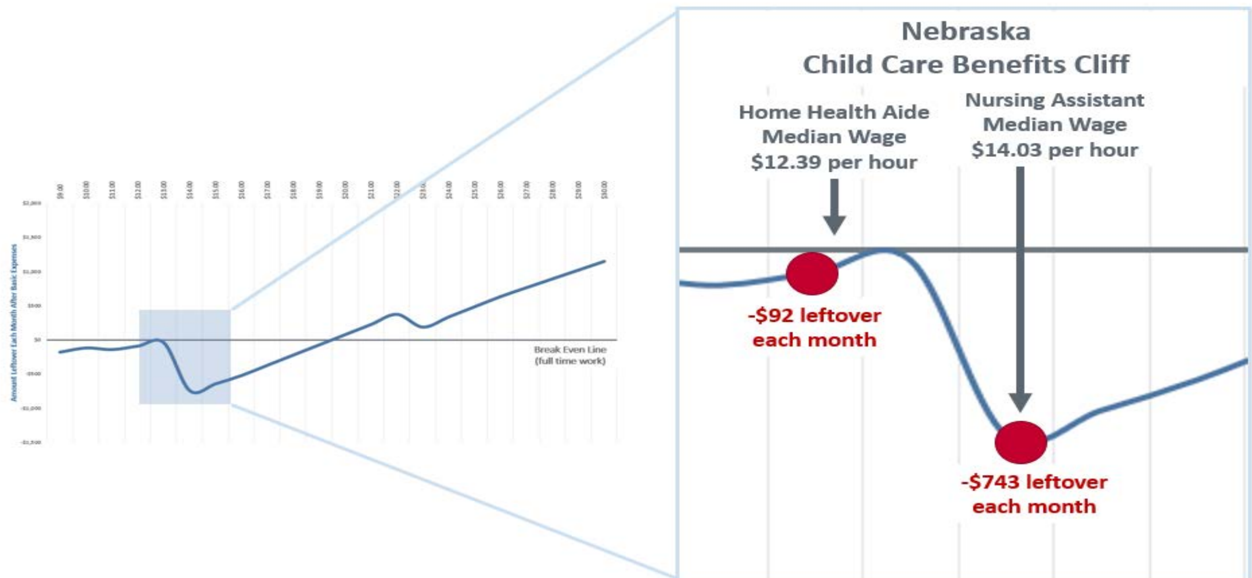
In other cases, the Benefits Cliffs Model shows places where significant jumps in income are needed to regain lost financial footing after encountering benefits cliffs. Recovering these losses requires additional credentials or years of incremental raises.

Portions of the Benefits Cliffs Model for some states are presented below as examples. They highlight challenges that participants in HPOG programs face as they earn credentials and move along on the career pathway. Appendix B describes in detail the full benefits cliffs for each of the eight states and each cliff's impact on healthcare workers' wages and basic budgets.

Nebraska: Home Health Aide to Nursing Assistant

A home health aide earning the median hourly wage in Nebraska cannot pay for a family's entire basic budget, even with assistance from benefits programs. Moving forward on the healthcare career pathway to nursing assistant means a higher hourly wage. However, with a higher wage, the worker encounters Nebraska's child care benefits cliff. Losing the child care subsidy leaves the family significantly worse off financially, despite taking a step forward on the career pathway.

Figure 7: **Nebraska's Child Care Benefits Cliff** After Moving From Home Health Aide to Nursing Assistant

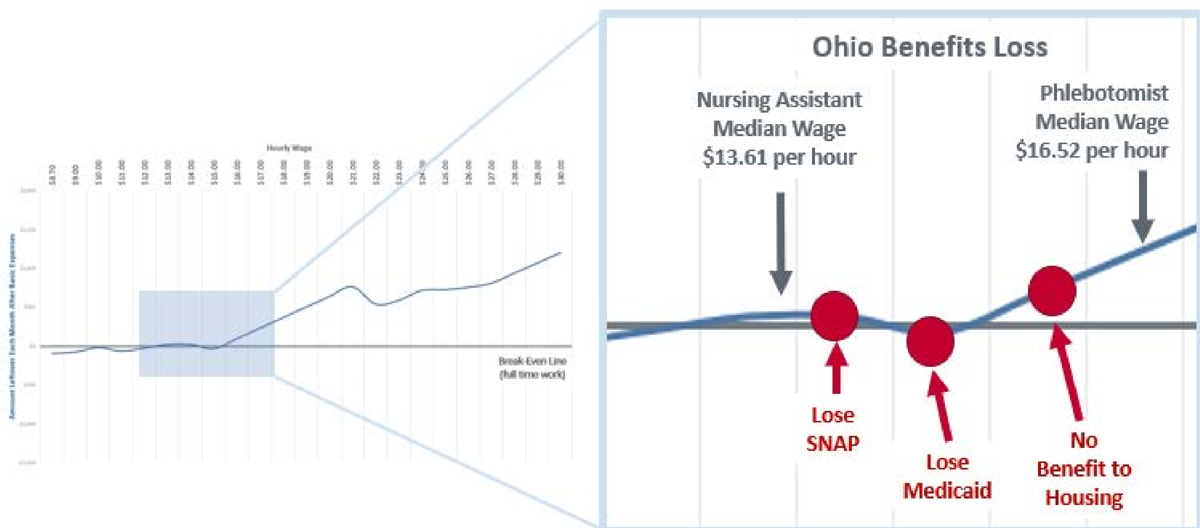


Ohio: Nursing Assistant to Phlebotomist to LPN/LVN

In Ohio, the difference in median wages between nursing assistants and phlebotomists is $2.91 per hour. For workers earning the median wage, moving along the career pathway from nursing assistant to phlebotomist causes the family to lose SNAP, Medicaid coverage for the parent, and HUD housing benefits. However, the increased income is enough for the family to cover the added expenses.

When a worker moves from phlebotomist to LPN/LVN, the family is very near the point where it loses CHIP coverage for the children and the child care copayment increases steeply. In both cases, the family is only marginally better off financially.

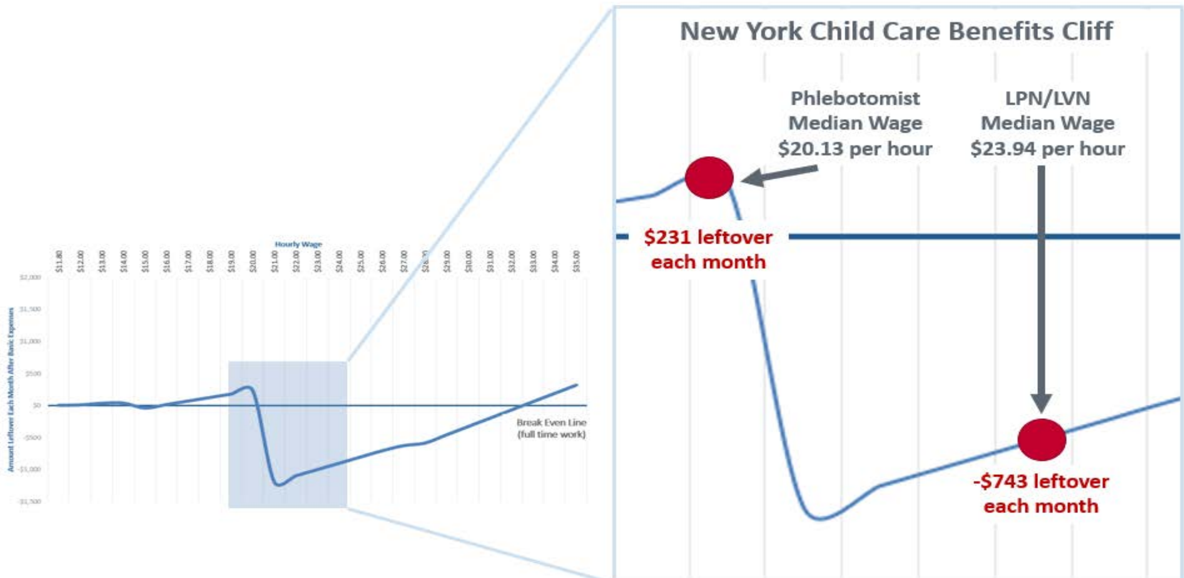
Figure 8: **Ohio's** SNAP, Medicaid, and Housing Benefits Cliffs After Moving from Nursing Assistant to Phlebotomist



New York: Phlebotomist to LPN/LVN

The median wage for phlebotomists in New York is just below the point where a family loses child care subsidy. The family encounters the cliff when the worker moves from phlebotomist and LPN/LVN. The very large child care benefits cliff in New York means moving up to an LPN/LVN position on the career pathway causes the family to be much worse off financially, despite earning about $8,000 more per year. According to the Benefits Cliffs Model, the family cannot make ends meet.

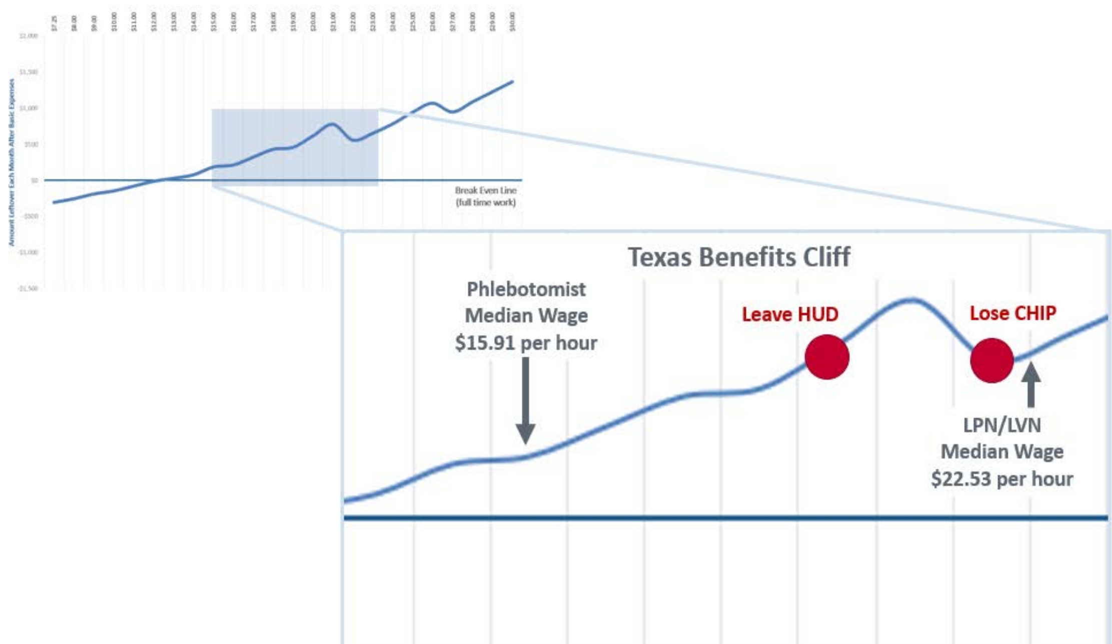
Figure 9: **New York's** Child Care Benefits Cliff After Moving from Phlebotomist to LPN/LVN



Texas: Phlebotomist to LPN/LVN

In Texas, a worker moving from the median wage for a phlebotomist to an LPN/LVN median wage loses HUD housing assistance and CHIP health coverage. Even so, the higher wage is enough for the family to move past these cliffs with a net increase in the amount it has leftover each month after paying for basic expenses.

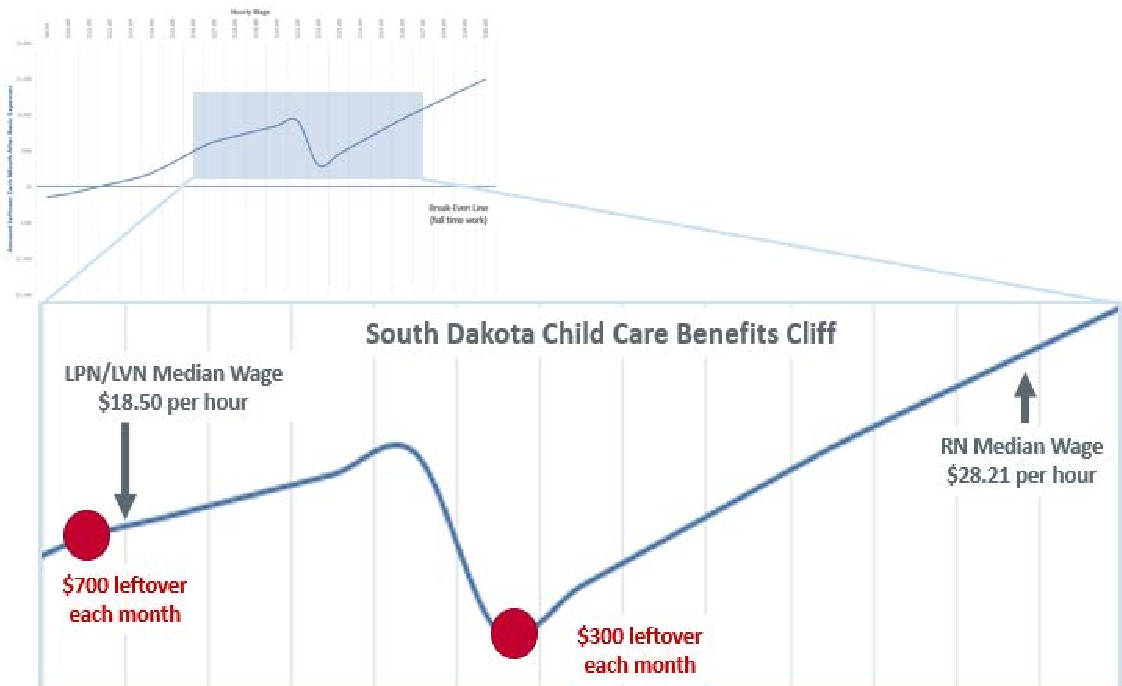
Figure 10: Texas's Housing and CHIP Benefits Cliffs After Moving from Phlebotomist to LPN/LVN



South Dakota: LPN/LVN to RN

South Dakota is the only state in this analysis where the median wage for RNs is less than $30 per hour. A worker moving from the median wage for an LPN/LVN to that of an RN in South Dakota encounters South Dakota's large child care benefits cliff. However, because the difference in median wage is nearly $10 per hour, increased earnings enable the family to cover the added expense.

Figure 11: **South Dakota's Child Care Benefits Cliff** After Moving from LPN/LVN to RN



These examples illustrate how complicated it is to determine the true impact of an increase in income. Each family's circumstances are different. Moving to the next step on the career pathway requires significant effort and time investment from workers. Training programs include coursework, labs, internships, and obtaining certifications. HPOG trainings range from a few weeks for home health aides to several years for RNs. Many students can work only part time, if at all, while participating in trainings. For many, the increased earnings potential makes the temporary reduction in income worthwhile. For others who face benefits cliffs, the calculation is more complex.

Table 2: Simplified Healthcare Pathway Occupations Training Requirements

Occupation	Entry Level Education[15]	Typical Training Time[16]
Home Health Aides	High School Diploma or Equivalent	6–8 Weeks
Nursing Assistants	State-Approved Education Program	2 Months
Phlebotomists	Postsecondary Nondegree Award	1 Year or Less
Licensed Practical Nurses	Postsecondary Nondegree Award	1 Year or Longer
Registered Nurses	Associate's Degree or Bachelor's Degree	2 Years (Associate's) or 4 Years (Bachelor's)

Timing is particularly important for families with small children. The hypothetical family in the Benefits Cliffs Model has one school-aged and one preschool-aged child. This family composition influences child care expenses and the depth and breadth of benefits cliffs it encounters. As children grow older, the family's child care needs and costs shrink. By the time the parent completes a training program, the children could be in school most of the day, eliminating the child care benefits cliff.

The cost of child care and lost work hours while in training are factors that were considered by researchers from the Federal Reserve Bank of Atlanta and several universities in a report released in early 2020.[17] The authors cite recent evaluations of HPOG as providing "examples of the challenges that low-income workers face with trying to advance in their careers through credential attainment." They examine the financial circumstances of Leia, a fictional mother of two children living in Florida. Leia enters a healthcare career pathway similar to HPOG when she is 25 years old and her children are ages 4 and 6.[18] The family's financial circumstances are examined over time as Leia moves through the career pathway from a minimum wage movie theater concessions worker to an RN. The study quantifies the short-, medium-, and long-term impact of going from minimum wage to Certified Nursing Assistant (CNA), from CNA to LPN, and from LPN to RN. In the long term, Leia's family's financial situation improves with each step along the career pathway. However, looking at the short and medium term, the authors identify several times when Leia would be financially better off *not* advancing.[19] Particularly concerning is the finding that, "For one year at age 39, the LPN drops below both the CNA and concessions jobs because Leia's higher income makes

[15] Bureau of Labor Statistics. (2020, September). *Occupational Outlook Handbook: Healthcare Occupations.* Retrieved from https://www.bls.gov/ooh/healthcare/home.htm.
Bureau of Labor Statistics. (2019, May). *Occupational Employment Statistics Survey.* U.S. Department of Labor. Retrieved from https://www.bls.gov/oes/tables.htm.
[16] Compiled from Bureau of Labor Statistics *Occupational Outlook Handbook: Healthcare Occupations* (https://www.bls.gov/ooh/healthcare/home.htm) and several HPOG programs' websites.
[17] Altig, D., Ilin, E., Ruder, A., & Terry, E. (2020). *Benefits Cliffs and the Financial Incentives for Career Advancement: A Case Study of a Health Care Career Pathway*. Federal Reserve Bank of Atlanta. Retrieved from https://www.frbatlanta.org/-/media/documents/community-development/publications/discussion-papers/2020/01-benefits-cliffs-and-the-financial-incentives-for-career-advancement-2020-01-31.pdf.
[18] This family composition is essentially the same as the one use for the Benefits Cliffs Model.
[19] For example: "At age 36, the CNA path net resources drop below net resources for the concessions job, mainly because the concessions path gains eligibility for the ACA subsidy at age 36," and "Overall, she is financially better off staying as an LPN between ages 25 and 33 than becoming an RN."

her ineligible for all public benefits; however, at 40, her second child leaves home, which reduces total expense and allows net resources to once again exceed the CNA and concessions paths."

Of course, economics is only one consideration when people are planning their careers. Some clients describe a lack of control when relying on benefits to make ends meet. The promise of eventual economic independence and financial stability is powerful. Individual circumstances determine which benefits cliffs the family encounters as it moves toward economic independence and how much those cliffs set them back. Yet understanding the potential loss of public benefits as income increases enables individuals to make informed decisions as they move along the career pathway.

Helping Workers Confront Cliffs

There are two approaches to improving the cliff situation for families. One is to advocate for changes in public benefits eligibility requirements and changes in the design of eligibility limits so that they are phased out gradually rather than eliminated suddenly. Appendix B provides some examples of benefits design in the eight states studied that address benefits cliffs.

The second option is to work directly with participants and students as they encounter cliffs to reduce the impact of the loss of each benefit. This approach is relevant for HPOG and similar career pathway programs. The individual career counseling and case management offered by HPOG programs are vital tools for ensuring participant success. There are several approaches that HPOG grantees and other service providers can use to help TANF recipients and other low-income individuals understand and move past benefits cliffs. These include helping participants navigate benefit systems, brainstorming about other resources, reframing the loss of benefits as a positive step forward, emphasizing long-term goals, and being realistic about the family's circumstances and what it will take to become economically independent. The following sections discuss each strategy.

Navigating the Benefit Systems

Studies by government agencies, universities, and research institutions have consistently shown that benefits cliffs exist. Good decisions are rarely made when facing a crisis and encountering a benefits cliff can be a calamity for a family. Sharing information about income limits for public benefits programs prevents low-income individuals from being blindsided by the loss of benefits and enables them to prepare. Strategizing in advance allows families to develop plans and identify ways to make ends meet that do not threaten their long-term financial stability.

The analysis in this report provides a general look at where one hypothetical family might encounter benefits cliffs in a handful of states. It is unrealistic to expect HPOG grantees and other service providers to conduct their own analysis. Online estimator tools can be used to examine a specific participant's circumstances, but these tools provide only estimates and are not always up to date.[20] Instead, groups that have successfully worked with families to strategize about the loss of benefits often collaborate with local and state agencies that administer benefits programs. These partners can provide up-to-the-minute information on eligibility and assistance levels.

HPOG staff can help participants navigate the systems, making sure they report income and work or education activities correctly and ensuring they receive all benefits for which they qualify. This is an

[20] These include National Center for Children in Poverty's Family Resource Simulator (http://www.nccp.org/tools/frs/), Urban Institute's Net income Change Calculator (http://nicc.urban.org/netincomecalculator/), and a new interactive tool being developed by the Federal Reserve Bank of Atlanta, Career Ladder Identifier and Financial Forecaster (https://www.richmondfed.org/press_room/our_news/2020/20200727_cliffs).

important role for case managers. Participants in career pathway programs need to think about the best way they can use extra income and identify temporary sacrifices they must endure as they make their way past the benefits cliffs.

Figure 12: Questions to Discuss with Individuals Facing a Benefits Cliff

Brainstorming About Other Resources

Participants and social service providers have described the fear and worry that low-income parents have about losing benefits on which families depend. Some benefits are more important to families than others. In many states, losing SNAP does not cause a cliff. Yet people have an emotional reaction to losing this benefit and can feel that food is being taken off their table. HPOG grantees must help participants move beyond the view that the system is unfair and instead focus on what to do when a benefit is no longer available.

This means working with participants to brainstorm about accessing other resources. For example, when families are no longer eligible for SNAP benefits, they can turn to food pantries, produce pickups, and other charitable endeavors. Income eligibility for other federal hunger programs are generally set higher than the SNAP threshold. One strategy for families with school children who live in high-poverty communities is to make sure they sign up for the National School Lunch Program, if eligible, to ensure children receive nutritious meals at school.

Another approach is to consider all the resources available for a family including earnings, benefits, and social supports. Many families who face a child care cliff rely on family caregivers, use home-based unlicensed care, or have made other, less expensive child care arrangements to reduce their overall household expenses and make ends meet.

Reframing the Loss of Benefits as a Positive Step Forward

Frustration is a natural response when individuals work hard to earn a new credential and set off on a promising career trajectory, only to discover that their increased income causes them to lose support for basic needs. Feeling that the system is unfair is exacerbated by the punitive tone of many official government notices when a family's income exceeds eligibility thresholds. Reframing the loss of benefits as a positive step forward can be a powerful strategy when discussing benefits cliffs. Losing benefits because someone is earning too much means that the family has moved closer to economic independence. Some communities have even considered providing a small grant or stipend to people who “graduate” from benefits programs.

HPOG grantees can remind participants that receiving benefits carries administrative burdens. Families must comply with reporting and redetermination requirements. They face significant paperwork, and any mistake can mean consequences that result in a loss of benefits or the need to pay money back. Families are unlikely to receive benefits forever, especially given that changes to laws and regulations could make accessing future benefits more difficult.

Emphasizing Long-Term Goals

Career pathways provide more than incremental raises; they put people on a different career trajectory. In its report on benefits cliffs, the Federal Reserve Bank of Atlanta shows that advancing along the healthcare career pathway provides large gains in net resources in the long term.

It is important for HPOG caseworkers to discuss when it makes sense for participants to take a raise or work more hours. The existence of benefits cliffs means there are times when it is not in a family’s economic interest, at least in the short term, to earn just a little more because they will lose benefits. Yet wage data show that the types of credentialing trainings provided by HPOG programs enable individuals to move up on the income scale.

There is some debate about the extent to which the benefits cliffs are experienced by families. Some argue that certain benefits are so difficult to access that most families do not receive all the benefits to which they are entitled based on their income. However, research shows that, even if people do not encounter the benefits cliffs themselves, the idea of possibly facing the cliffs impacts their decisions.

Being Realistic

Families should consider how close their income is to the edge of a benefits cliff and how long they can reasonably expect to receive a benefit. Turning down a raise may allow a family to receive benefits for longer, but they will have to continue to turn down raises. Because many companies calculate pay increases using current income as a base, the impact of missing a raise compounds over time. It is vitally important for HPOG grantees to discuss long-term earnings potential with participants.

Unfortunately, there are points where advancing to a higher paying job does not make sense from an economic perspective. But these impacts are often short term. Much is determined by the depth of the cliff and timing. For example, it might be better for a family in New York facing the deep child care benefits cliff to wait until the children are older and child care expenses naturally drop before seeking employment that pays higher wages.

Conclusion

The desire to be economically independent is a powerful motivator for many Americans. It is impossible to move from just getting by to getting ahead without leaving benefits behind. Career pathway programs such as the HPOG program provide motivated individuals with a clear path to continue to improve their job prospects and, ultimately, their family’s financial circumstances.

A family’s financial situation is determined by earnings and expenses, and some expenses can be offset by public benefits programs. Looking at wages, a parent with two children will earn more as she moves forward in the healthcare career pathway with a few exceptions. However, the increased expenses caused by the loss of benefits means the family can be in a worse financial situation despite earning more. Benefits cliffs illustrate the challenges of balancing immediate financial needs with the long-term financial gain realized when moving through a career pathway.

There is no single benefits cliff for the entire United States, just as every family's individual circumstances are different. The relationship between what someone stepping up on the healthcare career ladder can expect to earn and what benefits cliffs they may encounter fluctuates from state to state. Likewise, the depths of benefits cliffs and the point at which people encounter them varies significantly.

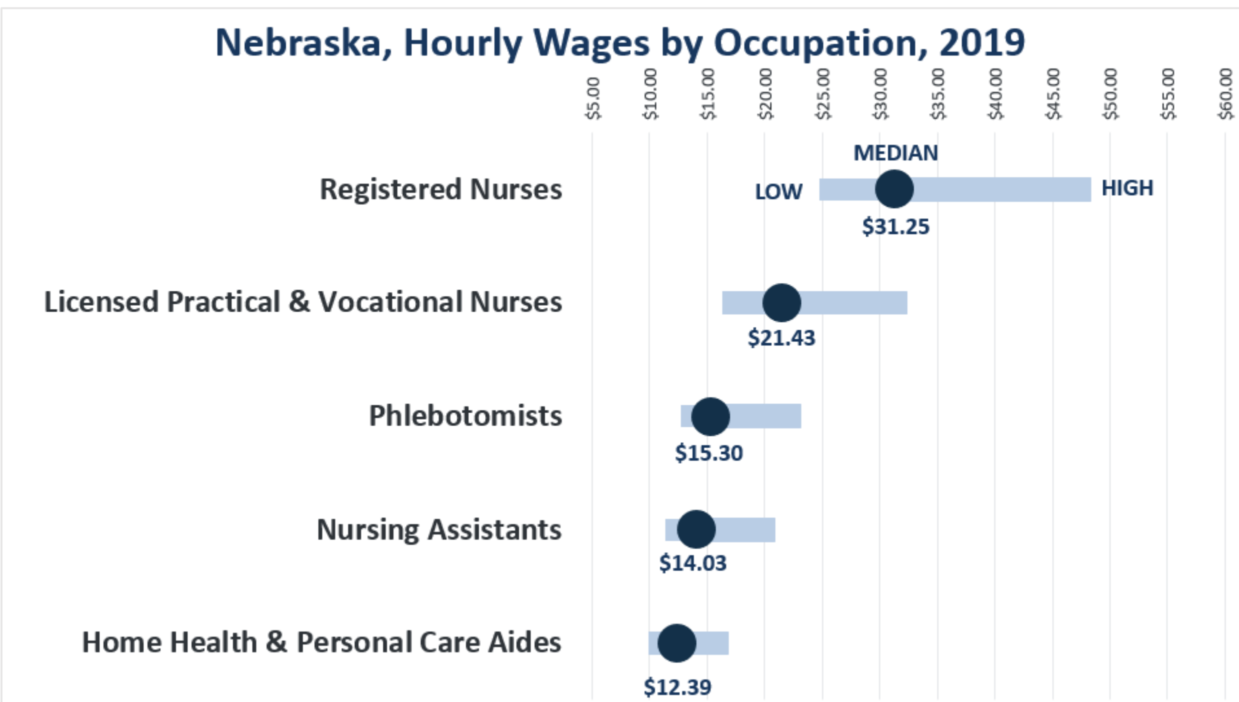
Economics is only one consideration when people are planning their careers. The Benefits Cliffs Model presents a simplified version of the relationship among earnings, benefits, and financial well-being. Rather than avoid addressing benefits cliffs, those working with TANF recipients and other low-income individuals should focus on strategizing to minimize short-term impacts on the family.

APPENDIX A: HEALTHCARE CAREER PATHWAYS FOR THE EIGHT STATES

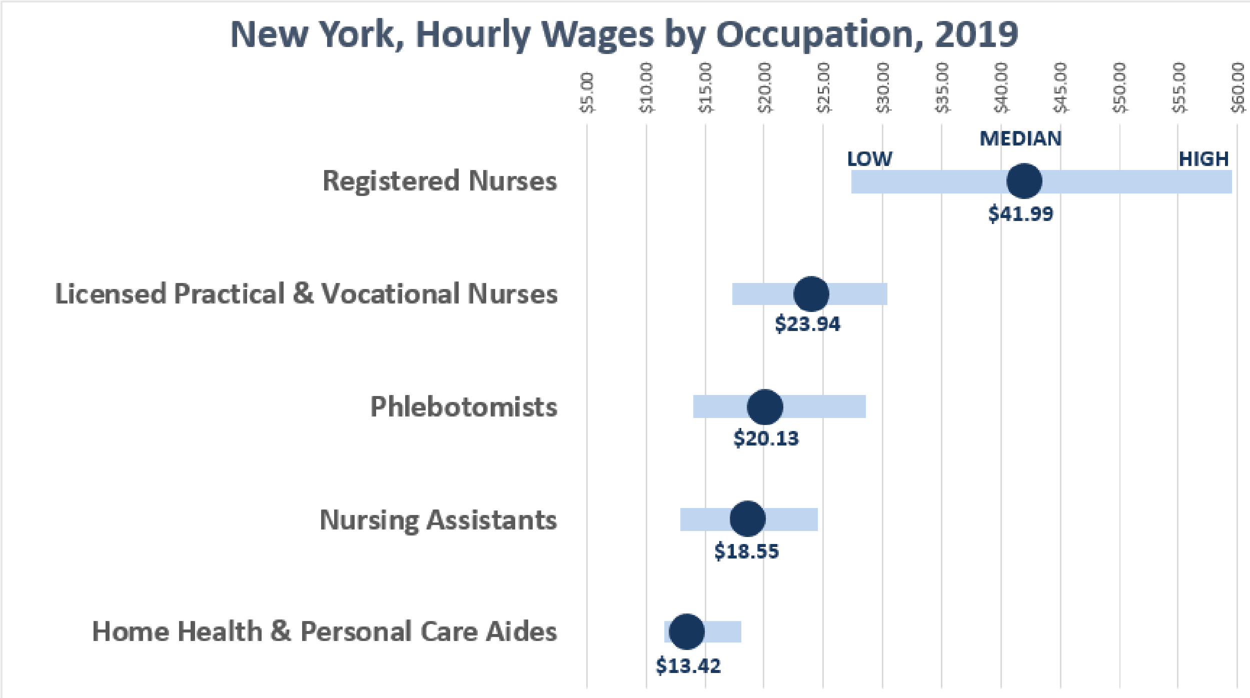
Most career pathway programs focus on average wages to describe likely earnings as an individual acquires more education, skills, and credentials. In reality, each occupation spans a salary range. For many occupations on the healthcare career pathway in most states, those ranges overlap. For example, although LPNs/LVNs earn more on average than phlebotomists, the lowest paid LPNs earn *less* than the highest paid phlebotomists.

Comparing similar wage data for each state reveals how the value of obtaining an additional credential varies. There is a difference of only $0.55 per hour in median wage between home health aides and nursing assistants in North Dakota, compared with a difference of $5.13 between the two in New York.

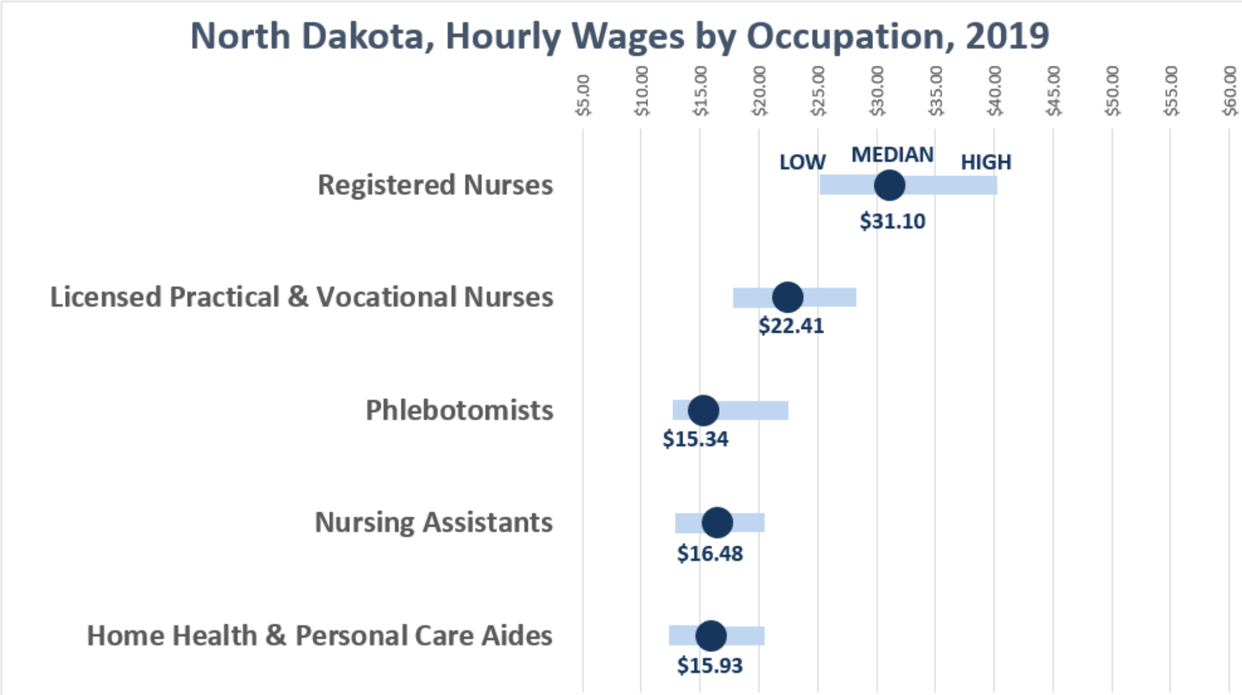
The charts in this section show the salary range and median hourly wage for five occupations on the healthcare career pathway. The low point represents hourly wage at the 10th percentile of workers in state whereas the high point represents the 90th percentile. Data are from the May 2019 Occupational Employment Statistics Survey conducted by the U.S. Department of Labor (https://www.bls.gov/oes/current/oes_stru.htm).



In Nebraska, workers on the healthcare career pathway earning the median wage at each step can expect their income to increase as they move up. The lowest paid LPNs earn more than most of the phlebotomists and almost all the nursing assistants. An LPN or LVN who becomes an RN and earns the median hourly wage can expect to be paid more than nearly all LPNs.

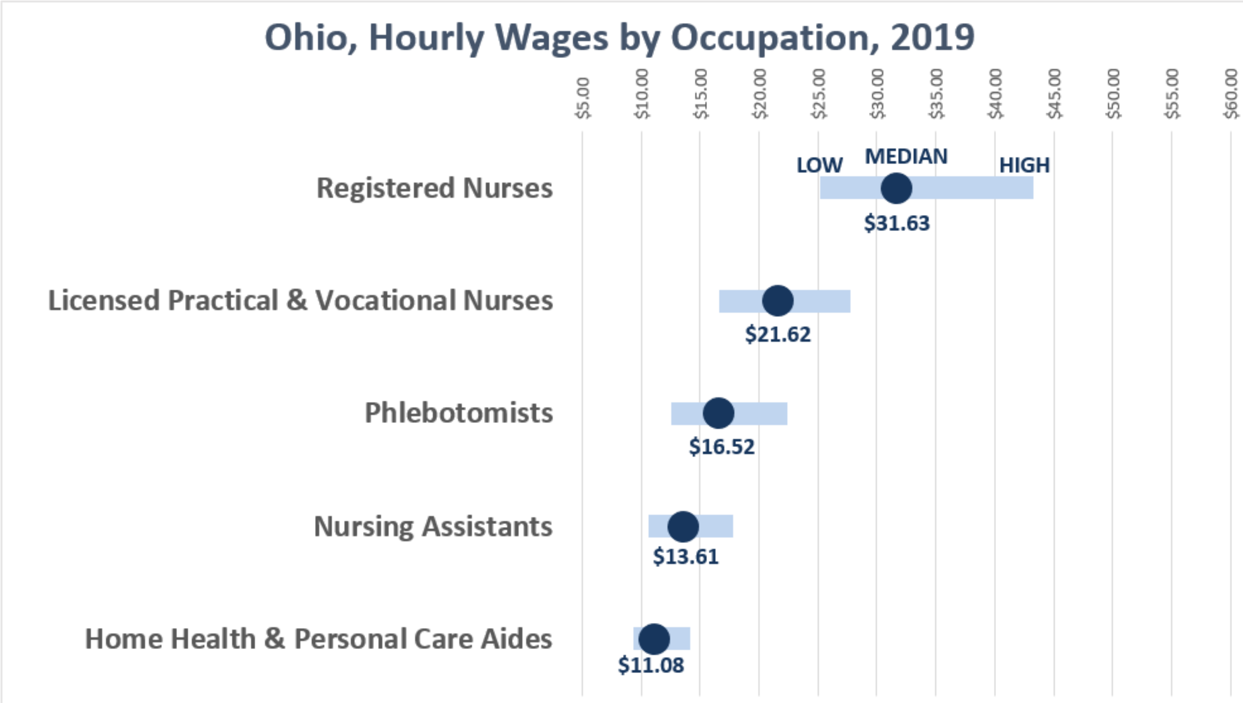


RNs in New York are paid well compared with those in other states, with the highest paid RNs earning more than $59 per hour. New Yorkers moving from LPN or LVN to RN can expect a large pay increase. However, New York also has a large child care benefits cliff, so families should consider their full income package including benefits when determining whether to undertake additional education and training.

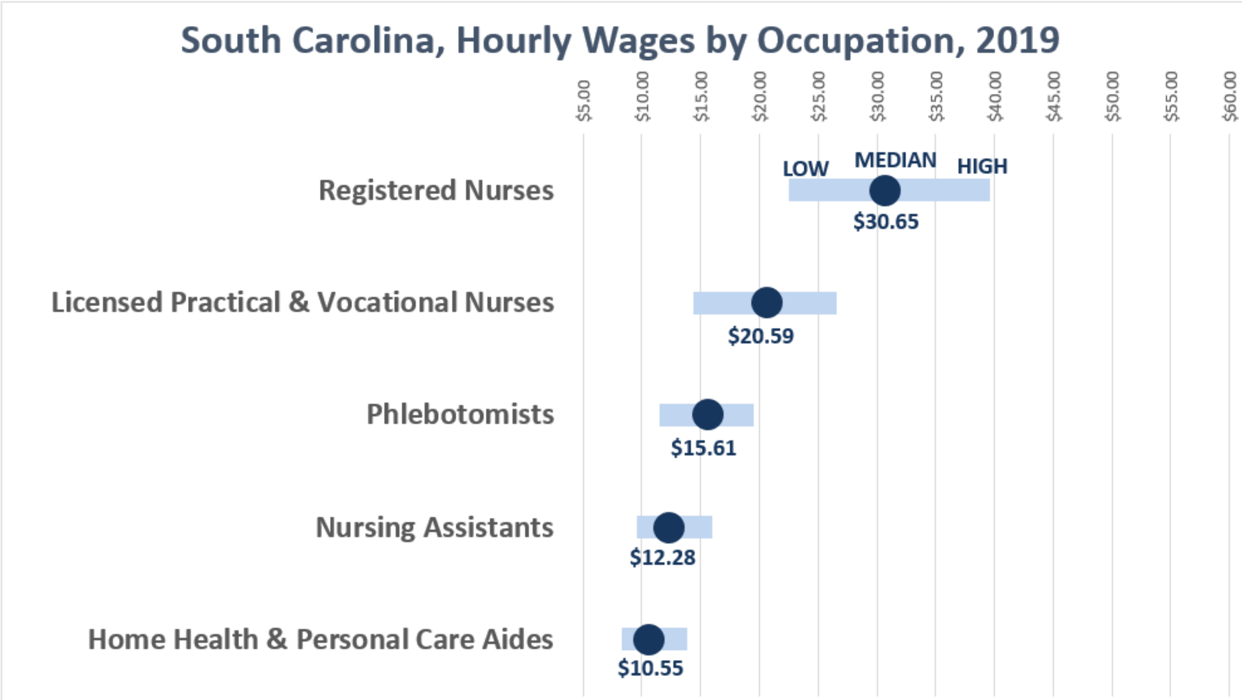


Home health aides are paid particularly well in North Dakota. At $15.93 an hour, the median wage for home health aides is the highest among the eight states. Those who enter the career pathway as home health aides from a minimum wage job can expect a jump in income.

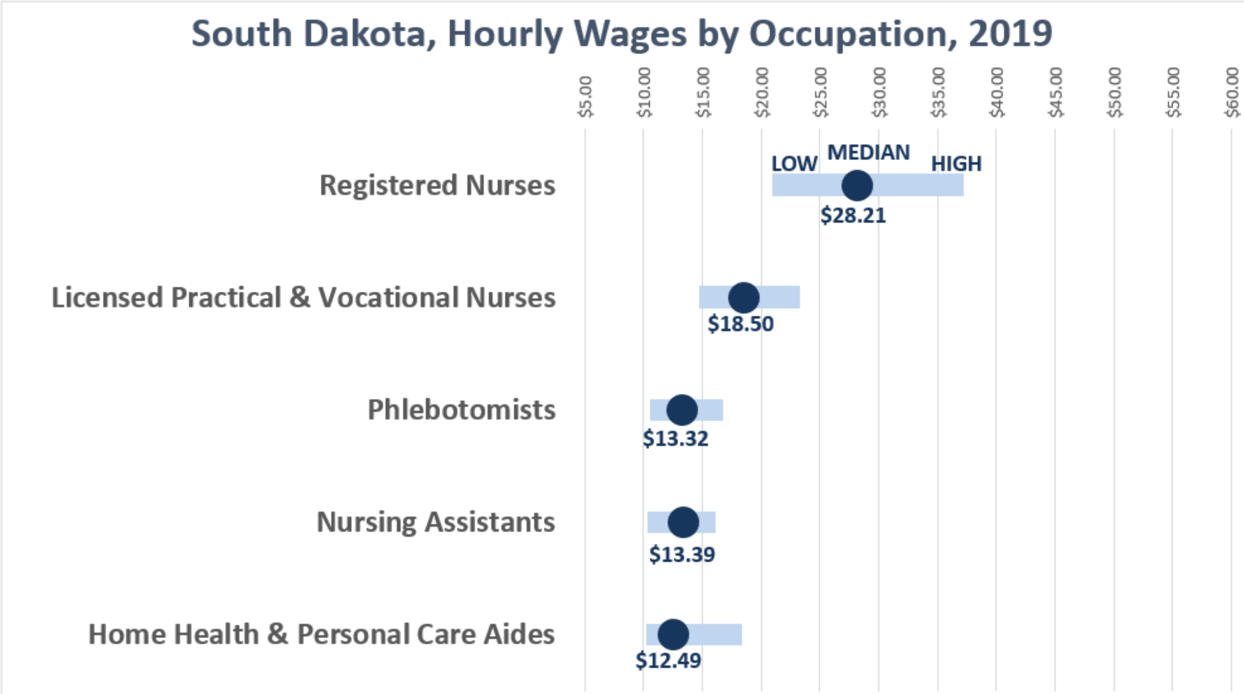
However, it might not make financial sense for workers to continue to stack credentials. North Dakota is one of the only states where there is *not* an increase in median wages with each step forward on the career pathway. The income ranges for home health aides and nursing assistants are almost identical, and a phlebotomist in North Dakota earning the median wage actually makes less than the home health aide receiving the median hourly wage.



Ohio has a clear healthcare career pathway where every move up likely means an increase in income. Phlebotomists earning the median wage can expect an increase in pay when moving to LPN/LVN positions, even if they are at the low end of wages for their new occupation. The lowest paid RNs earn more than almost all LPNs in Ohio.

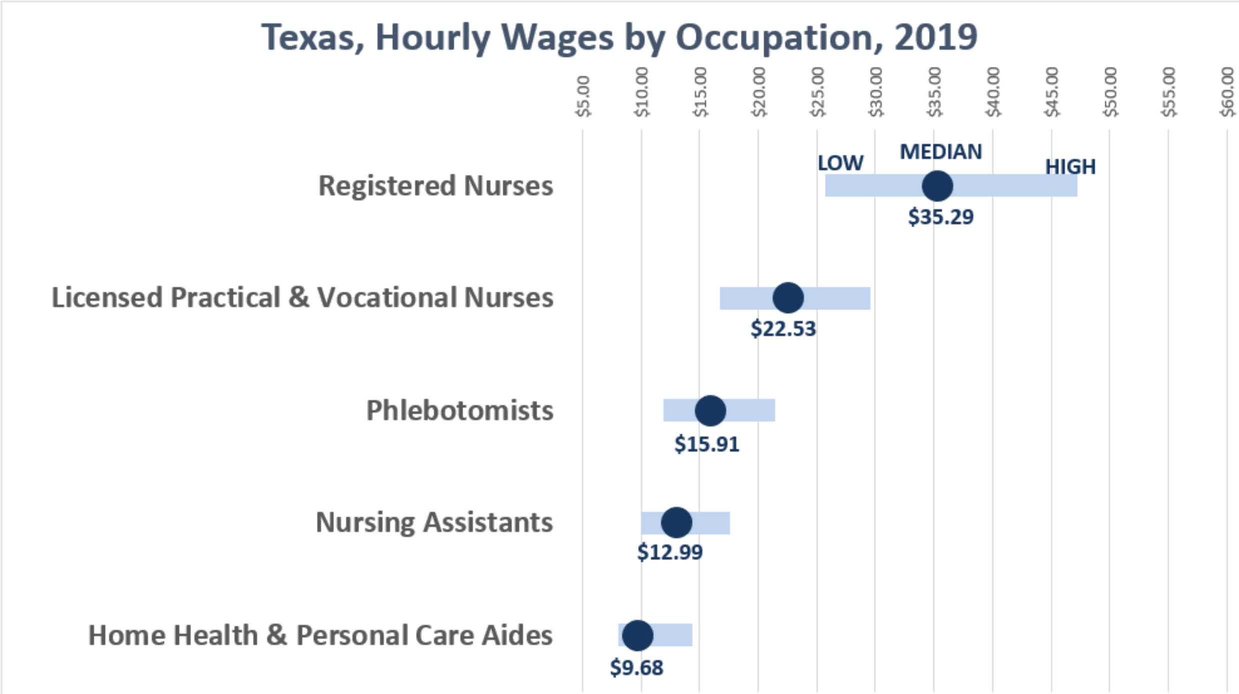


South Carolina is also a state where incomes tend to increase as people move forward on the healthcare career pathway. However, people in healthcare careers in South Carolina generally earn less than their peers in other states. South Carolina's median hourly wage for nursing assistants is the lowest of the eight states, and wages for LPNs and LVNs are also near the bottom.

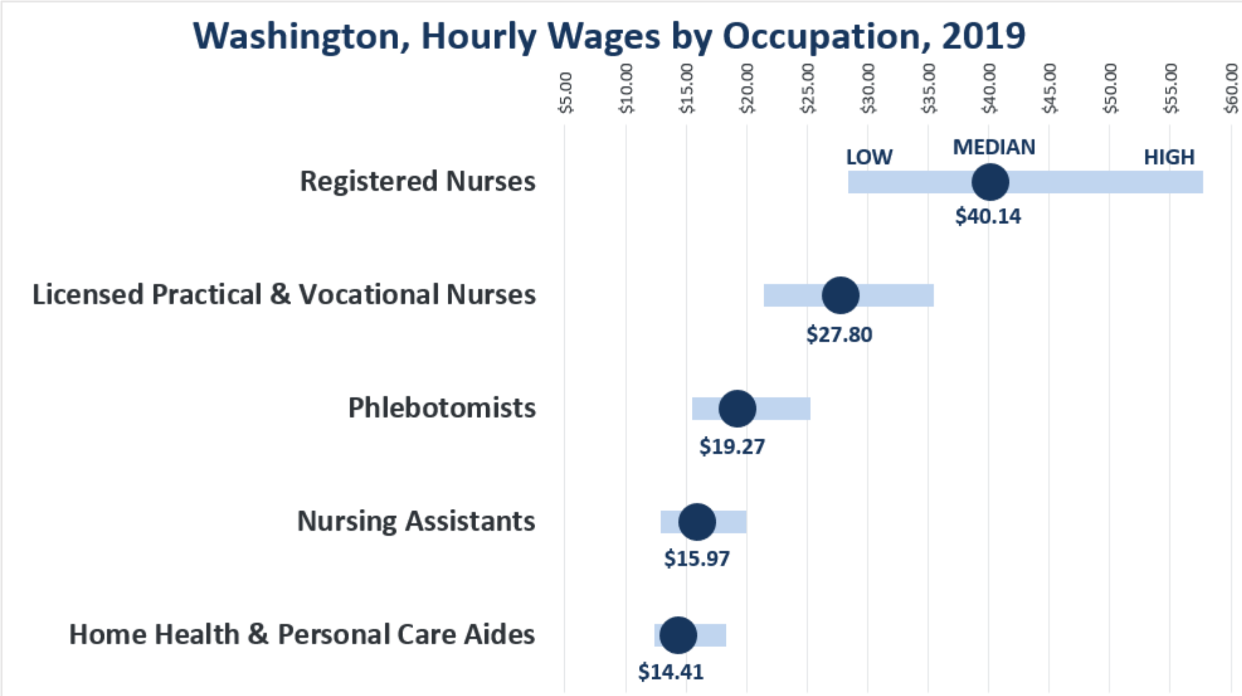


South Dakota has a wider range in wages for home health and personal care aides than many other states. The highest paid home health aides earn more than the highest paid nursing assistants and the highest paid phlebotomists.

In South Dakota, as in North Dakota, individuals moving from the median wage for nursing assistant to the median wage for phlebotomist actually take a pay cut, despite the fact that phlebotomists require additional training and credentials. South Dakota is the only state in the analysis where the median wage for RNs is less than $30 per hour and the highest paid RNs earn less than RNs receiving the median wage in other states.



Home health and personal care aides in Texas are paid less than those in other states, a range from $8.05 per hour to $14.39, with half earning less than $9.68 per hour. In fact, the median wage for home health aides in Texas is less than the lowest paid in in Nebraska, New York, North Dakota, South Dakota, and Washington. Other salary ranges on the career pathway are more in line with wages in other states. Because wages start so low in Texas, each move up the healthcare career pathway means increased earnings at median wages.



In general, individuals in healthcare occupations in Washington earn more than their peers do in the other states studied, especially as they move higher on the career ladder. The median wage for RNs across the eight states is $35.24 per hour; in Washington, the median salary for RNs is $40.14 per hour. The lowest paid home health and personal care aides in Washington earn more than these aides do in the middle of the salary scale in other states.

APPENDIX B: THE BENEFITS CLIFFS FOR THE EIGHT STATES

The Benefits Cliffs Model presents how much money a hypothetical family of three has leftover each month after paying for items in its basic budget. The basic budget includes food, housing, child care, health insurance premiums, transportation, other basic necessities, and state, federal, and local income and payroll taxes that are withheld from paychecks. Public benefits that help cover the costs of food, housing, child care, and health insurance are available for families who qualify.

The charts in this appendix present the benefits cliffs and median hourly wages for healthcare occupations in each of the eight states analyzed. The lines on the charts represent the path from poverty to economic independence. The benefits cliffs begin with a parent working full time for a full year, earning the state's minimum wage. Each point displays how much the family has leftover each month as its income increases in increments of $1 per hour. If the family's income is above the break-even line, it earns enough and/or receives enough in benefits to cover the basic budget. If the family's income falls below the break-even line, it cannot make ends meet, even with public benefits.

The income where the family earns too much to qualify for a particular benefit is indicated for each state. All families lose SNAP at 130 percent of FPL or a wage of $13.57 per hour. Eligibility thresholds for the other benefits vary by state. The median hourly wages for selected healthcare occupations are also indicated on the charts to show where individuals on the career pathway are likely to lose benefits or encounter benefits cliffs.

Both HUD housing assistance and USDA SNAP, the two federal benefits, phase out, meaning that the amount of benefit decreases as earnings increase. HUD housing assistance is the best example of a benefits program that does not create a cliff. Individuals living in public housing or receiving an HCVP subsidy must pay 30 percent of their income in rent. After they are initially determined to be eligible, they can remain on the program as they earn more. As income increases, the amount the family must pay for housing rises and the size of its subsidy decreases. Eventually, the family will pay more in HUD rent than they will in market rent without the subsidy.

Ohio's child care program is another example of a benefit that is designed to reduce the possibility of families confronting benefits cliffs. Household income must be below 130 percent of FPL to qualify initially. The families can continue to receive subsidies as they earn more, with a copayment that rises as their earnings increase.

The child care programs in several other states are designed in ways that create steep benefits cliffs. All require copayments as income increases, but the copayments are small compared with the market rate for child care. When families lose child care benefits, they must come up with hundreds of dollars each month to keep their children in the same child care setting. There is more than a $500-per-month difference between the highest copayment and the market rate for child care in four states: Nebraska, New York, North Dakota, and Washington. These cliffs and others are described throughout this section.

Nebraska

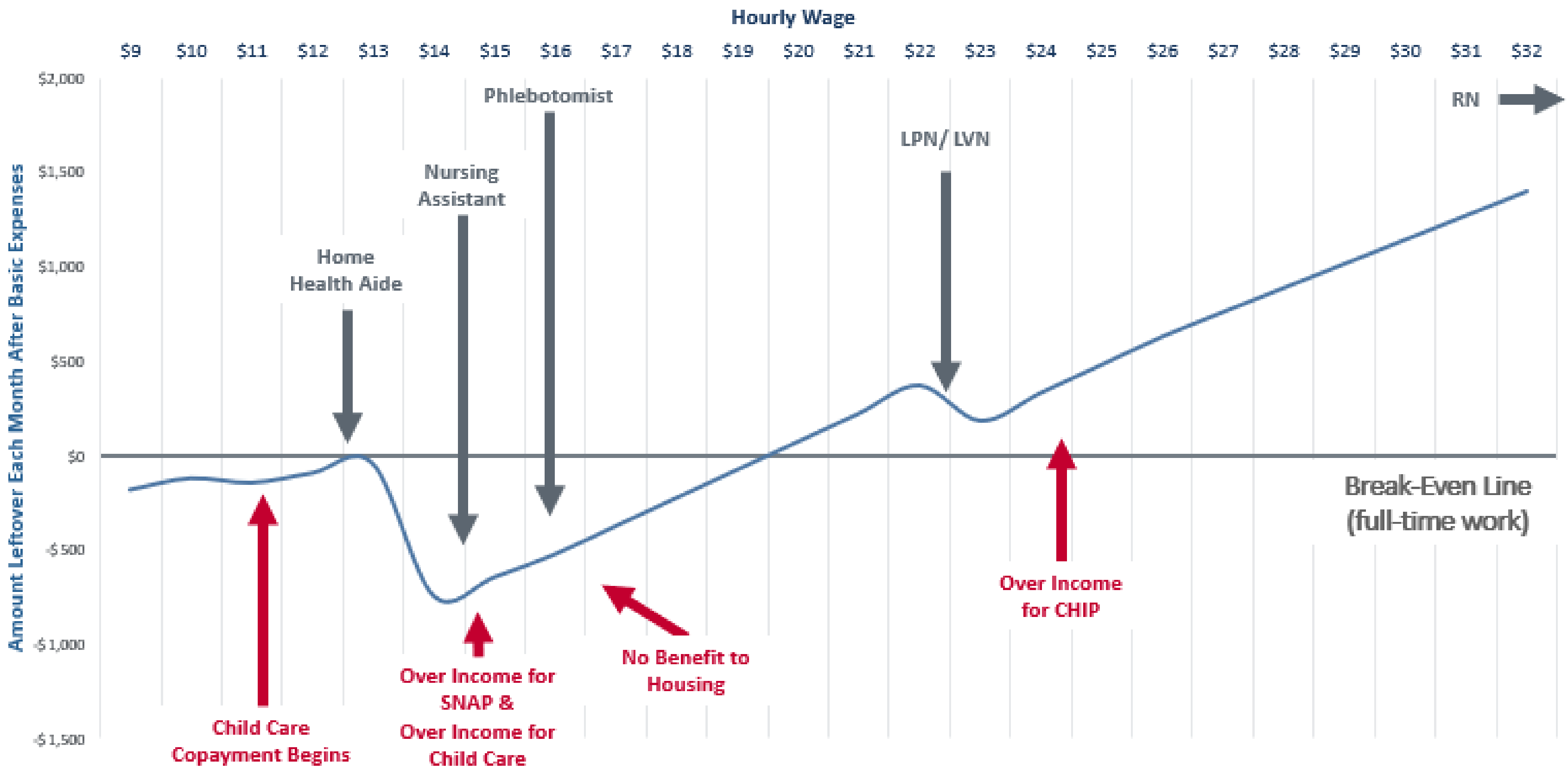
A parent of two children who works full time at Nebraska's minimum wage of $9 per hour makes a salary that is at 86 percent of the FPL. At this income level, the family qualifies for child care assistance with no copayment, housing assistance from HUD, SNAP to help with food, and CHIP health coverage. Even with this assistance, the family does not earn enough to cover the basic monthly budget.

The Nebraskan family encounters the first cliff when its income exceeds 100 percent of FPL and begins to have a copayment for child care expenses. As the worker gets raises between $11 and $13 per hour, the family approaches the break-even point when it encounters another cliff. When the family reaches 125 percent of FPL or $27,150 per year, it no longer qualifies for child care assistance, and expenses for child care jump from a $145 monthly copayment to the $833 market rate. This is the largest cliff the family encounters and means that it is almost $750 behind every month after paying for items in the basic budget. The family does not earn nearly enough to make ends meet. It is concerning that median wages for nursing assistants and phlebotomists fall in the middle of this benefits cliff.

It is not until the parent is paid $20 per hour that the family finally has enough earnings to pay for items in the basic budget, with a modest amount leftover each month. At this point, health coverage for the children is the only public benefit the family receives. Participation in CHIP reduces expenses for health coverage by $335 per month. When the income exceeds the CHIP eligibility threshold at 218 percent of FPL, $47,350 per year or $22.76 per hour, the family faces another cliff.

Beyond $23 per hour, the family receives no public benefits and has moved past all cliffs.

NEBRASKA Benefits Cliffs & Median Hourly Wage for Health Occupations



New York

New York has some of the most generous benefits of the eight states examined. New York's minimum wage in 2020 is $11.80 and is scheduled to rise regularly until it reaches $15 per hour. Because the minimum wage is higher than in other states and benefits are more generous, a New York family of three is just able to make ends meet working full time at minimum wage, with $2 per month leftover. The family earns $25,544 annually, putting it at 113 percent of FPL. New York has state income taxes, which adds to the family's expenses.

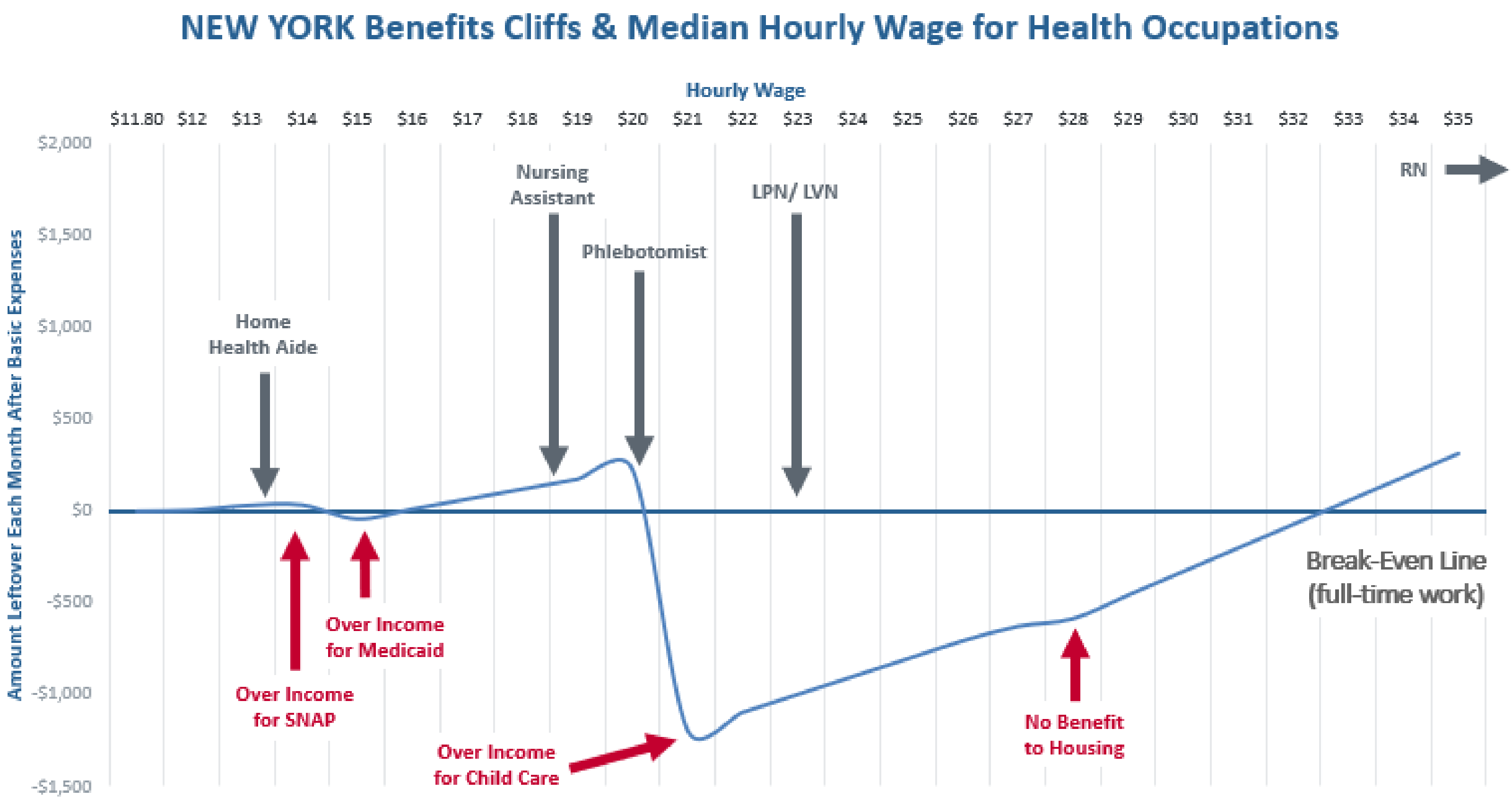
The benefits cliffs in New York are driven almost entirely by child care. In New York, child care copayments are set by counties, so they vary across the state, ranging between 10 percent and 35 percent of income over the poverty threshold. The multiplier is determined by the social services district in which the family lives.[21] For the Model, this analysis uses the 25 percent multiplier, covering Schenectady County where an HPOG grantee is located; it is also the most common fee scale, used by 18 of the 62 counties in New York. In New York, the copayment is known as the "family share."

Between minimum wage and $13 per hour, the New York family receives public benefits that help cover the cost of food, housing, child care, and health coverage for the entire family. When the family passes 130 percent of FPL and earns too much to qualify for SNAP, its increased pay makes up the difference, so the family does not face a cliff. The first cliff for the New York family occurs at $15 per hour, when its income rises above 138 percent of FPL and the parent loses Medicaid coverage. Expenses increase by $132 per month as the family begins to pay the parent's share of the employer-sponsored health insurance premium for single-person coverage. The healthcare premium is considered "affordable" under federal standards, so the family does not qualify for health insurance subsidies through the health insurance Marketplace. Until the family reaches $14 per hour, it is barely making ends meet. The Medicaid cliff pushes the family under the break-even line. However, another raise of $1 per hour means that the family's income quickly recovers, and the family can again cover the basic budget between $16 and $20 per hour.

A New York family receiving child care assistance faces an enormous cliff when the family's income grows above the eligibility threshold. This occurs at 200 percent of FPL, which is an income of $20.88 per hour. At $43,440 per year, the family qualifies for child care subsidy. But a raise, no matter how small, pushes the family above the eligibility threshold, increasing monthly child care costs to $1,935. The depth of this cliff means that it is not until the parent earns more than $33 per hour that the family can cover the basic budget. Moreover, the family is worse off at this income than when its earnings were $20 per hour. Because of the child care benefits cliff, the family is better off with the parent remaining a nursing assistant earning the median wage than moving to higher levels on the career pathway.

Children in New York can be covered by Medicaid up to 400 percent of FPL. When coverage ends, the family's experiences a small dip in income, but by that time the family is earning enough to still be able make ends meet.

[21] New York Codes, Rules and Regulations: 18 CRR-NY 415.3NY-CRR.


NEW YORK Benefits Cliffs & Median Hourly Wage for Health Occupations
Hourly Wage
$11.80 $12 $13 $14 $15 $16 $17 $18 $19 $20 $21 $22 $23 $24 $25 $26 $27 $28 $29 $30 $31 $32 $33 $34 $35
$2,000
$1,500
$1,000
$500
$0
-$500
-$1,000
-$1,500
Amount Leftover Each Month After Basic Expenses
Home Health Aide
Nursing Assistant
Phlebotomist
LPN/ LVN
RN
Over Income for SNAP
Over Income for Medicaid
Over Income for Child Care
No Benefit to Housing
Break-Even Line (full-time work)

North Dakota

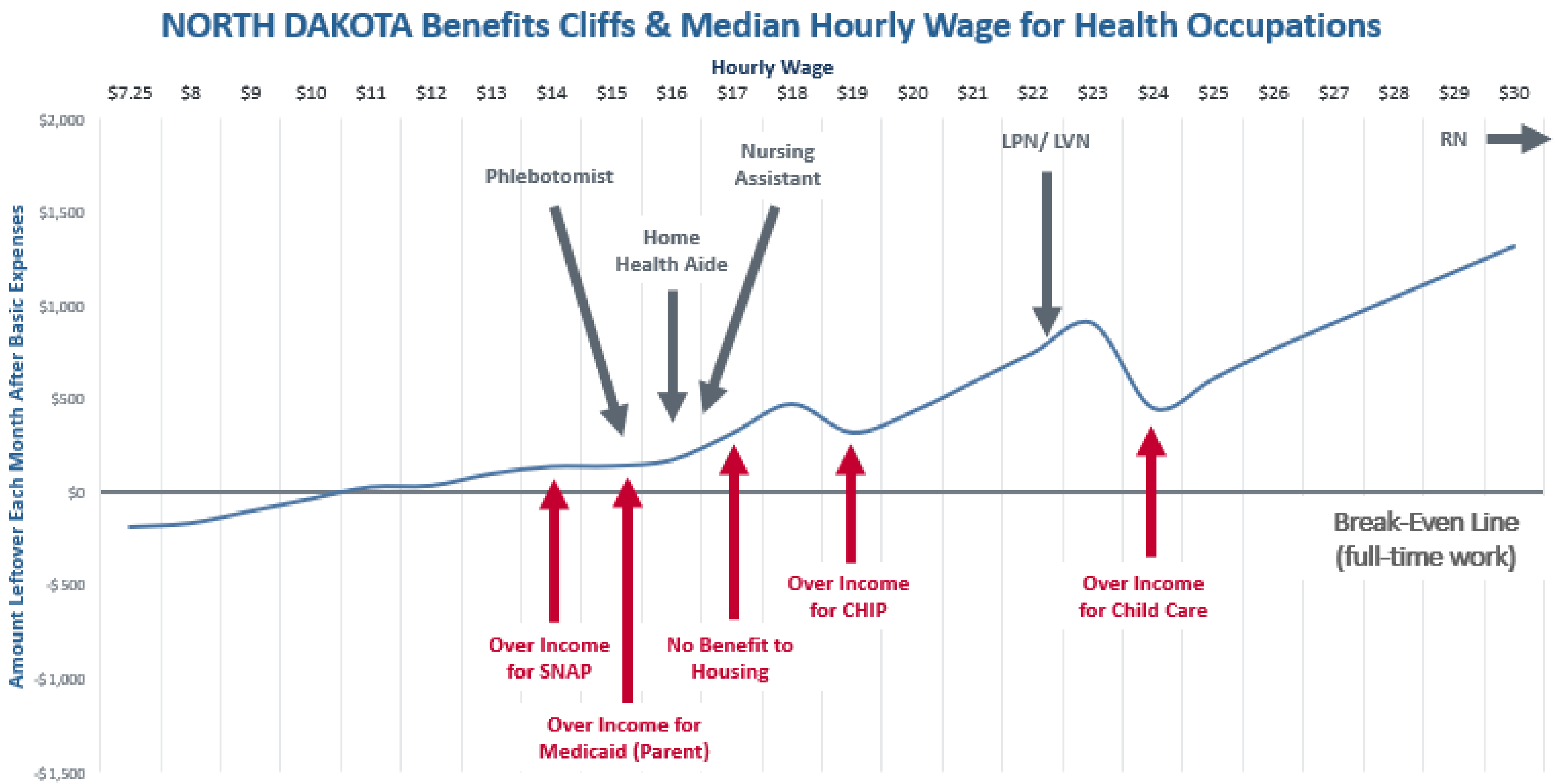
North Dakota uses the federal minimum wage of $7.25 per hour. Unlike families in many other states examined, North Dakotan families must pay a copayment for child care even when earning minimum wage. North Dakota expanded Medicaid to cover all adults below 138 percent of FPL but is the only state in the country that set the eligibility threshold for children's coverage through CHIP at less than 200 percent of FPL.[22]

Like other states with a low minimum wage, a family of three with a single parent working a full-time job cannot make ends meet, even with help to cover housing, food, child care, and health coverage costs. It is $190 behind at minimum wage, and it is not until the parent earns $11 per hour that the family can cover the basic budget with wages and public assistance. A parent that makes between $13 and $14 per hour earns too much to receive SNAP. At $15 per hour, the parent loses Medicaid coverage, which erases almost all gains from earning this hourly rate.

The median wages for home health aide, nursing assistant, and phlebotomist are very close, between $15 and $16.50 per hour. Above this wage, the family confronts the first cliff, after its income rises above $38,010 annually, or $18.27 per hour. The family is now above 175 percent of FPL, and the children no longer receive health coverage via CHIP. The monthly cost for health coverage increases more than $300 per month, and the modest raise in wages is not enough to make up the difference.

At higher wages, the only public benefits the family receives is a subsidy for child care, and the financial outlook improves with each raise. When the income is above 60 percent of the Statewide Median Income (SMI), or approximately $49,000 annually, the family is no longer eligible for child care benefits. The amount it must pay jumps from $286 per month to the market rate of $899. This is the deepest cliff in North Dakota, and it causes the family to have less money at $24 per hour than it had when the parent was earning $21 per hour. Only when the parent reaches $27 per hour can the family eclipse the previous peak.

[22] Kaiser Family Foundation. (2019). *Medicaid and CHIP Eligibility, Enrollment, and Cost Sharing Policies as of January 2019: Findings from a 50 State Survey.* Retrieved from https://www.kff.org/medicaid/report/medicaid-and-chip-eligibility-enrollment-and-cost-sharing-policies-as-of-january-2019-findings-from-a-50-state-survey/.


NORTH DAKOTA Benefits Cliffs & Median Hourly Wage for Health Occupations
Hourly Wage
$7.25
$8
$9
$10
$11
$12
$13
$14
$15
$16
$17
$18
$19
$20
$21
$22
$23
$24
$25
$26
$27
$28
$29
$30
Amount Leftover Each Month After Basic Expenses
$2,000
$1,500
$1,000
$500
$0
-$500
-$1,000
-$1,500
Phlebotomist
Home Health Aide
Nursing Assistant
LPN/ LVN
RN
Break-Even Line (full-time work)
Over Income for SNAP
Over Income for Medicaid (Parent)
No Benefit to Housing
Over Income for CHIP
Over Income for Child Care

Ohio

Ohio is one of a few states where there is widespread collection of local income taxes. In 2019, Ohio had 848 local income tax jurisdictions, second only to Pennsylvania. In comparison, 33 states have no local income taxes.[23] Local income taxes are almost universal in Ohio and vary between 0.5 percent and 3.0 percent of gross income. This analysis uses the most common local income tax rate of 2.0 percent.[24]

At the minimum wage of $8.70 per hour, an Ohio family must pay $30 in local income taxes per month. This expense contributes to the Ohio family being unable to make ends meet working full time at minimum wage, even with assistance covering the entire cost of child care and health coverage and a portion of food and housing costs.

Unlike several other states, Ohio's child care program has been designed to address benefits cliffs. To qualify for subsidized child care, new applicants must have gross monthly income below 130 percent of FPL or $28,236 annually for a family of three. But as income increases, Ohio allows families to continue to receive child care up to 300 percent of FPL.[25] This continuing child care is not time limited. Like other states, the copayment paid by families increases as income rises. At higher incomes, the copayment grows so quickly that it essentially causes a plateau—the family earns more but is no better off.

At $11 per hour, the family's income rises above 105 percent of FPL, and it must begin to make a copayment for child care. This expense, combined with a rising share of rent under the family's HUD assistance and a decline in its amount of SNAP benefits, causes a small cliff, but the family quickly recovers. By $13 per hour, the family is earning enough to cover the basic budget, thanks in part to the assistance it continues to receive. Between $13 and $14 per hour, it hits a plateau where the entire raise is needed to make up for the decrease in housing subsidy, child care subsidy, and SNAP benefits. When the income rises above 138 percent of FPL, the parent is no longer eligible for Medicaid and must pay for the employer-sponsored health insurance coverage, a cost of $136 per month. The family briefly falls behind again and cannot make ends meet until it receives another raise.

After this point, the family is receiving Medicaid coverage for the children and continues participation in the child care subsidy program. The final cliff happens between $21 and $22 per hour. Once the family's income passes 211 percent of FPL, the child care copayment jumps from $334 to $428 and the children lose Medicaid health coverage, so the family must absorb the full cost of the premium for employer-sponsored family coverage, which is $418. These two changes happening simultaneously erase any financial gain from the raise. Between 200 percent and 300 percent of FPL, the child care copayment increases rapidly. Nearly all of the extra money earned from raises is needed to pay for the family's increased child care costs. When the family no longer receives a subsidy for child care, the copayment that it has been paying is so great that it does not encounter a cliff. In fact, a family that loses child care in Ohio because its income is too large has to make up a difference between its copayment and the market rate of only $81 per month. The family's growing earnings are more than able to cover this modest increase.

It is not until the parent is earning nearly $27 per hour that the family is better off financially than it was before hitting these cliffs at $21 per hour. After this point, the family is no longer receiving any public benefits, so it does not encounter any more cliffs.

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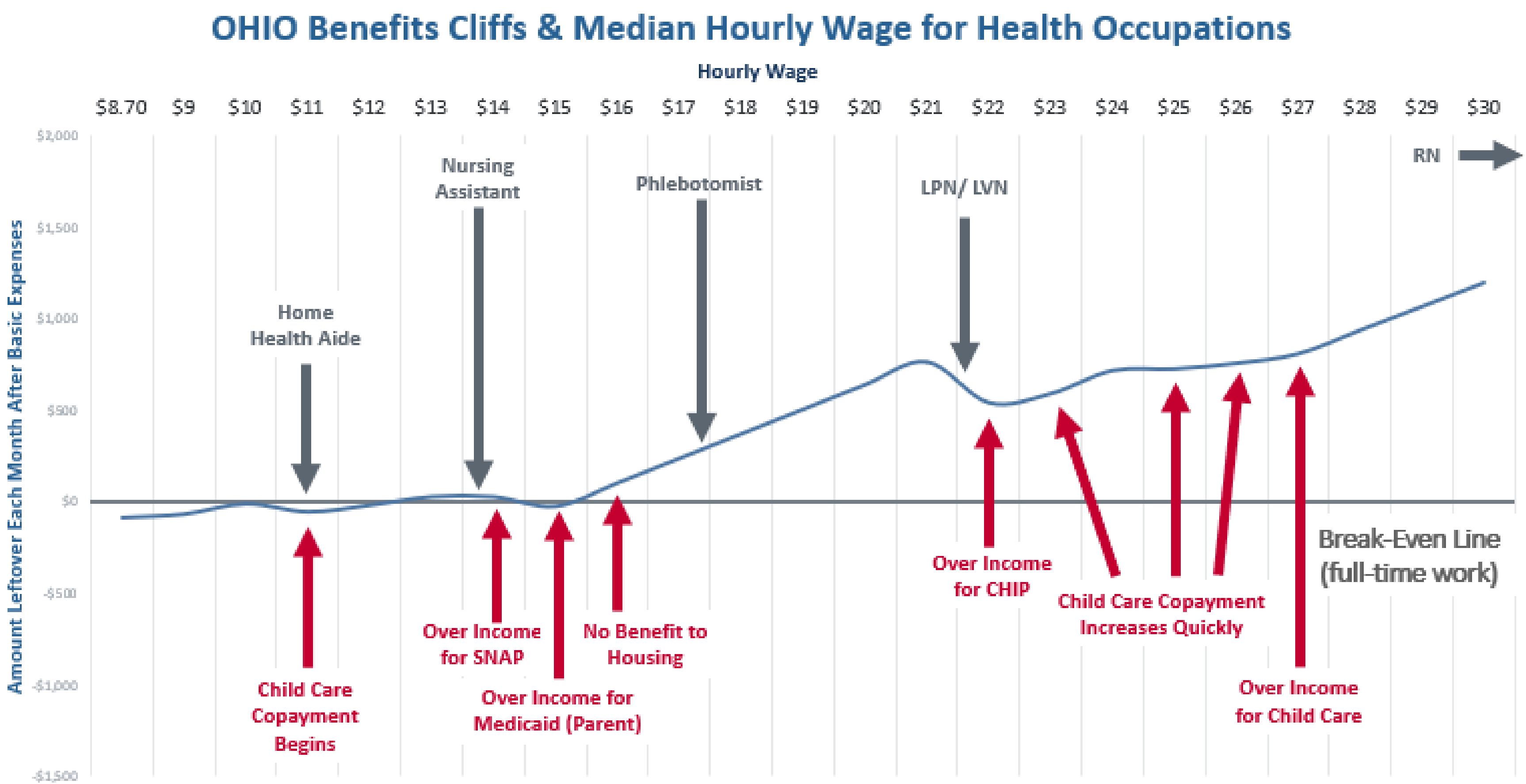
[23] Tax Foundation. (2019). *Local Income Taxes in 2019*. Retrieved from https://taxfoundation.org/local-income-taxes-2019/.
[24] Ohio Department of Taxation. (n.d.). *Municipal Income Tax Rate Database Table*. Retrieved from https://thefinder.tax.ohio.gov/StreamlineSalesTaxWeb/Download/MuniRateTableInstructions.aspx.
[25] Ohio Department of Job and Family Services. (2019). *Child Care Manual Procedure Letter No. 130*. Retrieved from https://emanuals.jfs.ohio.gov/ChildCare/ChildCareManual/CCMPL/CCMPL-130.stm.

Where the median wages for healthcare occupations fall on the Benefits Cliffs Model is concerning for Ohio. The median hourly wage for home health aides aligns with the small benefits cliff when child care copayment begins. Nursing assistants earning the median hourly wage are on the cusp of earning too much to be eligible for SNAP and Medicaid. Finally, higher paid LVNs and LPNs in Ohio may be worse off financially than those earning less because of benefits cliffs relating to CHIP and child care.

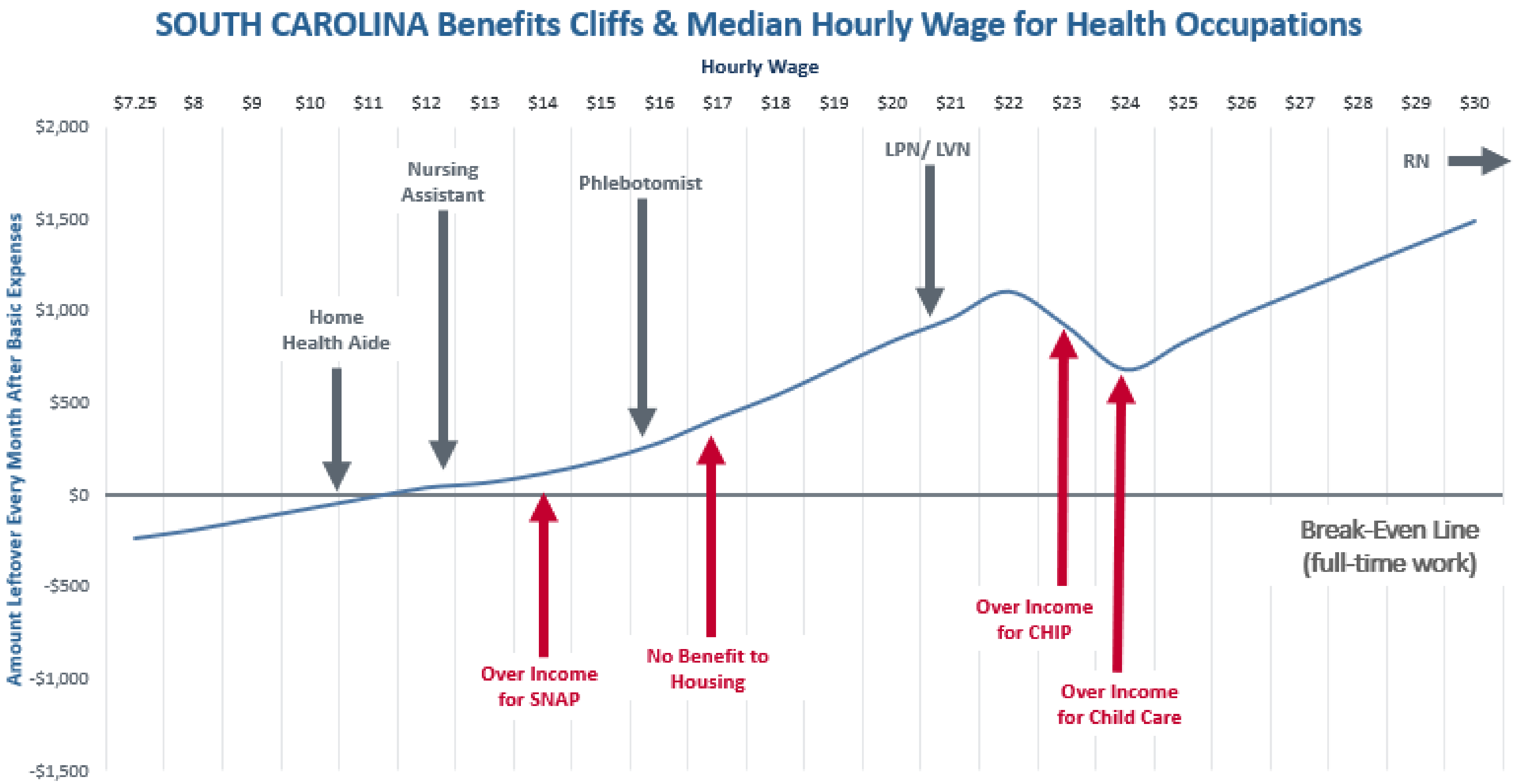

OHIO Benefits Cliffs & Median Hourly Wage for Health Occupations
Hourly Wage
$8.70
$9
$10
$11
$12
$13
$14
$15
$16
$17
$18
$19
$20
$21
$22
$23
$24
$25
$26
$27
$28
$29
$30
Amount Leftover Each Month After Basic Expenses
$2,000
$1,500
$1,000
$500
$0
-$500
-$1,000
-$1,500
Nursing Assistant
Phlebotomist
LPN/ LVN
RN
Home Health Aide
Break-Even Line (full-time work)
Child Care Copayment Begins
Over Income for SNAP
Over Income for Medicaid (Parent)
No Benefit to Housing
Over Income for CHIP
Child Care Copayment Increases Quickly
Over Income for Child Care

South Carolina

The basic budget in South Carolina is $2,967 per month, the lowest of the eight states. For the South Carolina family, the largest expense is housing. Child care is substantially less expensive in South Caroling than in other states, contributing to the smaller income that is required to pay for the basic budget.

Even though cost of living is low, South Carolina has a low minimum wage and some of the least generous state benefits for low-income earners. South Carolina is the only state examined where a parent of two children who works full time at minimum wage has to make a copayment for child care, pay for the parent's health insurance, and have state income tax withheld from the paycheck. In South Carolina, the child care copayment is based on the "Child Development Fee Scale." The fee is assessed per child weekly, unlike most states which have a single copayment for the entire family, regardless of the number of children who are enrolled in child care.

Because South Carolina has few benefits that support low-wage workers, the family's basic budget expenses are $230 more than what it earns working full time at minimum wage. The cliffs the family encounters on the path from poverty to prosperity are caused by the elimination of benefits for the children. The cliff begins above 213 percent of FPL, the income eligibility limit for the children to receive health coverage through CHIP. The added expense to pay the premium for employer-sponsored family health coverage causes a slight cliff. With another $1-per-hour raise, the family's household income exceeds $4,008 per month, making it no longer eligible for a child care subsidy. The child care costs increase from a weekly $20 per child copayment for a total of $173 per month to the market rate of $555 per month. After this point, the family does not receive any public benefits to help it with covering the costs of the basic budget. However, when the parent earns more than $27 per hour, the family regains the fiscal ground it lost beginning at $22 per hour. The parent has received raises of more than $10,000 per year, but the family is no better off financially. Higher paid LPNs and LVNs in South Carolina may encounter these benefits cliffs.


SOUTH CAROLINA Benefits Cliffs & Median Hourly Wage for Health Occupations
Hourly Wage
$7.25 $8 $9 $10 $11 $12 $13 $14 $15 $16 $17 $18 $19 $20 $21 $22 $23 $24 $25 $26 $27 $28 $29 $30
$2,000 $1,500 $1,000 $500 $0 -$500 -$1,000 -$1,500
Amount Leftover Every Month After Basic Expenses
Home Health Aide
Nursing Assistant
Phlebotomist
LPN/ LVN
RN
Over Income for SNAP
No Benefit to Housing
Over Income for CHIP
Over Income for Child Care
Break-Even Line (full-time work)

South Dakota

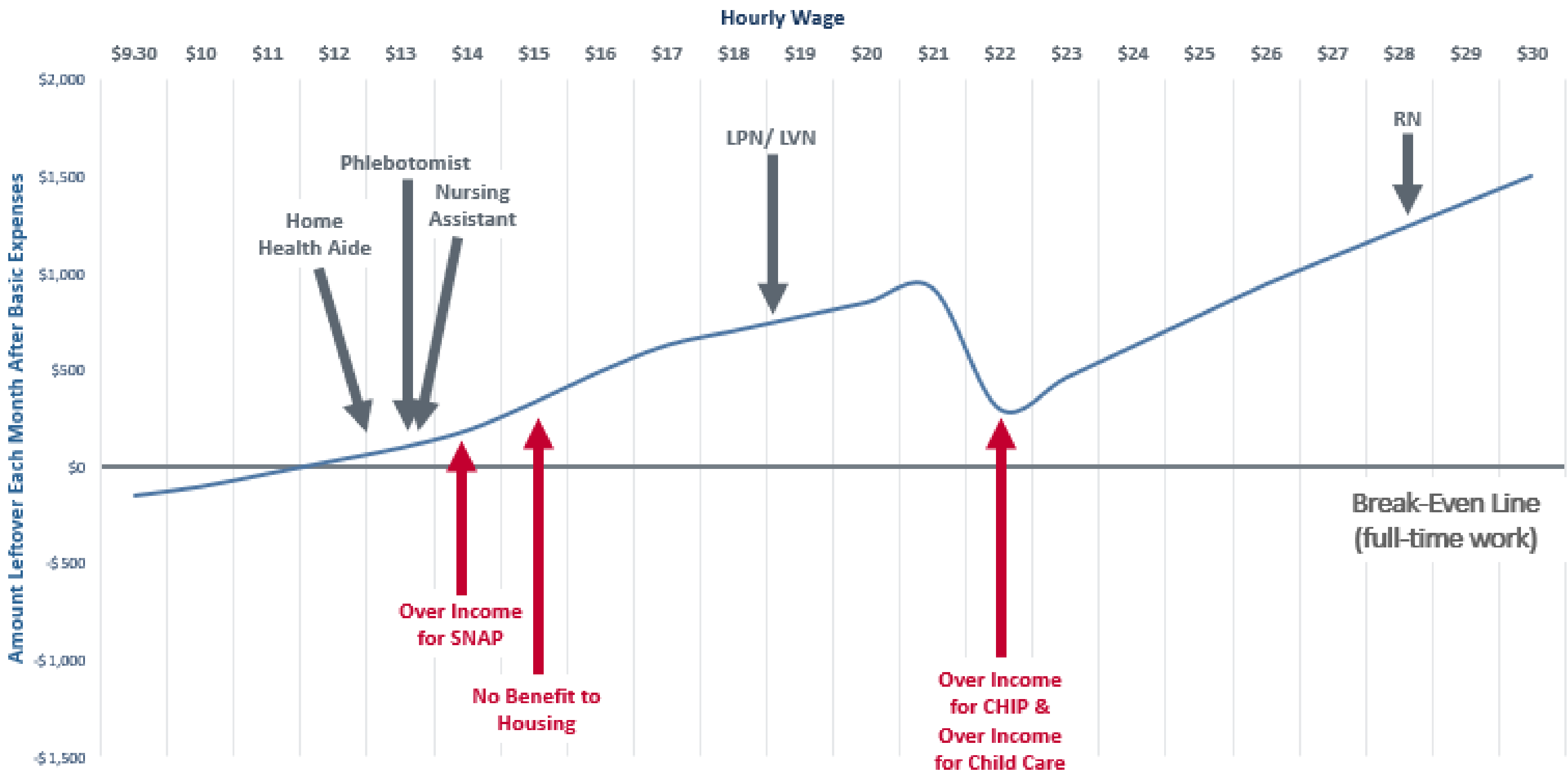
South Dakota's minimum wage is $9.30 per hour. Full-time minimum wage workers earn $19,344 per year, putting them at 89 percent of FPL for a family of three. South Dakota has no state or local income taxes, and there is no child care copayment at minimum wage. However, the state has not expanded Medicaid, so parents pay for employer-sponsored health coverage.

A family of three needs an additional $147 per month to pay for the entire basic budget at minimum wage. The relatively low cost of living in South Dakota, coupled with a higher minimum wage and generous child care benefits, means that the South Dakota family can make ends meet before it earns $12 per hour, the median hourly wage for home health aides.

South Dakota's child care program is one of the most generous of the states examined for this analysis. The copayment does not begin until the family earns more than 160 percent of FPL, which is $34,752 per year or $16.70 per hour. The copayment rises relatively slowly until the benefit ends. However, both child care and CHIP have the same income eligibility limit in South Dakota, so, once the family crosses 209 percent of FPL ($45,395 per year), it loses both benefits at the same time. This lose causes an abrupt and deep cliff for the family, increasing the family's expenses by more than $780 per month when the parent makes between $21 per hour and $22 per hour. The parent would need to get raises of more than $10,000 per year to get past the cliff. The family is worse off when the parent earns $25 per hour than it was when the parent earned $21 per hour.

Stacking healthcare credentials in South Dakota means smaller income increases than in other states. The median hourly wages for home health aides, nursing assistants, and phlebotomists are less than $1 per hour apart. South Dakota is also the only state examined where the median hourly wage for RNs is less than $30 per hour.

SOUTH DAKOTA Benefits Cliffs & Median Hourly Wage for Health Occupations



Texas

Texas uses the federal minimum wage of $7.25, which is lower than many of the other states examined. Benefits programs in Texas are less generous than in many other states. Because of these circumstances, the Texan family begins the Benefits Cliff Model furthest behind. Working full time at minimum wage, the family in Texas earns just $15,080 per year, putting it below 70 percent of FPL.

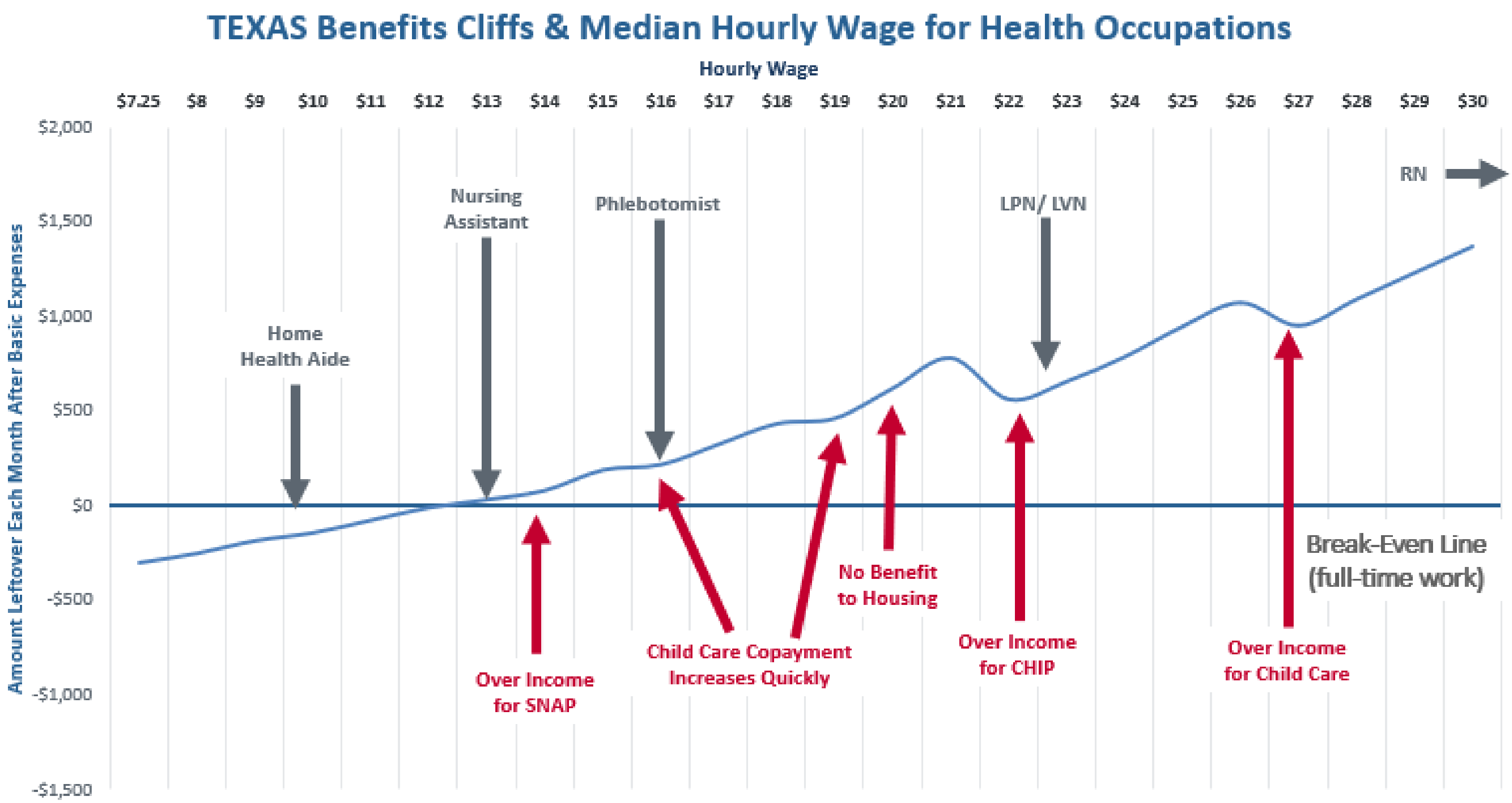
Texas has not expanded Medicaid for low-income adults, so Medicaid eligibility for parents is set at just 17 percent of FPL, well below the earnings of the family in the Model. While many other states cover the cost of health coverage for the entire family at minimum wage, the Texas family must spend nearly 10 percent of its monthly pretax earnings on health coverage. Although the $118 monthly employer share of the premium would ordinarily be considered unaffordable under the provisions of the ACA, financial help through the health insurance Marketplace is only available to people earning between 100 percent and 400 percent of FPL, so this family does not qualify. Texas also requires parents to pay a $70-per-month copayment for child care, even at these low wages. Although the family from Texas is getting help for food, housing, child care, and health coverage for children, it still cannot make ends meet. In fact, it is more than $300 behind at minimum wage. It is not until the parent earns $13 per hour that the family can finally make ends meet and has about $30 leftover each month.

The Texas family encounters fewer cliffs than families in other states because there are fewer benefits. The first significant cliff the family encounters happens at $44,743, when income is above 206 percent of FPL and the children no longer qualify for CHIP. The monthly expense for health coverage jumps from $118 to $497.

As in many other states, child care creates a second cliff at a higher income level. The ability to access child care benefits varies across Texas. Each county or Workforce Investment Board area defines income eligibility, program capacity, and waiting lists separately. The Model in this analysis uses the program specifics that are used by Workforce Solutions Alamo. The state capital is in this region, and an HPOG grantee is located in the area. Families in this region can receive child care assistance up to 85 percent of the SMI, but there is currently a waiting list to receive a voucher.[26] In addition, monthly copayments are more expensive in this region than in many other states. In Texas, the copayments are known as the "Sliding Fee Scale." Benefits are less generous, so they create a smaller cliff when the family's income exceeds the eligibility threshold because low-wage workers are already paying more for child care than their peers in other states.

At $27 per hour and above, the family in Texas receives no help to cover the cost of the basic budget, so it has passed all cliffs.

[26] Workforce Solutions Alamo website. Retrieved from https://www.workforcesolutionsalamo.org/workforce-career-locations/.


TEXAS Benefits Cliffs & Median Hourly Wage for Health Occupations
Hourly Wage
$7.25
$8
$9
$10
$11
$12
$13
$14
$15
$16
$17
$18
$19
$20
$21
$22
$23
$24
$25
$26
$27
$28
$29
$30
$2,000
$1,500
$1,000
$500
$0
-$500
-$1,000
-$1,500
Amount Leftover Each Month After Basic Expenses
RN
Nursing Assistant
Phlebotomist
LPN/ LVN
Home Health Aide
Break-Even Line (full-time work)
No Benefit to Housing
Over Income for CHIP
Over Income for Child Care
Child Care Copayment Increases Quickly
Over Income for SNAP

Washington

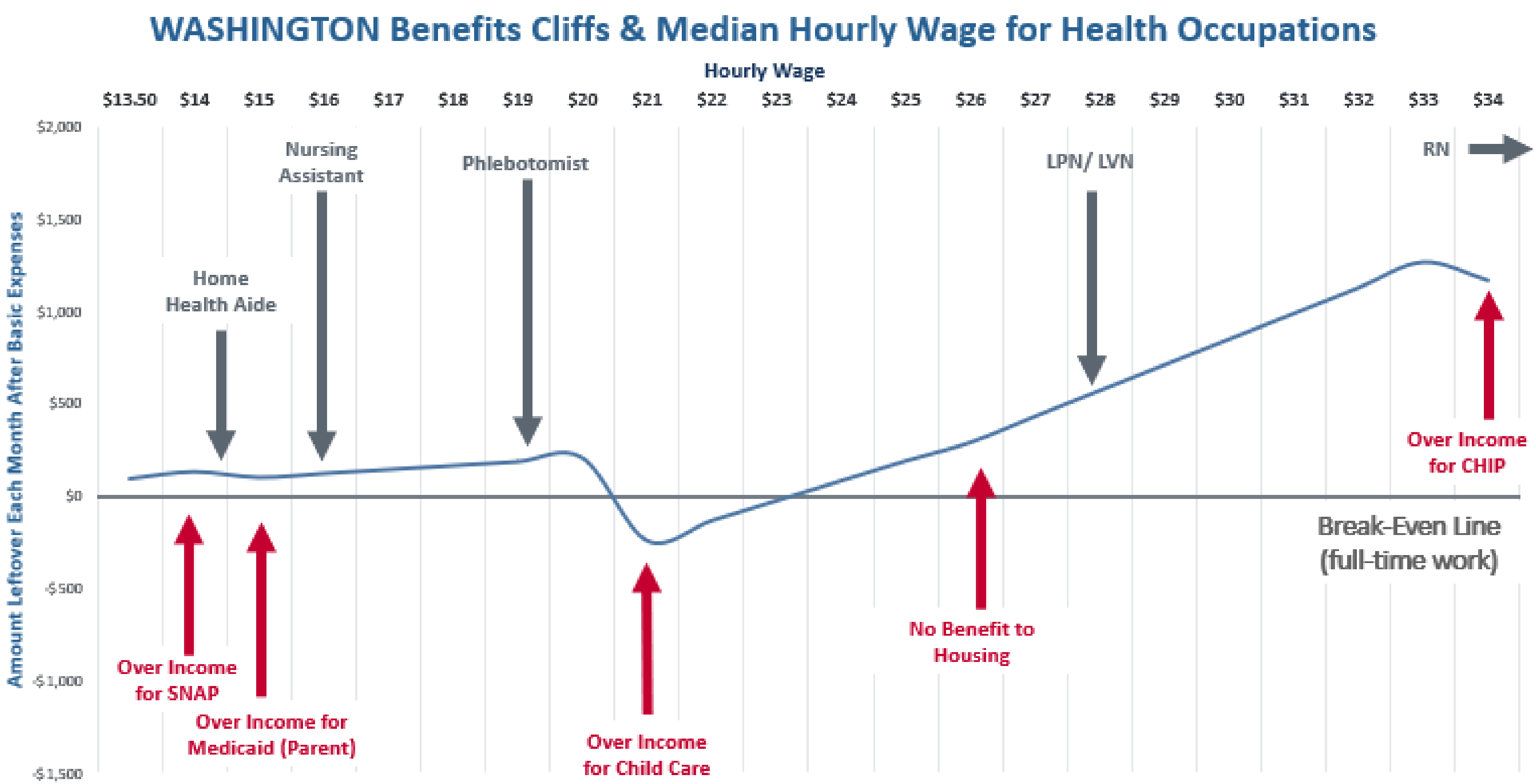
A family with one full-time worker earning minimum wage in Washington is in the best financial situation of all the states examined. Similar to New York, Washington has a much higher minimum wage, $13.50 per hour. Working full time, an individual earns $28,080 per year, which is just below 130 percent of FPL. Any raise above minimum wage causes a family of three to lose access to SNAP benefits. However, low subsidies for child care, Medicaid expansion to provide health coverage for the parent, and the lack of a state income tax enable a minimum-wage family of three in Washington to cover the basic budget with $93 leftover each month.

As the parent receives raises, growth in the rent owed for HUD-subsidized housing and increases in the child care copayment keep the family where it can cover the basic budget with just a small amount leftover each month. With wages between $13.50 and $19 per hour, the family's income increases by more than $950 per month, yet the amount it has leftover is only $92 per month more after paying for items in the basic budget. At 138 percent of FPL, the parent loses Medicaid coverage and must purchase employer-sponsored health insurance. The $83 per month extra expense erases the modest financial gains received from raises above minimum wage. However, Washington has lower employee costs for health coverage than other states examined in this analysis.

The Washington family encounters a significant cliff when the parent earns more than 200 percent of FPL and no longer qualify for a child care subsidy. The monthly expense for child care more than doubles from a $554 copayment to the $1,111 market rate. The increased expense pushes the family below the break-even line. It can no longer make ends meet. This is despite earning well above the minimum wage and receiving public assistance that covers the cost of health coverage for the children and a portion of housing costs. It is not until the parent is earning $24.00 per hour that the family can again cover the basic monthly budget.

Children in Washington can remain on CHIP at higher incomes than children in many other states. However, when the family's income is above 317 percent of FPL, the family loses this final public benefit, which causes another small cliff. The family confronts this cliff when the parent earns between $33 and $34 per hour and must enroll in employer-sponsored family coverage rather than single coverage, increasing the monthly cost from $83 per month to $322. With a raise of an additional $1 per hour the family can make up the difference and is back on track to improving its financial situation.

As the family moves up the healthcare career ladder, it is likely to encounter several cliffs. For example, entry-level phlebotomists generally earn less than $18.27, but as they get raises, they are likely to lose public benefits that help cover the cost of child care. Wages for LPNs and LVNs in Washington are particularly concerning. At $20.48, the lowest paid LPNs and LVNs still qualify for child care, but their income is very close to the eligibility threshold. As discussed previously, losing child care benefits means that this family can no longer make ends meet. Moving from nursing assistant to LPN, the family of three is likely to encounter Washington's deepest benefits cliff, unless the LPN pay puts it in the upper half of wages for this occupation.


WASHINGTON Benefits Cliffs & Median Hourly Wage for Health Occupations
Hourly Wage
$13.50
$14
$15
$16
$17
$18
$19
$20
$21
$22
$23
$24
$25
$26
$27
$28
$29
$30
$31
$32
$33
$34
Amount Leftover Each Month After Basic Expenses
$2,000
$1,500
$1,000
$500
$0
-$500
-$1,000
-$1,500
Home Health Aide
Nursing Assistant
Phlebotomist
LPN/ LVN
RN
Over Income for SNAP
Over Income for Medicaid (Parent)
Over Income for Child Care
No Benefit to Housing
Over Income for CHIP
Break-Even Line (full-time work)

The basic budget is the base of the Benefits Cliffs Model, estimating how much each of six expense categories might cost a family of three, plus taxes. The methodology is described in detail below.

Table A: Expenses in the Basic Budget, by State, From Lowest to Highest Budget

	Child Care	Food	Health Coverage (Family)	Housing	Other Necessities	Transportation	Basic Budget
South Carolina	$555	$554	$442	$847	$280	$289	$2,967
Ohio	$896	$566	$335	$788	$279	$335	$3,198
South Dakota	$797	$566	$484	$745	$277	$353	$3,222
Nebraska	$883	$566	$451	$808	$279	$353	$3,340
Texas	$693	$554	$497	$990	$282	$340	$3,356
North Dakota	$899	$566	$415	$847	$278	$353	$3,358
8-State Average	$971	$584	$420	$985	$280	$340	$3,580
Washington	$1,111	$661	$322	$1,360	$285	$373	$4,112
New York	$1,935	$643	$417	$1,491	$283	$328	$5,097

Housing

Housing is one of the largest expenses for a family of one adult and two children. Monthly housing expense for each state is taken from the Living Wage Calculator developed by the Massachusetts Institute of Technology (MIT); a more detailed description of MIT's methodology can be accessed on its website (https://livingwage.mit.edu). The Living Wage Calculator captures the likely cost of rental housing in a given area using HUD's Fair Market Rents estimates. These estimates include utility costs and vary depending on the number of bedrooms in each unit. The Living Wage Calculator assumes a family of one parent and two children rents a two-bedroom apartment.

Programs from HUD provide benefits for housing. These include public housing and HCVP. Families receiving HUD assistance generally have to pay 30 percent of their income on housing, even if they live in public housing. Eligibility for HUD programs is based on whether a family is considered "low income," defined by the Area Median Income (AMI). For HUD programs, families earning less than 80 percent of AMI are considered to be "low income" and families below 50 percent of AMI are considered to be "very low income." Many public housing authorities only accept applications for assistance from families who are very low income. However, families can generally remain in the program as long as they are "continuously assisted under the public housing, housing choice voucher, project-based rental assistance, or other housing program under the Housing Act of 1937."[27]

[27] HUD. (n.d.). *The Housing Choice Voucher Program Guidebook.* Retrieved from https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/guidebook.

The Model assumes the family became eligible and then remains in the program consistently as its income increases. If a family meets income eligibility criteria for HUD assistance, the housing expense used in the Model is the lesser of 30 percent of their monthly income or the HUD Fair Market Rent from the Living

Wage Calculator. The Model assumes that the family is not on a waiting list and that it can find a suitable public housing unit or rental apartment that accepts the voucher.

Child Care

Child care expenses in the Model are taken from MIT's Living Wage Calculator, which relies on state-level estimates published by the National Association of Child Care Resource and Referral Agencies. These estimates assume the family selects the lowest cost child care option available. Unlike housing, which is a federal program consistent across the country, child care is a state benefit.

Each of the eight states has a program that pays for child care to ensure children are well cared for while their parents are at work or in school. This is typically a voucher system where the family selects a child care setting that accepts the subsidy and is right for them. Copayments are paid directly to the child care agency, with the state reimbursing the agency for the balance up to the set rate for a child.

The Living Wage Calculator provides information about the cost of child care, and information about child care benefits, including eligibility limits and copayment amounts, is from the state agencies that administer the program.

Food

Food is the final category of expenses based on MIT's Living Wage Calculator. The estimated food expense is built on the USDA Low Cost Food Plan. This food budget allows for enough food to provide adequate nutrition but assumes a family selects lower cost food and that all meals, including snacks, are prepared in the home. SNAP is a federal benefit, typically provided as an electronic benefit card that the family uses to purchase certain kinds of food at retailers that accept the benefits as payment.

This analysis calculates the estimated SNAP benefits for a family, which is subtracted from total food cost. Families are not eligible for SNAP above 130 percent of FPL. This paper uses the methodology outlined by the Center on Budget and Policy Priorities[28] to set up calculations, which were checked for accuracy against online SNAP benefits estimator tools.

Although SNAP phases out as income increases, the family loses the benefit before earning enough to afford the total monthly food cost and other expenses with its income alone.

Health Coverage

The Model includes only the cost of health insurance premiums and does not account for any other medical expenses, such as copayments, deductibles, or noncovered medication. Health insurance costs come from the Medical Expenditure Panel Survey (MEPS) conducted by HHS.[29] MEPS asks employers about the number and types of private health insurance plans offered, benefits associated with these plans, annual premiums, annual contributions by employers and employees, eligibility requirements, and employer characteristics. Data on employee contributions, or the portion of premiums paid by workers, are available by state for both individual and family plans. This Model assumes the family receives employer-sponsored health coverage if it does not qualify for Medicaid. If the children in the family qualify for CHIP, the cost of

[28] Center on Budget and Policy Priorities. (2020). *A Quick Guide to SNAP Eligibility and Benefits*. Retrieved from https://www.cbpp.org/research/food-assistance/a-quick-guide-to-snap-eligibility-and-benefits

[29] All data from MEPS are available at https://www.meps.ahrq.gov/mepsweb/.

individual coverage for the parent is used. Above the CHIP income threshold, the family's health cost is the family coverage estimate from MEPS.

The hard line for Medicaid eligibility, where a family either qualifies for the full benefits or receives no assistance, causes one of the steepest cliffs in the Model. Even though insurance premiums for family coverage are difficult for some families to cover, those expenses are not considered "unaffordable" by federal standards. Therefore, the family does not qualify for subsidies via the health insurance Marketplace. When the family loses Medicaid or CHIP coverage, it must obtain health insurance from the employer, paying the full employee share of the premium.

Transportation

The Consumer Expenditure Survey (CES) is a federal study of expenditures and income of American families. It is updated each year by the Bureau of Labor Statistics and contains annual spending information for different family structures. For the Model, this paper relies on the average expenses, which are the same across all states and all income levels. For transportation, the Model limits expenses to gasoline and motor oil, maintenance and repair, and vehicle insurance.

This paper calculates an adjustment factor for each state to account for the fact that the CES estimates are national averages, yet transportation costs vary by state.

CES provides data for single adults, married couples with and without children based on the age of the oldest child, and an adult with at least one child under age 18.[30] There are no public benefits in the Model that help with transportation costs.

Other Necessities

To capture other items the family must pay for each month, this analysis includes information on a small number of additional expense categories from CES. This narrow set of expenses includes personal care products and services, housekeeping supplies, and apparel. School supplies and other educational expenses are not included, nor are costs for telephone, internet, or recreational expenses. The Model does not include any public benefits to help cover these costs, even for the lowest income families.

All eight states have sales tax, ranging from 6.4 percent in South Dakota to 9.2 percent in Washington. The paper multiplies the other necessities total by the sales tax rate in each state.

Taxes

Taxes vary depending on income. This analysis includes only taxes that are withheld from the worker's paycheck, such as the 7.65 percent employee share of payroll taxes for Medicare and Social Security, which even the lowest wage workers must pay. The amount of federal income tax withheld was calculated using the percentage method for monthly pay periods. Earned Income Tax Credit and Child Tax Credit are built into the percentage method withholding calculations. Five of the states have state income tax, and Ohio has both state and local income taxes that are withheld from employees' paychecks. In states that have state or local income tax, the Model used the percentage method. Tax tables, withholding forms, and formulas were downloaded from each state's department of taxation.

[30] All data from CES are available at https://www.bls.gov/cex/.

Table B: State-Specific Information

State	Minimum Wage	Sales Tax	State Income Tax	Local Income Tax
Nebraska	$9.00	6.9%	Yes	
New York	$11.80	8.5%	Yes	
North Dakota	$7.25	6.9%	Yes	
Ohio	$8.70	7.2%	Yes	Yes
South Carolina	$7.25	7.5%	Yes	
South Dakota	$9.30	6.4%		
Texas	$7.25	8.2%		
Washington	$13.50	9.2%		

Location of Cliffs in the Benefits Cliffs Model

Income eligibility thresholds for benefits programs determine where in the Model a family may encounter a benefits cliff.

Table C: Income Eligibility Limits in 2020

State	Housing	Child Care	SNAP	Parent Medicaid	CHIP
Nebraska	$32,374	$27,150	$28,236	$13,684	$47,350
New York	$36,448	$43,440	$28,236	$29,974	$87,966
North Dakota	$38,203	$49,020	$28,236	$29,974	$38,010
Ohio	$31,029	$65,160	$28,236	$29,974	$44,880
South Carolina	$26,950	$48,096	$28,236	$14,552	$46,264
South Dakota	$32,873	$45,395	$28,236	$10,643	$45,395
Texas	$29,332	$65,830	$28,236	$3,692	$44,743
Washington	$32,606	$43,440	$28,236	$29,974	$68,852