DIVERSION AS A WORK-ORIENTED WELFARE REFORM STRATEGY AND ITS EFFECT ON ACCESS TO MEDICAID: AN EXAMINATION OF THE EXPERIENCES OF FIVE LOCAL COMMUNITIES

A Report of the Findings of the Second Phase of the Research Funded By The Administration for Children and Families and The Assistant Secretary for Planning and Evaluation US Department of Health and Human Services

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EXECUTIVE SUMMARY

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) ended the individual entitlement to welfare benefits and gave states new flexibility to emphasize work instead welfare. PRWORA also severed the traditional eligibility link between Medicaid and welfare. This research examined the emergence of diversion programs as a particular aspect of state welfare reform efforts and the potential for diversion programs to reduce access to Medicaid. In this second of two reports, we present the results of case studies in five states. Major findings from this research are:

- ***Formal strategies to divert families from welfare are an increasingly common aspect of states' efforts to shift to a work-oriented assistance system. These efforts to emphasize work instead of welfare on the "front end" can also result in informal diversion.***

- ***Design and implementation of diversion programs reflect state and/or local goals and philosophies; these five states represent a range of diversion strategies that illustrate the importance of understanding key design and implementation choices in each state and, in some cases, each local office within a state.***

- ***Of the three types of formal diversion, mandatory applicant job search represents the fastest growing program with the greatest potential to divert large numbers of families.***

- ***Diversion, both formal and informal, has substantial potential to reduce initial access to Medicaid, particularly as families increasingly bypass welfare or go to work quickly thereby becoming ineligible for Medicaid under most states' current eligibility criteria.***

- ***State officials can ameliorate this effect on Medicaid by improving implementation efforts and taking advantage of policy options under Section 1931 to focus attention on Medicaid as a stand-alone health insurance program for low-income families.***

- ***The compelling Medicaid and welfare reform policy challenge posed by diversion is how to use Medicaid effectively to support the welfare reform goal to promote work. Because PRWORA fundamentally changed the nature of the welfare system, states can and should consider whether it is a desirable consequence of their Medicaid and welfare policies that access to Medicaid for diverted families is limited or unavailable.***

- ***Little information is available on the number and circumstances of families who have been diverted from the welfare rolls. Without such information, reports on the success or failure of state welfare reform efforts will be incomplete.***

A. THE POLICY CONTEXT

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996

(PRWORA) ended the individual entitlement to welfare benefits under the 61 year-old Aid to Families with Dependent Children (AFDC) program and eliminated its companion welfare-to-work program, the Jobs Opportunities and Basic Skills (JOBS) training program. Under the new law, states are provided with a block grant to establish a Temporary Assistance for Needy Families (TANF) program.

In contrast to the AFDC program that provided cash assistance for as long as needed and to the JOBS program that encouraged recipients to participate in long-term education and training programs, state TANF programs are intended to provide short-term, work-oriented assistance to poor families with children. Although states have considerable flexibility to develop the rules and regulations guiding their TANF programs, over time, PRWORA requires more and more TANF recipients to be engaged in work activities, PRWORA also imposes a 60-month lifetime limit on the receipt of federally-funded cash assistance.

PRWORA also made important changes in the Medicaid program by "delinking" eligibility for Medicaid from cash assistance. A family's eligibility for Medicaid must be assessed independently of their eligibility for cash assistance. PRWORA created a new Medicaid eligibility group of low-income families with children by adding Section 1931 to the Social Security Act. Section 1931 generally provides that all families who meet the basic requirements of a state's AFDC program in effect on July 16, 1996 are to be considered eligible for Medicaid.

B. EXAMINING DIVERSION PROGRAMS AND THEIR POTENTIAL INTERACTION WITH MEDICAID

In an effort to better understand state efforts to divert families from welfare and the potential interactions with Medicaid eligibility, this research, funded by the Administration for Children and Families, and the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, has three broad goals:

(1) to describe the range of state diversion programs and how these programs are being implemented;

(2) to determine whether and how states are ensuring that families diverted from cash assistance will nonetheless apply for Medicaid; and

(3) to determine how diversion-related changes in policy or practice might affect families, particularly with respect to their eligibility for Medicaid, and the community-based entities that serve them.

In this report, the second of two on diversion programs and the potential impact of these programs on Medicaid, we present findings from case studies of how diversion programs have been implemented in five local communities in five states:

Georgia: Fulton County Southwest Area Office (Atlanta)
Maryland: Anne Arundel County (Annapolis)
Missouri: Jefferson County (Kansas City)
Montana: Missoula County (Missoula)
Ohio: Hamilton County (Cincinnati)

The five states in which these communities are located were selected for more intensive study because they represent diverse approaches to diversion. The local communities studied within each state were chosen because they had considerable experience operating diversion programs.

The case studies were conducted to provide an in-depth understanding of how diversion programs operate in practice. In particular, we sought to understand how the programs are structured, how they are presented to applicants, how they operate on a day-to-day basis, how they are integrated with other programs, especially Medicaid, and what impact they are having on health care safety net providers and other community-based health care organizations. We also sought to collect any information that was available on program outcomes.

The five local communities profiled in this report and the states they represent have implemented a variety of strategies to divert families from the welfare rolls. Maryland is the only one of the five states that has implemented all three formal diversion activities. Montana and Ohio have each implemented two diversion programs, lump sum and alternative resources. Georgia and Missouri both have implemented a single diversion program, applicant job search. Maryland, Montana and Georgia began implementation of their diversion programs under waivers. Implementation of diversion programs in Missouri and Ohio did not begin until after the passage of PRWORA.

C. DIVERSION AS A STRATEGY TO SHIFT TO A WORK-ORIENTED ASSISTANCE SYSTEM

Unlike traditional welfare-to-work strategies that aim to help families make the transition to work after their application for assistance is approved or after they have received benefits for a specified period of time, diversion programs aim to keep families from ever receiving welfare in the first place. By expanding the requirements that families must meet in order to be eligible for assistance and providing more targeted assistance to address their needs, diversion programs have the potential to dramatically alter state approaches to providing assistance to poor families with children.

For purposes of this research, in broad terms, we define diversion programs as formal efforts to address the immediate needs of families seeking cash assistance in ways that avoid enrolling these families in TANF. Building on earlier research by Holcomb et al. (1998)[1] and the information presented in our earlier report,[2] we examine three specific diversion programs and

activities that fit this criteria: (1) lump sum payments; and (2) mandatory applicant job search requirements; (3) exploration of alternative resources.

> ***Lump sum payment programs*** are designed to keep families with a short-term financial need from ever entering the welfare system. These programs are usually targeted to applicants who are already working or who have immediate job prospects.
>
> ***Mandatory applicant job search programs*** are designed to serve two purposes: (1) to encourage job ready applicants to find employment quickly in an effort to reduce their need for ongoing assistance and (2) to send a clear message that program expectations have changed. Applicants for assistance who fail to meet the job search requirements have their application for assistance denied. Some states also have implemented voluntary applicant job search programs. These programs may be more narrowly targeted than mandatory programs. Most importantly, applicants in voluntary programs who do not complete the job search requirements do not have their application for assistance denied.
>
> ***The exploration of alternative sources of support*** is intended to discourage families from applying for cash assistance if other assistance is available to them and to help them think more broadly about how they can draw upon resources in their communities and families during times of need. Using this approach states also have attempted to respond more directly to families' specific needs rather than encouraging them to apply for all benefits for which they might be eligible.

Several states implemented diversion programs through Section 1115 waivers prior to the passage of PRWORA and many others have since included them as a part of their TANF programs. Thirty-one states have implemented at least one diversion program: 20 states were operating lump sum payment programs in mid-1998, with three additional states planning to implement such programs by the end of 1998. Sixteen states require TANF applicants to engage in active job searches before their application for assistance is approved. Seven states are using an aggressive approach to help TANF applicants identify alternative resources. Most states operating formal diversion programs have implemented only one program. Twelve states have implemented just lump sum payment programs and 10 states have implemented just mandatory applicant job searches. Only three states have implemented all three formal diversion programs.[3]

D. APPLICANT JOB SEARCH PROGRAMS: TAKING THE WORK FIRST CONCEPT TO ITS LOGICAL EXTREME

"Work First" programs have formed the core of most state efforts to build an employment-focused welfare system. These programs, characterized by their emphasis on rapid entry into the labor market, encourage recipients to take the first job that comes along, expecting that their first job will not be their last and that it is far easier to move into a better job from a bad job than from no job at all. Applicant job search programs take the work first concept to its logical extreme: they seek to encourage or require families to look for employment immediately so as to obviate the need for them ever to receive assistance in the first place. Just as there are

many approaches to implementing work first programs, there are also many approaches to implementing applicant job search programs.

The applicant job search programs examined for this study differ along four key dimensions:

(1) whether they are mandatory or voluntary;
(2) whether they are targeted narrowly or broadly;
(3) how job search requirements are defined; and
(4) the amount of assistance provided to help applicants find employment.

Anne Arundel County and the Atlanta, Southwest Area Office both operated mandatory, broadly targeted applicant job search programs. In both offices, nearly all able-bodied parents with a child over the age of one are required to look for work as a condition of eligibility. Both offices provide considerable assistance to help applicants find jobs, although they do so in different ways. Anne Arundel County provides job search assistance through a fully staffed Job Center that is open to all residents of the County. The Atlanta, Southwest Area Office uses a more structured approach, requiring applicants to participate in mandatory job search activities such as orientation and a job readiness class. Staff in both offices report that large numbers of applicants are diverted from assistance because of applicant job search. Many are diverted because they find employment but others are diverted because they fail to meet the job search requirement. In both offices, applicants who do not meet the job search requirements have their application for assistance denied.

Kansas City operates an applicant job search program that is voluntary for job ready single parent and mandatory for two-parent households. (At the time of the study Kansas City had only 50 two-parent cases on its caseload.) Because the program is voluntary for most applicants, the program operates very differently than the programs in Anne Arundel County and the Atlanta, Southwest Area Office. Rather than being targeted broadly, Kansas City's program is targeted only to job ready applicants. Workers have considerable discretion to determine who is job ready and they have been instructed to err on the side of caution. Parents who are referred for applicant job search can receive assistance through a job search resource room that was set up specifically to help them find employment. Only a small number of applicants are referred to the program and an even smaller number find employment before their application for assistance is approved.

E. LUMP SUM PAYMENTS: COMMON PROGRAMS BUT INFREQUENTLY USED

States' early efforts to divert families from the welfare rolls focused primarily on providing families facing short-term crises with the financial resources they needed to resolve those crises. Because of this early focus and the widespread adoption of lump sum payment programs, these programs are often perceived as the primary mechanism through which families are being diverted from the welfare system. However, our case studies reveal that, in practice, lump sum payment programs are rarely used – offices reported having no more than five families receive lump sum

payments in any given month. Thus, unlike broadly targeted applicant job search programs, lump sum payment programs are unlikely to result in widespread diversion from the welfare system.

Among our study sites, Missoula, Hamilton and Anne Arundel Counties operated lump sum payment programs. Lump sum payments available to applicants range from a high of $1,350 in Missoula County to a low of $300 in Hamilton County (for a family of three). Missoula and Hamilton Counties have designed their lump sum payment programs to include an alternative resource strategy. In both cases, workers report that efforts to link applicants with alternative resources have had a greater impact on changing the culture of the welfare office and are used more frequently than lump sum payments.

F. DIVERSE APPROACHES TO LINKING TANF APPLICANTS WITH ALTERNATIVE RESOURCES

Among all diversion activities, efforts to link applicants for cash assistance with alternative resources are the least common: in our analysis of state efforts to divert applicants from TANF, only seven states indicated they are making a concerted effort to explore alternative resources with applicants before proceeding with an application for TANF. As TANF caseloads fall and the pressure of time limits mounts, it is possible that more and more localities will explore ways to link applicants for assistance with alternative resources, providing cash assistance only when all other avenues have failed. In addition to being the least utilized option for diverting applicants from the welfare rolls, linking families with alternative resources is also the least understood diversion strategy, possibly because, as our case studies reveal, it is possible to link families with alternative resources in very different ways.

The programs operated by Missoula and Hamilton counties bear little resemblance to one another; what they have in common is what they are not rather than what they are. In both counties, lump sum payment programs exist but are not central to their efforts to link families with alternative resources. Similarly, neither of the programs links the services they provide to any job search requirements. Missoula County's program primarily serves as a gateway to receive child care assistance and Medicaid, whereas Hamilton County's program relies on a network of community agencies to respond to a broad range of needs with the goal of preventing the need for cash assistance.

G. THE POTENTIAL EFFECTS OF DIVERSION PROGRAMS ON ACCESS TO AND ELIGIBILITY FOR MEDICAID

Delinking Medicaid and cash assistance creates both opportunities to ensure and/or enhance access to Medicaid and circumstances that can result in reduced access. States' early experiences suggest that delinking Medicaid from cash assistance is a complex undertaking. The advent of diversion programs adds to this complexity.

There are three primary ways in which diversion programs may affect applicants' access to Medicaid:

(1) Diversion programs may raise applicants' income above the Medicaid eligibility threshold, making them ineligible for Medicaid assistance;

(2) If applicants are not aware that their eligibility for Medicaid is not linked to their eligibility for cash assistance, they may not apply for Medicaid or complete their Medicaid application if they believe their application for TANF will be denied; and

(3) Because of the historical link between eligibility for cash assistance and Medicaid, unless instructed to process applications for TANF and Medicaid separately and carefully monitored, eligibility workers may deny an application for Medicaid based on failure to comply with a TANF work requirement or fail to inform applicants about alternative options for Medicaid coverage, especially for children (i.e. applicants will "fall through the cracks").

For example, lump sum payment recipients may be rendered ineligible for Medicaid if this payment is counted as income in the month of receipt as most states' income standards are relatively low. Mandatory applicant job search could mean that many families will get jobs quickly. As a result, they may be Medicaid-eligible for one or two months at most (or perhaps not all) and will immediately lose their Medicaid coverage due to earned income. These families will also lose the opportunity for transitional Medicaid assistance as they will not have received Medicaid for three months (this will also be true for lump sum recipients).

The extent to which diverted families receive Medicaid will depend upon several factors including whether states:

(1) adequately inform families of their right to apply for Medicaid even if they do not apply for or are not eligible for cash assistance;

(2) put procedures in place to assure that applications for Medicaid are processed even if an applicant does not meet all of the requirements to be eligible for TANF benefits; and

(3) exercise their options under Section 1931 for liberalizing the income and resource standards used to determine Medicaid eligibility (e.g., disregarding the lump sum payment as income and/or disregarding the first three months of earned income for lump sum and mandatory applicant job search respectively).

The five study states represent a range of approaches to addressing the potential impact of diversion on access to Medicaid. Maryland (Anne Arundel County) officials are continuing to use provisions of an existing AFDC waiver that allows families who get a job immediately to be treated as no-pay TANF families for three months in order to qualify for Medicaid, and then to be

eligible for transitional Medicaid assistance (TMA) when Medicaid is lost due to increased earnings. This policy is known as the "in lieu of" policy and is viewed with great enthusiasm by caseworkers and families. Families are likewise eligible for Medicaid when they receive a lump sum payment. Montana officials similarly are using provisions of an existing AFDC waiver that were specifically designed to ensure Medicaid access to a larger group of diverted families with low incomes – indeed Montana's Job Supplement Program (JSP) diversion program is used primarily as a pathway to Medicaid and not for lump sum payments.[4]

Missouri has used an 1115 Medicaid waiver to generally expand eligibility and increase access for low-income working families. State officials also use an existing Medicaid requirement for retroactive eligibility to promote access to transitional Medicaid assistance (TMA). Neither Georgia nor Ohio have made any changes to facilitate access to Medicaid for diverted families although Georgia is aggressively informing families about their ability to apply for Medicaid separate from applying for cash assistance.

While, it is too soon to tell definitively about the effects of diversion on access to Medicaid in these states, it is possible that more states will engage in greater use of applicant job search requirements and this will result in more families getting to work more quickly and/or also possibly failing to complete their Medicaid application. In either event, these families may not be eligible for or may not get enrolled in Medicaid. The results of these five case studies suggest corrective actions based on improving the application process and/or using options created by Section 1931. This information should be useful to state officials considering the use or expansion of applicant job search. However, it is too soon to draw conclusions about the extent to which states can and will take advantage of the flexibility and options provided by Section 1931.

The use of Section 1931 in this manner will likely be a function of 1) whether state officials actually intend, or are even aware, that participation in diversion programs could essentially represent a cost/penalty for the adult family members, and 2) the potential increased costs associated with liberalizing Section 1931 eligibility. Intensive and ongoing communication and collaboration between state Medicaid officials and state welfare officials could provide administrators with the catalyst to examine policies and procedures and the opportunity to explore ways to avoid unintended and/or undesirable results. Moreover, the extent to which Medicaid and welfare officials can collaboratively promote a shift in focus from ensuring the eligibility of TANF families for Medicaid to examining the eligibility of all families for Medicaid irrespective of their TANF status will reduce the possibility that potentially eligible families will "fall through the cracks" due to the challenges of implementing the dual TANF/Medicaid eligibility system.

H. CONCLUSIONS

Formal strategies to divert families from the welfare rolls are becoming an increasingly common component of states' efforts to transform their cash assistance systems into systems that

promote and support work. These five case studies illustrate a range of approaches to diversion that exemplify themes common to all states undertaking diversion programs. Lump sum payment programs are the most common and most well understood programs, but are also rarely used in their traditional form. Strategies to link families with alternative resources are the least understood diversion programs, possibly because they represent a significant departure from more traditional efforts to link welfare recipients with jobs. Applicant job search programs are vastly more common today than prior to the implementation of TANF. In terms of the number of people affected, they represent the most broadly targeted formal efforts to divert families from the welfare system.

These case studies suggest that diversion programs are not intended to reduce access to cash assistance or other entitlement programs for those who meet the eligibility criteria. However, without adequate screening to identify applicants for whom diversion may be inappropriate, it is possible that some families in need of ongoing cash assistance may not apply for and receive it; others may apply for assistance but may abandon their application if they feel they are unable to meet the program expectations. Diversion programs, especially applicant job search programs have the potential to dramatically reduce the number of families who ever enter the welfare system. Consequently, failure to take into account the circumstances of families who are diverted from the assistance will result in an incomplete picture of the outcomes of state and local efforts to reform the welfare system.

There is substantial potential for diversion programs to reduce families' access to Medicaid. It is evident that some of these access problems/barriers can be addressed by increased attention and training regarding the need to process Medicaid applications fully irrespective of the families' TANF and/or diversion eligibility. Section 1931 also provides states with various options to promote Medicaid coverage for diverted families although it appears that many states may not have considered these options. These case studies reveal, however, that states must make deliberate efforts to both take advantage of these policy options and implement diversion programs carefully in order to optimize access to Medicaid for families who go to work instead of receiving cash assistance.

While state Medicaid officials are responsible for determining Medicaid eligibility policies, state welfare officials are usually responsible for implementing these policies by virtue of their administration of public benefits programs. Consequently, the importance of ongoing communication and collaboration between these two sets of state officials with respect to the implementation and interaction of the Medicaid and diversion/welfare programs can not be overstated. Because PRWORA has fundamentally changed the character of the welfare system (i.e., the emphasis is on work and not cash assistance, and eligibility for cash assistance is no longer the trigger for other benefits such as Medicaid), state officials can and should consider whether it is an unintended and/or desirable consequence of their Medicaid and welfare policies that access to Medicaid for diverted families is limited or unavailable.

One of the most striking findings from these case studies is how little we know about the outcomes of formal diversion programs for families. State data systems have been designed to

track the services families receive after their application for assistance has been approved. Thus, we know very little about how many families are being diverted and what their circumstances are once they are diverted. Representatives of safety net providers and community-based organizations that serve low-income families were generally unaware of diversion programs and their potential impact on these families.

The compelling Medicaid and welfare reform policy challenge posed by diversion is how to use Medicaid effectively to support the broad goals of welfare reform to encourage working families. In light of reports that the ability to access health insurance is an important factor in job retention for low-income workers, the ability to ensure ongoing access to Medicaid for families who choose work instead of welfare is critical. The extent to which state Medicaid and welfare officials can collaborate to consider the interplay between welfare and Medicaid policies will lead to results more consistent with the goal of supporting working families. A particularly important area of collaboration and joint attention is the need to focus attention on Medicaid as a stand-alone health insurance program for low-income families.

I. RECOMMENDATIONS

The findings of this research suggest the following recommendations.

Regarding the Implementation and Operation of Diversion Programs:

- When implementing diversion programs, states and localities should closely examine their intake and screening procedures to ensure that families in need of ongoing cash assistance are not being diverted inappropriately.

- As more states implement diversion programs, additional information should be gathered on these programs in an effort to identify promising practices for helping families outside of the welfare system.
- All diversion programs are not alike. Additional research should be conducted on diversion programs to determine whether some approaches to diversion produce better employment outcomes than others.

Regarding the Potential Effects of Diversion Programs on Access to Medicaid:

- State officials should shift their attention to emphasizing the eligibility of low-income families for Medicaid irrespective of their TANF status in order to promote effectively access to Medicaid for eligible families.

- State Medicaid and welfare officials should collaborate closely to 1) understand the potential impact of welfare and diversion programs on access to Medicaid, especially unintended and/or unanticipated effects, and 2) determine how to avoid and/or mitigate undesirable consequences.

- Concerted public information and education campaigns should be undertaken to ensure that low-income families, and all the organizations that serve them, fully understand that Medicaid is now essentially a stand-alone health insurance program for low-income families.

- Caseworkers/eligibility workers will need ongoing training that provides instruction on how to ensure that access to Medicaid is maintained notwithstanding the implementation of aggressive work-instead-of-welfare strategies.

- The expansion of the availability of locations separate from the welfare office where families can easily apply for Medicaid would make it more likely that informally diverted families might still apply for Medicaid.

- Ongoing communication and constructive collaboration between federal administrators and state officials could help states offer Medicaid to more working families for longer periods through informed policymaking, careful program design, and aggressive implementation strategies. Section 1931 can provide a powerful tool for states to expand Medicaid eligibility to low-income working families and offset the unintended and undesirable effects of diversion programs.

Regarding the Collection of Better Data on the Outcomes Associated with Diversion Programs
Regarding the Collection of Better Data on the Outcomes Associated with Diversion Programs:

- States and localities that have implemented diversion programs, with assistance from the federal government, should identify strategies for monitoring the outcomes of diversion programs, taking into account both short and long-term employment outcomes and receipt of other benefits such as Medicaid and Food Stamps. When reporting the outcomes of their welfare reform efforts, states and localities should take into account the impact diversion programs may have on these results.

CHAPTER ONE

INTRODUCTION

A. THE POLICY CONTEXT

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) ended the individual entitlement to welfare benefits under the 61 year-old Aid to Families with Dependent Children (AFDC) program and eliminated its companion welfare-to-work program, the Jobs Opportunities and Basic Skills (JOBS) training program. Under the new law, states are provided with a block grant to establish a Temporary Assistance for Needy Families (TANF) program.

In contrast to the AFDC program that provided cash assistance for as long as needed and to the JOBS program that encouraged recipients to participate in long-term education and training programs, state TANF programs are intended to provide short-term, work-oriented assistance to poor families with children. Although states have considerable flexibility to develop the rules and regulations guiding their TANF programs, PRWORA requires more TANF recipients to work after receiving assistance for 24 months or once they are job ready and limits their eligibility for federally-funded assistance to 60 months in their lifetime. To ensure that state TANF programs emphasize work, PRWORA requires states to meet steadily increasing work participation rates. Participation rates for single parents started at 25 percent in FY 1997 and increase to 50 percent in FY 2002. States that do not meet the established participation rates are subject to financial penalties and increased state maintenance of effort expenditures.

PRWORA also made important changes to the Medicaid program. In particular,

PRWORA "delinked" eligibility for Medicaid from cash assistance under Title IV-A of the Social Security Act. Families must be found eligible for Medicaid independent of their eligibility for cash assistance. To accommodate this change, PRWORA created a new Medicaid eligibility group of low-income families with children by adding Section 1931 to the Social Security Act. Section 1931 provides that, at a minimum, all families who meet the basic requirements of a state's AFDC program in effect on July 16, 1996 are to be considered eligible for Medicaid.

B. DIVERSION AS A STRATEGY TO SHIFT TO A WORK-ORIENTED ASSISTANCE SYSTEM

States have implemented a variety of strategies to shift to a work-oriented assistance system. Common strategies include "work first" programs that encourage or require recipients to enter the labor force as quickly as possible, financial incentives in the form of earned income disregards, financial assistance to cover the costs associated with working, especially child care and transportation expenses, and financial penalties for non-compliance. These strategies usually are targeted to families once they begin to receive cash assistance. However, a growing number of states also are developing strategies to divert families from the welfare system.

Unlike traditional welfare-to-work strategies that aim to help families make the transition to work after their application for assistance is approved or after they have received benefits for a specified period of time, diversion programs aim to keep families from ever receiving welfare in the first place. By expanding the requirements that families must meet in order to be eligible for assistance and providing more targeted assistance to address their needs, diversion programs have the potential to dramatically alter state approaches to providing assistance to poor families with

children. In addition, because the receipt of cash assistance often has provided families with access to other public benefits, diversion programs have the potential to affect poor families' access to these programs, especially Medicaid.

C. EXAMINING DIVERSION PROGRAMS AND THEIR POTENTIAL INTERACTION WITH MEDICAID

In an effort to better understand state efforts to divert families from welfare and the potential interactions with Medicaid eligibility, this research, funded by the Administration for Children and Families, and the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, has three broad goals:

(1) to describe the range of state diversion programs and how these programs are being implemented;

(2) to determine whether and how states are ensuring that families diverted from cash assistance will nonetheless apply for Medicaid; and

(3) to determine how diversion-related changes might affect families, particularly with respect to their eligibility for or enrollment in Medicaid, and the community-based entities that serve them.

In this report, the second of two on diversion programs and the link with Medicaid,[3] we present findings from case studies of how diversion programs have been implemented in five

[3] The first report is Maloy, K., Pavetti, L., Shin, P., Darnell, J., Scarpulla-Nolan, L. (1998). *A Description and Assessment of State Approaches to Diversion Programs and Activities Under Welfare Reform.* Washington, DC: Center for Health Policy Research, The George Washington University Medical Center, August.

local communities in five states:

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Maryland: Anne Arundel County (Annapolis)

Missouri: Jefferson County (Kansas City)

Montana: Missoula County (Missoula)

Ohio: Hamilton County (Cincinnati)

The five states in which these communities are located were selected for more intensive study because they represent diverse approaches to diversion. The local communities studied within each state were chosen because they had considerable experience operating diversion programs.

The case studies were conducted to provide an in-depth understanding of how diversion programs operate in practice. In particular, we sought to understand how the programs are structured, how they are presented to applicants, how they operate on a day-to-day basis, how they are integrated with other programs, especially Medicaid, and what impact they are having on health care safety net providers and other community-based health care organizations. We also sought to collect any information that was available on program outcomes.

This study was conducted over a three-month period, from June through August 1998. One two or three-day site visit was conducted in each of the local communities. In each community we interviewed administrators and front line staff from the welfare office and representatives from advocacy groups and community-based organizations. To understand the potential impacts on Medicaid, we also interviewed administrators from safety net and other community-based health care providers. Whenever possible we also observed program operations.

Below, before turning to a detailed discussion of our findings, we provide a framework for

understanding the information presented in this report. This framework builds on our earlier research that summarized diversion activities in each of the fifty states and the District of Columbia. We then provide a brief summary of the diversion programs that have been implemented in the five study sites. Finally, we end this chapter with a roadmap to the rest of the report.

D. A FRAMEWORK FOR UNDERSTANDING THE IMPLEMENTATION OF DIVERSION PROGRAMS

1. Developing a Common Understanding of What Constitutes Diversion

For purposes of this research, in broad terms, we define diversion programs as formal efforts to address the immediate needs of families seeking cash assistance in ways that avoid enrolling these families in TANF. Building on earlier research by Holcomb et al. (1998)[4] and the information presented in our earlier report,[5] we examine three specific diversion programs and activities that fit this criteria: (1) lump sum payments; (2) exploration of alternative resources; and (3) mandatory applicant job search requirements.

> ***Lump sum payment programs*** are designed to keep families with a short-term financial need from ever entering the welfare system. These programs are usually targeted to applicants who are already working or who have immediate job prospects.
>
> ***Mandatory applicant job search programs*** are designed to serve two purposes: (1) to encourage job ready applicants to find employment quickly in an effort to reduce their need for ongoing assistance and (2) to send a clear message that program expectations have changed. Applicants for assistance who fail to meet the job search requirements have their application for assistance denied. Some states also have implemented non-mandatory applicant job search programs. These programs may be more narrowly targeted than mandatory programs. Most importantly, applicants in voluntary programs who do not complete the job search requirements do not have their application for assistance denied.

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[4] Holcomb, P., Pavetti, L., Ratcliffe, C. and Reidinger, S. (1998). *Building Employment Focused Welfare Systems: Work First and Other Work-Oriented Strategies in Five States.* Washington, DC: The Urban Institute, March.
[5] Maloy, K., Pavetti, L. et al. (1998).

The exploration of alternative sources of support is intended to discourage families from applying for cash assistance if other assistance is available to them and to help them think more broadly about how they can draw upon resources in their communities and families during times of need. Using this approach states also have attempted to respond more directly to families' specific needs (e.g., providing child care or health insurance to working families) rather than encouraging them to apply for all benefits for which they might be eligible.

Diversion from cash assistance takes place both formally-as described above-and informally--as the result of program rules and requirements that discourage families who might otherwise be eligible for cash assistance from even applying. Although the primary focus of this research is on formal diversion, whenever possible informal diversion is discussed as these harder-to-document informal effects may have just as great an impact as formal diversion.

2. Diversion Programs: Common Components of States' TANF Programs

Approximately one-half dozen states implemented diversion programs through Section 1115 waivers prior to the passage of PRWORA in August 1996 and many others have since included them as a part of their TANF programs. Thirty-one states have implemented at least one diversion program: 20 states were operating lump sum payment programs in mid-1998, with three additional states planning to implement such programs by the end of 1998. Sixteen states require TANF applicants to engage in active job searches before their application for assistance is approved. Seven states are using an aggressive approach to help TANF applicants identify alternative resources. Most states operating formal diversion programs have implemented only one program. Twelve states have implemented just lump sum payment programs and 10 states have implemented just mandatory applicant job searches. Only three states have implemented all three formal diversion programs.

3. Diversion Programs May Reduce Families' Access to Medicaid[6]

Prior to the passage of PRWORA, families who were eligible for cash assistance through the AFDC program were categorically eligible for Medicaid. PRWORA severed the link between the eligibility for cash assistance and eligibility for Medicaid, and established eligibility criteria for Medicaid independent of cash assistance eligibility criteria by creating Section 1931 of the Social Security Act. While Section 1931 requires that, at a minimum, states use the AFDC eligibility criteria in effect in their state as of July 16, 1996, Section 1931 also gives the states the flexibility to expand their Medicaid eligibility by liberalizing the income and resource standards. In the short term, however, most states are continuing to use the 1996 AFDC income and resource standards to determine eligibility for Medicaid under Section 1931 as well as to determine eligibility for TANF although many states had liberalized their resource standards under AFDC waivers. Since diversion programs are designed to eliminate the economic need for cash assistance/TANF, families who participate in diversion programs are also likely to become ineligible for Medicaid due to earnings.

For example, persons participating in the lump sum payment programs in lieu of enrolling in TANF may become ineligible for Medicaid. Lump sum payments can be the equivalent of as much as three months of TANF benefits. Since federal law requires that income be counted entirely in the month of receipt and most states' income standards are relatively low, the lump sum cash payment will likely render a recipient ineligible for Medicaid.

Likewise, for applicants required to participate in job search activities, mandatory applicant job search means that many families may get jobs quickly, perhaps before even enrolling

in TANF or certainly within a month or two of enrolling. In most states, earnings from even a low wage job will likely render the adults in the family ineligible for Medicaid due to the low income standards. Consequently, these families required to find work quickly may be eligible for Medicaid for one or two months at most or not become eligible for Medicaid at all. Moreover, these families also will lose their opportunity to receive an additional six to 12 months of transitional Medicaid assistance (TMA) for failure to meet the requirement for this benefit/coverage (i.e., receipt of Medicaid in three of the previous six months immediately preceding the loss of eligibility).

If diversion programs continue to grow in number and are successful in diverting families from cash assistance, then a growing number of adults who previously might have been eligible for Medicaid may lose an opportunity to enroll in Medicaid.[7] States can avoid this result, however, by exercising their Section 1931 authority to change their Medicaid eligibility criteria by modifying the income standards. For example, lump sum payments could be specifically disregarded from income. Likewise, disregarding the first three months of earned income would help families who find employment rapidly retain Medicaid eligibility sufficient to trigger TMA.

Section 1931 also allows states with Title IV-A (AFDC) 1115 waivers in place as of August 1996 to continue indefinitely certain waiver provisions that affect eligibility for Medicaid. Almost all states had AFDC and Title XIX waivers in place when PRWORA was enacted and many of these waivers contain provisions that liberalized income and resources standards or increased access to TMA by modifying the qualifying events. To the extent that states opt to

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[6] See Chapter Five in Maloy, K.A., Pavetti, L. et al (1998) for a more detailed discussion of these issues.

[7] As few families who are diverted are likely to see their incomes rise above the federal poverty level, most children in diverted families will continue to be eligible for Medicaid through previous Medicaid expansions. However, take-up rates for Medicaid have traditionally been low when the adults are not eligible.

continue these waiver provisions, access to Medicaid for diverted families can be preserved.[8] Exercising these Section 1931 options, however, does require/assume that state officials are aware of the potential effects of diversion programs on access to Medicaid and understand the potential value of Section 1931 to ameliorate these effects.

The implementation of diversion programs could also affect access to Medicaid. Because the operation of these programs frequently diverts families before a joint TANF/Medicaid application has been completed, there is potential for the Medicaid application to "fall through the cracks," (i.e., not be processed) unless caseworkers and applicants are well-informed, well-trained, and alert to these possibilities. In addition, informally diverted families may not be aware of their ability to apply for Medicaid without applying for TANF.

Addressing the issue of the potential for reduced access to Medicaid for diverted families involves both major policy and implementation questions: how are state policymakers taking advantage of their options under Section 1931, and how well are diversion programs and the delinking of eligibility for Medicaid and cash assistance being implemented.

E. COMMUNITY PROFILES: DIVERSE APPROACHES TO DIVERSION

The five local communities profiled in this report and the states they represent have implemented a variety of strategies to divert families from the welfare rolls. Maryland is the only one of the five states that has implemented all three formal diversion activities. Montana and Ohio have both implemented two diversion programs, lump sum and alternative resources.[9] Georgia

[8] As will be discussed in more detail in Chapter Four, unlike the Title IV-A waiver provisions liberalizing income and resources standards, Title XIX waivers cannot be continued indefinitely under Section 1931 and state officials will have to consider other approaches to preserving expanded access to TMA.

[9] As will be discussed in Chapter Three, while Ohio's diversion program is earlier described as lump sum based on data

and Missouri have both implemented a single diversion program, applicant job search. Maryland, Montana and Georgia began implementation of their diversion programs under waivers. Implementation of diversion programs in Missouri and Ohio did not begin until after the passage of PRWORA.

1. Atlanta, Southwest Area Office (Georgia): Mandatory Applicant Job Search with No Medicaid Eligibility Changes

Georgia implemented its applicant diversion program in January 1996 as the centerpiece of a statewide effort to shift the focus of the welfare system to immediate employment. While local offices have some discretion as to how they implement their programs, the structures of the programs are generally quite similar. When compared to most other applicant job search programs, Georgia's program requirements are more expansive and apply to a broader share of applicants. The only applicants exempt from job search are adults caring for a child under the age of one and teenagers who have not completed high school. Depending on where an applicant lives, between 12 to 24 job search contacts are required. In Fulton County, applicants are required to make 24 job search contacts within a three-week period. Applicants who do not complete this requirement are not eligible to receive cash assistance.

Georgia has mounted an aggressive outreach campaign to ensure that families (especially

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collected during the survey of states, Hamilton County (Cincinatti) developed and implemented a unique version of lump sum diversioni that prominently incorporates elements of alternative resources diversion.

pregnant women and children) who are eligible for Medicaid benefits enroll in the program. Applicants who feel they may be unable to comply with the job search requirements also are encouraged to still apply for Medicaid. However, the state has not made any changes in their Medicaid program to provide coverage to adults who are diverted from TANF because they find employment quickly.

2. Anne Arundel County (Maryland): Lump Sum Payments and Applicant Job Search with Medicaid Coverage through Section 1115 AFDC Waivers

Maryland has implemented all three forms of diversion. However, because the state's welfare program is intensely locally driven, there is substantial variation in the implementation of these diversion programs across the state. Anne Arundel County has implemented an applicant job search and lump sum payment program. In Anne Arundel County, the lump sum payment program, known in the state as a Welfare Avoidance Grant (WAG) has been renamed the Help Eliminate Lifetime Poverty (HELP) program. About five families per month receive HELP grants in Anne Arundel County. While used infrequently, they are used more in Anne Arundel County than in any other county in the state.

Anne Arundel County's applicant job search program almost completely defines their approach to reform. Anne Arundel County's welfare offices have been replaced with Job Centers that are open to all residents of the county. As in Georgia, all able-bodied adults, except those caring for children under the age of one, are subject to the applicant job search requirement. Anne Arundel County requires applicants to complete 10 job search contacts per week for four weeks, although job counselors can modify this requirement to accommodate individual circumstances. Those who do not complete the job search requirement and cannot show good cause for not

doing so have their application for assistance denied.

Applicants for cash assistance who already have a job and need a lump sum cash payment to continue working and who otherwise have very minimal problems are eligible to receive a HELP payment. The grant is calculated based on what a family would receive on TANF. The money goes directly to pay for the family's emergency. HELP grants do not count against a family's lifetime time limit, but the recipient may not receive TANF for the equivalent number of months the grant was worth in TANF payments.

Through an AFDC waiver, Maryland has made explicit changes in its Medicaid policy to ensure that families who are diverted from receiving cash assistance continue to be eligible for Medicaid. Families who opt to receive a WAG are deemed to be eligible for Medicaid regardless of the WAG payment. Similarly, families who find employment while fulfilling the applicant job search requirement are treated as recipients with a zero grant for three months, making them eligible for Medicaid for three months and subsequently eligible for transitional Medicaid for an additional 12 months.

3. Kansas City (Missouri): Voluntary Applicant Job Search with Medicaid Coverage through Existing Medicaid Policy and a Section 1115 Medicaid Waiver

Missouri has implemented an applicant job search program in only a few areas of the state. Kansas City's applicant job search is targeted much more narrowly than Georgia's or Anne Arundel County's. Only two-parent families and single parent families who are job-ready are referred to Kansas City's applicant job search program. In addition, the applicant job search program is mandatory only for the very small number of two parent families who apply for cash assistance. (In July 1998, Kansas City had only 50 two-parent families on their TANF caseload.)

Consequently, welfare reform in Kansas City is not as defined by applicant job search as it is in Anne Arundel County and Atlanta.

Kansas City uses the Medicaid requirement of retroactive eligibility (also known as "prior quarter" Medicaid coverage) to provide Medicaid benefits to some diverted families. Under this policy, Medicaid eligibility is determined retroactively; families who would have qualified for assistance if they had applied the previous quarter have medical expenses incurred during the periods of eligibility covered under Medicaid. In addition, families who are found eligible for Medicaid in three of the last six months can qualify for transitional Medicaid. While not specifically targeted to diverted families, Missouri's approved plan to extend Medicaid coverage to custodial parents with incomes up to the federal poverty level through a Section 1115 Medicaid waiver demonstration project will provide coverage to most applicants diverted through employment.

4. Missoula County (Montana): Lump Sum Payments and Alternative Resources with Medicaid Coverage through Section 1115 AFDC Waivers

Montana has taken a unique approach to diversion with an emphasis primarily on the use of alternative resources. Montana's TANF program has three components: (1) Pathways, which provides families with cash assistance, has a two-year time limit; (2) Community Service Program (CSP), which provides some Pathways recipients who have used their 24 months of assistance with an opportunity to work 20 hours per week in exchange for receiving cash assistance for up to three years; and (3) Job Supplement Program (JSP) which provides families with an alternative to receiving cash assistance.

Montana provides lump sum payments and access to alternative resources through JSP

but, as is the case in Maryland, the lump sum component of JSP is rarely used. The JSP program in Montana was deliberately designed by state officials as a way to help working families obtain Medicaid and child care assistance without having to enroll them in welfare. Under the JSP program, families with some income (generally from child support or earnings) can receive Medicaid and child care assistance instead of participating in Pathways or the CSP program. Families receiving benefits through JSP do not receive cash assistance, do not face a work requirement and are not subject to time limits.

Montana had received approval for multi-facetted Title IV-A 1115 waiver demonstration just before the passage of PRWORA and adopted this demonstration in its entirety as its TANF program. As part of the design of the demonstration, Montana officials set out to make it easier for working families to get and keep Medicaid. Consequently, they liberalized many of the income and resource eligibility criteria for Medicaid (e.g., disregarding the entire value of one car). State officials also eased the requirements for transitional Medicaid assistance (TMA) through their Title XIX waivers. These changes were also viewed as making it easier for more diverted families to access Medicaid.

5. Hamilton County (Ohio): Lump Sum Payments and Alternative Resources with No Medicaid Eligibility Changes

Ohio's diversion program, Prevention, Retention and Contingency (PRC) is described as a program designed to help people overcome immediate barriers to achieving or maintaining personal responsibility, thereby preventing the need for ongoing cash assistance. Prevention concerns services that can help prevent families from having to go on public assistance; retention concerns services that can help families stay employed or retain their jobs, and contingency

concerns services that will alleviate or partially alleviate an emergency situation for families.

Each county in Ohio has substantial discretion and authority to design their PRC programs. The state provided a model framework for a county PRC program. Counties, however, had the option to adopt the state model, customize the state model to address their specific needs and goals or design their own model. Under the state model, PRC services are defined as: (1) services that have no direct monetary value to an individual family and that do not involve implicit or explicit income support (alternative resources); or (2) one-time, short-term assistance which is limited to the amount actually required to meet the presenting need, up to $1800 per 12 consecutive months of eligibility.

Hamilton County chose to develop both types of PRC programs, one providing one-time, short-term assistance and one providing alternative resources. Through a program run by the county welfare office, families with incomes up to 150 percent of the poverty line can receive a lump sum payment of up to $300. The second program pays a consortium of community providers $900 to keep families off assistance for a minimum of three months. The providers have a broad mandate to provide whatever services a family may need (including a lump sum payment) to keep them from receiving cash assistance.

State officials have made no changes in the Medicaid program to address the needs of families served by the PRC program. In Hamilton County, families are eligible for PRC as long as their incomes are below 150 percent of the federal poverty level while Medicaid is available only to families with incomes below 100 percent of the poverty level.

F. ROADMAP TO THE REMAINDER OF THE REPORT

In the remainder of the report we discuss the implementation of these programs in greater detail. In Chapter 2, we discuss the design and structure of applicant job search programs. In Chapter 3, we discuss the local communities' approaches to providing lump sum payments and their approaches to providing alternative resources. In Chapter 4, we discuss how Medicaid eligibility was affected in each of the sites. In the final chapter we discuss the implications of our findings and present an agenda for further research. More detailed descriptions of each of the sites' approach to diversion are included in the Appendix.

CHAPTER TWO

APPLICANT JOB SEARCH PROGRAMS IN PRACTICE

"Work First" programs have formed the core of most state efforts to build an employment-focused welfare system. These programs, characterized by their emphasis on rapid entry into the labor market, encourage recipients to take the first job that comes along, expecting that their first job will not be their last and that it is far easier to move into a better job from a bad job than from no job at all. Applicant job search programs take the work first concept to its logical extreme: they seek to encourage or require families to look for employment immediately so as to obviate the need for them ever to receive cash assistance in the first place. Just as there are many approaches to implementing work first programs, there are also many approaches to implementing applicant job search programs.

In this chapter, we examine the design, structure and implementation of applicant job search programs in Anne Arundel County, Jefferson County (Kansas City) and the Southwest Area Office in Atlanta. The applicant job search programs implemented in these communities are similar in some respects and different in others. In the analysis that follows, we examine similarities and differences in several key areas: (1) program philosophy and goals; (2) program design and structure; and (3) access to work supports such as transportation and child care and financial incentives in the form of earned income disregards. We conclude with a discussion of what is known about the outcomes of applicant job search programs and a summary of our findings.

A. LOCAL PROGRAM PHILOSOPHIES AND GOALS ARE REFLECTED IN THE DEGREE TO WHICH IMMEDIATE EMPLOYMENT IS EMPHASIZED

Although nearly all recent efforts to reform the welfare system have focused on employment, states and localities often approach these programs differently, reflecting important differences in agency goals and philosophy. For example, while some states have focused primarily on increasing the incentives to work by providing families with generous earned income disregards, others have focused more on increasing the penalties for *not* working by imposing full family sanctions for non-compliance with work requirements. Similar differences can be found among diversion programs in general and among applicant job search programs in particular. Anne Arundel County, Kansas City and the Atlanta, Southwest Area Office all sought to increase employment among families applying for cash assistance, however, close examination of the rationale for implementing these programs reveals important differences in what these local communities hoped to achieve and how they hoped to achieve it.

1. Anne Arundel County and Atlanta, Southwest Area Office: Immediate Mandatory Job Search as the Centerpiece of Welfare Reform

Anne Arundel County's approach to providing assistance to families focuses on providing local residents with the assistance that they need to meet their personal goals and on providing assistance quickly before a family's situation deteriorates. Anne Arundel County also sought to remove the stigma of receiving cash assistance by creating a service system that is accessible on a walk-in basis and addresses the needs of broad segments of the local community. Through a full service Job Center open to all residents of the county, the Anne Arundel Department of Social Services helps families to obtain child support, provides them with the resources they need to find employment and helps them access the support services such as child

care and Medicaid they need to succeed in the paid labor market. Cash assistance is available to residents only as a last resort.

Anne Arundel County's primary focus is on helping families to meet their needs through employment and child support. To the extent that they meet their goals, families are and will continue to be diverted from receiving cash assistance. It is important to note that, in 1995, when designing its new approach to serving families in the county, the Anne Arundel County Department of Social Services made an explicit decision to focus its initial efforts on applicants. They anticipated that current recipients would face more potential barriers to employment and would need more time and resources to become self-sufficient. Since October 1996, current recipients have been subject to the same set of expectations as new applicants.

The Atlanta, Southwest Area Office implemented its applicant job search program as a part of a statewide shift to work first, a shift in philosophy that was intended to change the emphasis of Department of Family And Children's Services (DFACS) offices from eligibility determination to employment. Underlying the shift to work first was a basic belief that there was dignity in work and that DFACS staff had a responsibility to help families applying for and receiving cash assistance reclaim their dignity. Similar to Anne Arundel County, Georgia made an explicit decision when they implemented work first to focus on applicant job search as the first step in emphasizing employment. Under this new approach, the main aim of caseworkers is to see if applicants can work and avoid going on welfare in the first place, making diversion an explicit goal of the program.

2. Kansas City: Immediate Employment as an *Option* for Job Ready Applicants

Kansas City's TANF program emphasizes employment more than the previous AFDC

program, however, immediate employment is not emphasized nearly to the extent that it is in Anne Arundel County and the Atlanta, Southwest Area Office. With only 32 case managers (known in Kansas City as Futures Advocates) and a caseload of more than 7,000 families, Kansas City anticipated it would have difficulty meeting federal work participation rates with its current level of staffing. Through a cooperative planning process with the Local Investment Corporation (LINC), Kansas City decided to implement a voluntary job search program for applicants who are job-ready and a mandatory program for two-parent families. The hope was that if some applicants could find employment with minimal assistance, the Future Advocates would then be able to work with a smaller number of families, providing more intensive services to those with the greatest needs.

B. DIFFERENT PROGRAM PHILOSOPHIES AND RESOURCE CONSTRAINTS HAVE RESULTED IN DIVERSE PROGRAM DESIGNS AND STRUCTURES

States have far less experience implementing applicant job search programs than they have implementing more traditional welfare-to-work programs. However, the program design and implementation issues states and localities face mirror those for more traditional work first programs.[10] Important program considerations include: (1) how broadly to define the population subject to the requirement; (2) how to integrate an applicant job search requirement into the eligibility determination process; and (3) how to define the specific job search requirements and provide applicants with assistance to meet them. The experiences of Anne Arundel County, Kansas City and the Atlanta, Southwest Area Office suggest that program goals and philosophy, and the availability of staff and other program resources all influence these considerations. Although we address each of these programmatic considerations separately, decisions in one area

inevitably influence decisions in another.

1. How Far to Cast the Net: Narrow vs. Broad Targeting

Similar to work first programs, applicant job search programs can be targeted broadly, reaching the majority of applicants or narrowly, targeting applicants who are the least likely to need ongoing assistance. Consistent with their program goals of providing cash assistance only as a last resort, the Atlanta, Southwest Area Office and Anne Arundel County both target applicant job search broadly. In contrast, Kansas City targets applicant job search much more narrowly, using applicant job search only as an initial service strategy for job-ready applicants. The sites also vary in the degree to which workers have discretion to determine who must participate in applicant job search. Workers in Kansas City have the most discretion followed by workers in Anne Arundel County and Atlanta, Southwest Area office, respectively.

a. The Atlanta, Southwest Area Office and Anne Arundel County: Broadly Targeted Applicant Job Search Programs

In Georgia, workers have little discretion in determining who must participate in applicant job search. By state law, all applicants are required to participate except those with a child under the age of one and 16 to 19 year-olds who have not completed high school. Since applicants may only use the exemption for a young child once in their lifetime workers encourage applicants to use the exemption only if it is absolutely necessary. Case managers may grant exemptions from the applicant job search requirement for applicants who can demonstrate good cause for not participating in job search. For example, an applicant could be exempted from job search if they have a medically verifiable illness. Exemption from applicant job search does not, however, exempt applicants from participation in all work activities. A worker could exempt an applicant

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[10] Holcomb et al., 1998.

from job search but could require them to do community service for a specified number of activities per week after their application for assistance is approved. Workers are hesitant to exempt applicants from the job search requirement because all recipients including those who are exempt face a 48-month time limit.

Similar to Georgia, Anne Arundel County exempts few applicants from job search; exemptions are provided only for individuals who are disabled, caring for a disabled person or have a child under the age of one. They also exempt those who work 30 hours per week as well as persons in school or in a training program.

In Anne Arundel County, job counselors screen applicants in terms of these exemptions and sometimes for domestic violence, substance abuse, mental health problems or any other problems that might impede an applicant's ability to work. The primary goal of the job counselor is to work with applicants to discover barriers to employment and to identify options for addressing these barriers. The job counselor does have some discretion to refer applicants to resources other than job search. For example, someone who is illiterate may be sent to a remedial class before she is required to look for employment. The message job counselors try to convey to applicants is that they will receive income quicker if they look for work than if they apply for cash assistance. Thus, they tend to grant very few exemptions from the applicant job search requirement. However, the counselors are likely to excuse an individual from job search if they encounter a barrier to employment during their job search.

b. Kansas City: A Narrowly Targeted Job Search Program

In contrast to Anne Arundel County and the Atlanta, Southwest Area office, workers in Kansas City have considerable discretion to determine who should be referred to applicant

diversion. Workers have been instructed only to refer applicants who have no identifiable barriers to employment to applicant job search. Applicants who are typically referred for job search have recent work experience and have completed high school, but workers do not have specific criteria they must use to determine if someone is job ready and is likely to succeed in applicant job search. Program administrators and employment and training providers did not think it was in the best interest of applicants to refer applicants who are not job ready immediately to an unstructured job search program. They also were concerned that sending large numbers of applicants who were not job ready to look for work would hurt their relationships with employers.

2. Integrating Applicant Job Search Into the Eligibility Determination Process: A Variety of Options

The applicant job search programs implemented in these three localities are similar in that they occur before a family's application for assistance is approved. However, the experiences of the sites suggest that in the current environment it is possible to integrate an applicant job search requirement into the eligibility determination process in very different ways.

In the Atlanta, Southwest Area Office and Kansas City, workers refer applicants subject to the initial job search requirement to applicant job search after they have determined that an applicant is otherwise eligible for cash assistance. In contrast, in Anne Arundel County, applicants for assistance do not meet with an eligibility worker until they have met with a child support worker and a job counselor. In the Atlanta, Southwest Area Office and Anne Arundel County, approval of a family's application for assistance is contingent on compliance with the applicant job search requirement while in Kansas City, participation in applicant job search is only mandatory for two-parent families who make up a tiny share of the city's caseload. To provide additional

insight into the ways in which the implementation of applicant job search programs has altered the eligibility process in the three study sites that implemented applicant job search programs, below we describe each site's process in greater detail.

a. Atlanta, Southwest Area Office: Applicant Job Search as an Additional Eligibility Requirement with a Conciliation Process

In the Atlanta, Southwest Area Office, the eligibility determination process begins with a face-to-face meeting between a case manager and an applicant to determine if they are eligible for TANF benefits, applying the standard eligibility criteria for receiving assistance (verification of income, assets and deprivation). If an applicant appears to be eligible for assistance based on these criteria, the worker then determines whether the applicant is required to participate in applicant job search (also known as Work First Diversion). Applicants who are deemed mandatory are expected to begin participating in applicant job search within a few days.

Applicants who do not participate in the applicant job search program receive a conciliation letter from their worker before their application for assistance is denied. The conciliation letter invites the applicant to a meeting to establish good cause for non-compliance. If the applicant does not attend the meeting, the case is denied. If the applicant attends the conciliation meeting and can establish good cause for non-compliance, the case is opened with no additional requirements. If the applicant cannot establish good cause, the case is opened with a "material violation." A second material violation results in a sanction. Once a family has received two sanctions, they are barred from ever receiving cash assistance.

b. Anne Arundel County: A Completely Redesigned Eligibility Determination Process with No Conciliation Process

The application process in Anne Arundel County differs dramatically from the AFDC/TANF application process used in most local welfare offices and from the application process in the other two sites. Applicant job search is just one part of this newly designed application process. Staff work as a team, but are specialized by function. (A team includes a child support worker, a job counselor, a child care case manager and a TANF eligibility worker.) A family applying for cash assistance would generally go through a series of interviews that takes two to four hours to complete. The process begins when an applicant completes a short two-page assessment form.

The first step on an applicant's journey to receive assistance is a meeting with a worker to discuss child support. The child support worker informs applicants that they must agree to comply with all child support requirements to be eligible for cash assistance (unless they have good cause such as fear of violence for not complying). Applicants who are unwilling to comply with the child support requirement (only one percent of all applicants) cannot proceed with the process for applying for cash assistance but can apply separately for food stamps and Medicaid. They also can take advantage of the job search resources provided through the Job Center.

After meeting with the child support specialist, the applicant then meets with a job counselor who determines if the applicant is required to participate in applicant job search and what the requirements will be. The job counselor focuses primarily on determining what resources are needed to help an applicant find and keep employment. They are responsible for identifying potential barriers to employment and resources for addressing them. They also have considerable

discretion to determine what activities constitute a job search. While meeting with the job counselor, applicants complete and sign the portion of the Family Independence Program agreement that spells out the job search requirements that they agree to comply with as a condition of eligibility. In general, the job counselors' responsibility is to help the applicant develop a plan for finding employment. There are no appointments; assessment is offered daily on a walk-in basis.

After meeting with a job counselor, families in need of child care assistance will meet with a child care case manager who can help them to secure child care assistance almost immediately. Finally, an applicant will meet with a TANF caseworker who reviews all of the requirements with the applicant and makes sure that the applicant understands that failure to comply will result in the denial of cash assistance. Anne Arundel County has no formal conciliation process for applicants who do not comply with job search. Applicants who do not comply with the requirements set forth in their job search plan have their applications for cash assistance denied.

c. Kansas City: Applicant Job Search as a Resource Rather Than a Requirement

Since applicant job search is not mandatory for most applicants in Kansas City, applicant diversion has had less of an impact on the structure of the eligibility determination process. Similar to the Atlanta, Southwest Area Office, workers in Kansas City initially meet with an applicant to determine if they are eligible for assistance using standard criteria. Applicants who are likely to be eligible for assistance are then assessed to determine if they meet the criteria for applicant diversion. Since applicant job search is not mandatory (except for two-parent families), the outcome of job search only will impact an applicant's application if they find employment and report it to the worker. In this case, the applicant's request for assistance would be updated based

on the applicant's new circumstances. Once an applicant is referred for job search, a worker does not always know if the applicant complies with the requirement or not. The application is processed unless an applicant reports employment that makes them ineligible for assistance.

3. A Range of Approaches to Defining Job Search Requirements and Providing Job Search Assistance

Many work first programs are characterized by their emphasis on quick entry into the labor market; however, there is considerable variation in specific program requirements and in the type of assistance provided to meet those requirements. While some programs require participants to engage in a very specific set of program activities, others require participants to demonstrate they are looking for work without imposing a specific set of requirements. Similarly, while some programs provide participants with substantial job search assistance in a structured format, others make job search assistance available but require participants to access the assistance on their own.

Well-defined program requirements have the advantage of providing participants with a clear set of expectations and workers with a clear set of criteria for judging how well participants have met or are meeting those expectations. The disadvantage is that it is often difficult to make adjustments to take into account individual circumstances. While all three sites sought to impose job search requirements that would encourage applicants to look for work almost full-time they did so in somewhat different ways. Interestingly, the level of job search assistance provided was not related to the intensity of the job search requirement. The Atlanta, Southwest Area Office and Anne Arundel County had the most explicitly defined job search requirements, however, while the Atlanta, Southwest Area Office provided extensive and structured job search assistance,

Anne Arundel County relied on an unstructured approach, making a state-of-the-art resource room available to applicants who chose to use it. Kansas City defined its job search requirements less explicitly than the other two sites and, like Anne Arundel County, relied primarily on participants to take the initiative to use the resources available to them in an unstructured resource room.

a. Atlanta, Southwest Area Office: Explicitly Defined Job Search Requirements with Structured Job Search Assistance

The Atlanta, Southwest Area Office requires applicants to conduct 10 documented employer contacts each week for three weeks. (The county requirement is eight employer contacts per week; the Southwest Area Office increased the number to encourage full-time job search by applicants.) The job search program in which applicants in the Atlanta, Southwest Area Office participate is more structured than in either of the other two sites.

At the time of our visit, applicants were required to attend an orientation during the first week, participate in a job readiness seminar during the second week and meet with a case manager in the third week to examine their progress. During the initial orientation, program expectations and benefits are explained. During the three week program, applicants also meet one-on-one with caseworkers to identify current job openings in their field of interest. Staff were planning to move to a more structured approach, including a four-day applicant assessment, in July 1998. Staff randomly verify at least three employer contacts for each participant.

Three full-time staff operate the program; two are from the Department of Family and Children Services (DFACS) and one is from the Georgia Department of Labor (DOL). The staff work as a team. The staff person from the DOL employment office uses DOL's database to

identify job openings that fit with an applicants interests and skills. They may also do individual job development for individual applicants. The DFACS staff conduct the orientation sessions, work with applicants to address potential barriers to employment, contact employers to identify potential jobs for specific individuals, link applicants with child care resources, provide transportation assistance to applicants while they look for work and make recommendations to case managers on whether or not a case should be approved for assistance. Since the Atlanta, Southwest Area Office applicant job search lasts for just three weeks, the program is labor intensive and very fast paced.

The structured approach to applicant job search implemented in the Atlanta, Southwest Area Office, allows workers to identify persons who are not complying with the program requirements very early in the process. The use of mandatory group sessions such as orientation and the job readiness seminar also makes it possible for a small number of staff to provide job search assistance to a large number of applicants in a timely manner.

b. Anne Arundel County: Explicitly Defined Job Search Requirements with Access to a Resource Room, Job Search Workshops and One-on-One Coaching

Anne Arundel County requires a maximum of 10 job search contacts per week for four weeks. A job search contact must involve a face-to-face meeting but is loosely defined and can constitute dropping off a resume or going to an employer to ask whether any jobs are available. Applicants are required to provide verification of job search contacts at the end of each week. Job counselors verify these contacts through spot checks. Job counselors have considerable autonomy in determining compliance with job search and making allowances for good cause for failure to comply with the requirements. They also have considerable discretion to modify the requirements

for applicants who face constraints due to such issues as domestic violence and substance abuse. Exceptions also are made for persons in school or persons already employed 30 hours per week.

Applicants in Anne Arundel County have access to a wide range of job search services that are available within the Job Center. The Center is unique in that it is open to the public, removing the stigma associated with the welfare office. Within the Job Center, applicants have access to a resource area that provides telephones, an answering machine service, books with updated job listings, computers with programs for developing a resume, and detailed information, forms and assistance with obtaining the Earned Income Tax Credit. Staff will do whatever is needed to make the job search work. In addition to the resources provided through the Job Center, county residents, including applicants for assistance, have access to services provided by a Family Support Center and Learning Center located on site. These centers provide on-site child care, classes for GED preparation and high school completion, computer training, ESL and literacy classes, and skills training. In 1997, the Job Center expanded its services to provide skills training to help working poor families move into higher paying jobs.

It is up to the job seekers to let the job counselors know how they are progressing in their job search and what type of assistance they might need. If applicants do not make use of the resource room, job counselors do not follow up with them to find out if they have found employment on their own or may be experiencing some difficulties that make if difficult for them to actively look for work.

c. Kansas City: Broadly Defined Job Search Requirements with Access to a Resource Room

In Kansas City, persons referred to applicant job search are expected to participate in job search activities for 25 hours per week. Applicants looking for work have access to a resource room and can receive individualized job search assistance if they so desire. The resource room is linked to the statewide job bank and has videos available that applicants can view on specific aspects of the job search process.

A staff person is always available to provide assistance; however, when the program was established the expectation was that applicants would conduct most of their job search on their own with guidance from a job search counselor if needed. If applicants need more assistance than is available to them through the resource room, they also can be referred to more formal job search classes that focus on topics such as writing a resume, filling out an application, finding job vacancies, etc. Since Kansas City's program is voluntary, job counselors do not follow-up with persons who use the resource room to monitor their progress. Instead, the job counselors depend on the applicants to ask for the assistance they need and report back to them on the progress they have made.

C. ACCESS TO SUPPORTIVE SERVICES AND WORK INCENTIVES: KEY COMPONENTS OF APPLICANT JOB SEARCH PROGRAMS

The AFDC program not only provided recipients with cash assistance but also provided them with access to supportive services that often were only available to families receiving cash assistance. Supportive services provided most often included transportation and child care assistance. In fact, under the JOBS program, states could not mandate participation unless child

care was provided. Transitional child care also was available to families for a year after they lost their eligibility for cash assistance due to increased earnings. Families who went to work also were eligible to have $30 and one-third of their income disregarded for the first four months of employment and $30 disregarded for an additional eight months. Applicants for assistance were not eligible for any of these benefits.

Since the passage of TANF states have the flexibility to provide these supports to families even if they do not receive cash assistance. Without these services, participants in applicant job search may find their hold on the labor market to be quite tenuous. All three of the sites provided participants in applicant job search with access to child care and transportation, but only Maryland changed their earned income disregard policy to make applicants as well as recipients eligible for these benefits.[11] All three of the sites established special procedures to cover the child care needs of families participating in applicant job search programs.

Atlanta. In Georgia, participants in applicant job search are eligible for child care assistance while they are looking for employment. If they meet the established criteria, they may also be eligible for an additional year of child care assistance. Given that child care generally is unavailable for working poor families with no connection to the welfare system due to limited funding, participation in applicant job search provides families with access to an important benefit that they would not have access to if they had not applied for cash assistance. Participants in applicant job search also are provided with transportation assistance.

[11] Under the AFDC program, the earned income disregard was designed to extend eligibility for recipient families who go to work. Applicants for assistance were eligible for a standard work expense disregard of $90 and a child care disregard, but were not eligible for the $30 and 1/3 earned income disregard that was available to recipients. While many states have chosen to retain this distinction between applicants and recipients, Maryland has not. The effect of this policy is to expand eligibility to some working families.

Anne Arundel. Applicants for assistance in Anne Arundel County meet with a child care coordinator immediately after meeting with the job counselor. Child care is available on-site for families while they use the Job Center and vouchers are available for families who need a longer-term, more stable arrangement. Child care case managers are available who can immediately help applicants to make child care arrangements while they are looking for work and can then help them obtain child care vouchers once they get a job. Applicants who need it can also receive transportation assistance.

Kansas City. When Kansas City implemented its applicant job search program, they instituted procedures to expedite the authorization of child care for families who find jobs through applicant job search. Approval for child care assistance can be received within one day. Transportation assistance is also available to those who need it.

D. IMPLEMENTATION CHALLENGES

The shift to a work-oriented assistance system poses a number of implementation challenges. New policies must be developed. Staff must be retrained. Automated systems must be retooled. Inevitably, some new policies or programmatic changes work well almost immediately, others work well over time and others stretch the capacity of the organization so far that they never are implemented in the way they are intended. Although the study sites all experienced some difficulties in implementing their applicant job search programs, overall, staff and administrators felt their programs were working well. The more difficult aspects of implementation differed from site to site, reflecting differences in the organizational structure and resources available to the local sites.

1. Atlanta, Southwest Area Office: Making Diversion Work with Limited Space and Few Staff Resources

Although applicant job search is a key component of the Atlanta, Southwest Area Office's approach to welfare reform, the program struggled to obtain the resources needed to run an effective program. Housed in the welfare office where space is at a premium, it was a challenge for staff to find space that could be used for their group sessions. In addition, with only a small number of staff dedicated to the applicant job search program, staff often found it difficult to balance competing demands on their time. By definition, applicant job search imposes a rigid time frame for engaging applicants in a job search process and helping them find employment, which in turn places considerable pressure on staff to make sure that any needs that arise are attended to quickly.

2. Anne Arundel County: Using a Team Approach to Enhance Program Operations and Address High Staff Turnover

Anne Arundel County designed its program to take into account some of the difficulties they expected they would face in implementing their applicant job search program. Front line staff were involved in the development of the program and were excited about implementing the program when it was finally put into place. One of the particular difficulties Anne Arundel County faces now and has faced historically is high staff turnover due to low salaries. With high turnover program managers felt it was inefficient for staff to learn and be responsible for multiple functions. Consequently, Anne Arundel designed an intake process and new staffing structure that relies on specialized workers. Within this structure workers are only responsible for knowing the details of one part of the process: child support, job search, child care or eligibility. New workers can be trained quickly with minimal disruption to the overall flow of work.

3. Kansas City: Expanding Services to Applicants and Recipients by Redefining Staff Responsibilities

Retraining and reclassifying staff has dominated the implementation of applicant job search in Kansas City. Although few applicants are currently referred to Kansas City's applicant job search program, administrators see the implementation of the program as a piece of a broader agenda where some eligibility staff will take on greater responsibility for helping applicants and recipients find employment. These workers, recently reclassified and promoted, will handle only TANF cases and will help those most able to find employment while providing more intensive services to those experiencing barriers to employment.

Workers who expressed an interest and capacity for expanding their day-to-day responsibilities beyond the technical aspects of determining eligibility for program benefits were selected for the new positions. Workers received additional training to help them take on new responsibilities. The long-term goal is that the workers will be able to help the city and the state meet their work participation goals. Given that Kansas City has only recently implemented a new staffing structure, it is too early to speculate how this staffing change might affect the size and operation of their applicant job search program.

E. LIMITED DATA AVAILABLE TO EVALUATE THE OUTCOME OF APPLICANT JOB SEARCH PROGRAMS

Applicant job search programs are new and little is known about their effectiveness. Although the local sites all attempted to collect data on their programs, none had sufficient data available to evaluate the success of their programs. In general, state TANF data systems are not set up to collect information on what happens to applicants who participate in an applicant job

search program. Cases in which applicants find employment after completing an application most often will be coded as "denied," but data are not collected within the data system to indicate the reason for the denial. Recognizing the limits of its automated system to track the outcomes of applicant job search, Kansas City worked with the Local Investment Corporation (LINC) to develop a separate system to collect data on the families referred to applicant job search. When fully operational, Kansas City's system will capture data on employment outcomes and linkages with Medicaid, child care and other supportive services.

Anne Arundel County collects considerable data on the number of people who enter their system and are placed in jobs, but they do not have all of the data they need to determine what fraction participates in their applicant job search programs. For example, in May 1998 Anne Arundel County reports that 1,688 County residents used the Job Centers, but only 9 percent applied for cash assistance. The County knows that 1,129 individuals were interviewed by a job counselor, however, they cannot use the automated system to capture the number of individuals enrolled in job search. Because Anne Arundel County sees this as a process measure, obtaining this information is not a priority for them.

The data the county do maintain suggest that many who participate in up-front job search have their cases closed because of non-compliance. Of 32 parents who were not working and enrolled in applicant job search during April 1998, 25 percent looked for a job and could not find one; 56 percent were non-compliant and had their case closed and 19 percent looked for and found a job. Since these numbers are based on self-reports, it is possible that the rates of employment are higher than those presented here. If some parents found employment on their own and did not tell the County, they would not be recorded as having found employment.

Atlanta. Over its first two years of operation, 2,578 applicants were referred to the Atlanta, Southwest Area Offices applicant job search program. An internal report on the program indicates that about 48 percent of those who participated in the program have become employed. Staff in the Atlanta, Southwest Area Office maintain their own manual records on who is referred for diversion and who reports they find employment.

Kansas City. Kansas City does not make as widespread use of applicant job search as the other two offices; however, they maintain the best record of the number of people referred to applicant job search and what happens to them. LINC serves as the data link between the welfare office and the applicant job search program. When a worker refers an applicant to applicant job search she or he sends a copy of the referral form to LINC who then sends it to the applicant job search program. The applicant job search program then resubmits the referral to LINC, noting whether the applicant participated in the program. LINC maintains the referral and follow-up information in an automated database.

During the summer of 1998, about 40 applicants were being referred to applicant job search each month. About half of those referred participate in the program during the first week; participation then drops off to about 25 percent who continue to participate until they are approved for cash assistance. About 10 percent are finding employment. The welfare department expects to use the data they are collecting not only to monitor employment outcomes but also to monitor referrals into the program. The data system is still under development and the welfare department and LINC are trying to determine what other data they should be collecting and how they will use the data to monitor the program.

F. SUMMARY

Each of these three local communities implemented applicant job search programs as a part of their efforts to shift to a more work-oriented assistance system. Anne Arundel County and the Atlanta, Southwest Area Office implemented their programs prior to the passage of PRWORA; in both cases their applicant job search programs were the centerpiece of their efforts to reform the welfare system. Both localities targeted their applicant job search programs broadly, expecting nearly all applicants to look for work before their application for cash assistance is approved. While both offices have very explicit job search expectations, they provide assistance to participants in very different ways. The Atlanta, Southwest Area Office provides participants with a structured job search assistance program; Anne Arundel County provides applicants for assistance with access to a resource room that can be accessed by all residents of the county

Kansas City's approach to applicant job search is strikingly different than the other two localities. Kansas City's program was targeted only to the most job ready and was mandatory only for a very small number of two-parent families. Unlike the other two sites, applicant job search was not the centerpiece of Kansas City's efforts to shift to a more work-oriented assistance system. Program administrators in Kansas City did not believe it was in the best interest of families or employers to refer large numbers of applicants who may not be job ready for immediate employment. As Kansas City learns from their experience, they may expand applicant job search requirements to a broader pool of applicants. However, for now, the program functions primarily as a job search resource for those who want to take advantage of it.

As states are required to meet increasing work participation rates, it is possible that more

and more localities will implement applicant job search programs. Historically, evaluations of employment and training programs have shown that applicants are more job ready and find jobs more quickly than recipients.[12] Thus, applicant job search programs may provide a low cost strategy for helping families with a recent work history or marketable skills to regain a foothold in the labor market quickly. However, as we discuss in more detail in Chapter Four, families who find employment quickly through applicant job search are likely to forfeit or forego Medicaid eligibility as well as transitional medical benefits for which they might otherwise have been eligible. Given that studies have reported that lack of health insurance coverage contributes to job loss among former welfare recipients, it is possible that applicant job search programs may exacerbate this issue, creating even greater cycling in and out of jobs than already exists.

When targeted broadly as they are in Anne Arundel County and Georgia, applicant job search programs have the potential to divert very large numbers of families from the welfare rolls. Applicant job search programs differ from other diversion strategies in that they usually are mandatory rather than voluntary programs. Kansas City provides an example of a voluntary applicant job search program, but it is the exception, not the norm. In many ways, applicant job search programs are simply an extension of work first programs. However, when job search requirements are imposed as a condition of eligibility, they pose a different set of issues.

One of the most important short-term questions is whether participation in applicant job search programs renders families ineligible for or defers them from other benefits for which they otherwise would have been eligible. This may occur either because the program rules make them ineligible or because application processes have not been adjusted to take into account the special circumstances of applicants who participate in programs that are intended to divert them from

[12] Gueron, J.M.., and Pauly, E. (1991). *From Welfare to Work*. NewYork: Russell Sage Foundation.

assistance. Another important question is whether applicant job search requirements result in better or worse long-term outcomes for families. Even though applicants for assistance historically have experienced fewer barriers to employment than recipients, limited assessment also may make it difficult to identify families experiencing personal and family challenges who may be in need of more intensive services to succeed in the paid labor market. Requiring families to find employment in such short periods of time might encourage them to take lower-paying jobs or jobs that are not well-suited to their interests, increasing the possibility of premature job loss.

Another set of unanswered questions revolves around whether one approach to applicant job search is better than another. The three communities that operated applicant job search programs provided very different levels of assistance to people; whether or not one of these approaches will produce better short or long-term employment outcomes than the others is an important unanswered question.

CHAPTER THREE

THE IMPLEMENTATION OF LUMP SUM PAYMENT AND ALTERNATIVE RESOURCE DIVERSION PROGRAMS

States' early efforts to divert families from the welfare rolls focused primarily on providing families facing short-term crises with the financial resources they needed to resolve those crises. Because of this early focus and the widespread adoption of lump sum payment programs, these programs are often perceived as a primary mechanism through which families are being diverted from the welfare system. However, our case studies reveal that, in practice, lump sum payment programs are rarely used. Thus, unlike broadly targeted applicant job search programs, lump sum payment programs are unlikely to result in widespread diversion from the welfare system. Two of the three communities included in our study that operate lump sum payment programs have designed these programs to include an alternative resource strategy. In both cases, efforts to link applicants with alternative resources have had a greater impact on changing the culture of the welfare office and are used more frequently than lump sum payments.

Among our study sites, Missoula, Hamilton, and Anne Arundel Counties operated lump sum payment programs. Two of the three counties, Missoula and Anne Arundel implemented policies that had been developed at the state level while Hamilton County designed its own program. The lump sum payment programs in Missoula and Hamilton County were operated in conjunction with efforts to link applicants for assistance with alternative resources. In Missoula County, these efforts focused on making families eligible for Medicaid and child care assistance without having to receive TANF benefits. In Hamilton County, families can be referred to a consortium of community agencies for a broad range of non-cash services to eliminate their need

for cash assistance. Below, we describe the structure and implementation of these programs in greater detail, focusing first on lump sum payment programs, then focusing on the use of alternative resources to divert families from the welfare system. In Missoula and Hamilton Counties, the lump sum payment and alternative resource programs are operated jointly; however, to make it easier to compare the approaches used, we examine the lump sum and alternative resource components of these programs separately.

A. LUMP SUM PAYMENT PROGRAMS: COMMON PROGRAMS BUT INFREQUENTLY USED

Lump sum payment programs are designed to address short-term financial crises. Under TANF, states have complete flexibility to determine whether they will operate such programs, how generous the programs will be and what rules will guide their implementation. States also have the authority to devolve decision making and operational responsibility for these programs to the local level. As the information presented in Table 3-1 illustrates, the lump sum programs implemented in the three communities are quite similar.

The lump sum payment programs implemented in Missoula and Anne Arundel Counties are designed to provide families with the cash assistance they would have received over a period of time in a lump sum to help them meet a financial emergency such as a car repair. In both cases, the payments primarily are targeted to families who are employed and at risk of losing their employment if the financial emergency they are facing is not resolved. In most circumstances, the maximum payment a family can receive is three times the monthly grant amount they would have received if they had applied and been approved to receive cash

TABLE III-1. Characteristics of Lump Sum Payment Programs

Local Community County/State	Progran Name	Effective Date	How Often Can Apply for Lump Sum	Maximum Amount for a 3-person Family	Maximum Payment Formula[1]	Duration of Ineligibility for TANF	Repayment Terms if Applying During Period of Ineligibility
Anne Arundel/ Maryland	Help Eliminate Lifetime Poverty (HELP)[2]	10/96	no stated limit	$1,164[3]	3 months of assistance	equivalent to TANF aid months[4]	cannot apply for TANF during period of ineligibility
Missoula/ Montana	Job Supplement Program (JSP)[6]	2/96	once in a lifetime	$1,350	3 months of assistance	equivalent to twice TANF aid months[5]	cannot apply for TANF during period of ineligibility
Hamilton/Ohio	Family Boost[7]	1/98	Once every 12 months	$300	flat amount	no period of ineligibility	no repayment terms

[1] For maximum payment formula, the number of months refer to a multiple of the monthly benefits an applicant would get under TANF based on family size.
[2] HELP is Anne Arundel County's own name for the lump sum payment program. The state name is Welfare Avoidance Grant (WAG).
[3] Diversion recipients with compelling circumstances can receive up to 12 months of assistance with administrative approval.
[4] If an individual takes a lump sum cash payment, the period he or she must wait to reapply for TANF is equivalent to the number of TANF aid months represented by the lump sum amount.
[5] If an individual takes a lump sum cash payment, the period he or she must wait to reapply for TANF is equivalent to twice the number of TANF aid months represented by the lump sum amount.
[6] Job Supplement Program is Montana's name for its lump sum diversion program that also offers Medicaid and child care in lieu of cash assistance. The one-time employment-related expense (i.e., lump sum payment) that is available under the JSP may also be provided in conjunction with Montana's cash assistance programs.
[7] Family Boost is Hamilton County's name for its lump sum program. The state name is the Prevention, Retention and Contingency (PRC) program. Hamilton County's unique approach to implementing their county-based version of PRC means that Family Boost also functions, in effect, as alternative resources diversion

assistance, $1,164 in Anne Arundel and $1,350 in Missoula for a family of three. In Anne Arundel County, families facing a more dire emergency could potentially receive assistance equal to 12 months of TANF assistance. Families who receive the payment are then ineligible for the number of months covered by the lump sum payment. In Missoula, families are only eligible to receive the lump sum payment once in their lifetime while it is possible for a family to receive assistance more than once in Anne Arundel County. As noted above, these lump sum payments are rarely used. Anne Arundel County estimates that they use the lump sum payment program for about five families a month; Missoula estimates they may use it even less than once a month.

Hamilton County's program is structured somewhat differently. The program, known as "Family Boost" is described by program administrators as "a short-term investment in people who hit a snag while playing by the rules." Hamilton County's Family Boost program is the county's response to a state requirement that all counties operate a diversion program, known in the state as the Prevention, Retention and Contingency (PRC) program. Counties had the option to adopt a program model developed by the state, adapt the state model to address their specific goals and objectives or develop their own model. Hamilton County chose to develop their own model that differs quite significantly from the state model. Their model has two separate components, a lump sum payment program operated by the county welfare department and an alternative resources component operated by a consortium of non-profit organizations.

Assistance through Hamilton County's lump sum payment program is available only to persons applying for assistance who already have employment, are on the verge of losing employment, or are in the process of getting work and need short-term assistance. Eligible families can have incomes up to 150 percent of the federal poverty level in contrast to TANF

where the income threshold in 100 percent of the federal poverty level. Participants can be eligible for help with immediate needs such as car repair, rent, and utilities in order to find a job or remain employed. These services are made available in the form of vouchers and cannot exceed $300 in value, an amount that is substantially lower than the maximum payment available to families in Anne Arundel and Missoula Counties and lower than the maximum payment of $1,800 available in Ohio counties that adopted the state PRC model. Hamilton County only recently implemented its lump sum payment program; thus data are not yet available on the extent to which the program has been used.

B. LINKING TANF APPLICANTS WITH ALTERNATIVE RESOURCES

Among all diversion activities, efforts to link applicants for cash assistance with alternative resources are the least common: in our analysis of state efforts to divert applicants from TANF, only seven states indicated they are making a concerted effort to explore alternative resources with applicants before proceeding with an application for TANF. As TANF caseloads fall and the pressure of time limits mount, it is possible that more and more localities will explore ways to link applicants for assistance with alternative resources, providing cash assistance only when all other avenues have failed. In addition to being the least utilized option for diverting applicants from the welfare rolls, linking families with alternative resources also is the least understood diversion strategy, possibly because, as our case studies reveal, it is possible to link families with alternative resources in very different ways.

As noted above, two of the five localities we visited, Missoula and Hamilton Counties, operate programs to link applicants for assistance with alternative resources. The programs

operated by these two counties bear little resemblance to one another; what they have in common is what they are not rather than what they are. In both counties, lump sum payment programs exist but are not central to their efforts to link families with alternative resources. Similarly, neither program links the services they provide to any job search requirements. Missoula County's program primarily serves as a gateway to receive child care assistance and Medicaid whereas Hamilton County's program relies on a network of community agencies to respond to a broad range of needs with the goal of preventing the need for cash assistance.

1. Missoula County: Providing Alternative Pathways to Receive Child Care Assistance and Medicaid

a. Program Design and Structure

When Montana officials were developing a plan to reform their welfare system, they were cognizant of the fact that many families could find work but when they did so, it was often temporary with low pay and no benefits. In the design of their welfare reform program, which they implemented through AFDC waivers and have continued as their TANF program, Montana officials wanted to address these issues. In particular, they wanted to establish a program that would support families in their efforts to work without requiring them to receive cash assistance. Given the temporary and seasonal nature of much of the work in Montana, they also wanted to create a program that would allow families to move easily between the welfare system and the labor market.

Montana's Job Support Program (JSP) is a part of the state's TANF program (known as Families Achieving Independence in Montana (FAIM)); to understand fully how the JSP program operates, it is necessary to have some basic knowledge of the TANF program. Montana's TANF

program has two components in addition to JSP: (1) Pathways, which provides cash assistance and (2) the Community Service Program (CSP), which requires recipients to work or participate in 20 hours per week of community service in order to receive cash assistance. TANF recipients start in the Pathways program, which has a two-year time limit. The CSP program then is available to some families who exhaust their two-year time limit in Pathways; participation in CSP is limited to three years. The JSP program functions primarily as a mechanism for TANF applicants who are employed or have other sources of income to get Medicaid and child care without receiving cash assistance. JSP participants are not subject to the Pathways/CSP time limits or work requirements.

JSP is a voluntary program that applicants for assistance can choose to enter as a part of the eligibility determination process or after they have received cash assistance. To determine which program is better suited to their needs, applicants complete a comprehensive application that covers eligibility for Pathways, JSP, Medicaid and Food Stamps, watch a video that explains the various program options (including the JSP program) and meet individually with a caseworker. While the applicant is completing the application for assistance, an eligibility assistant is available to answer any questions. The assistant also provides the applicants with information about other services available in the community; frequently, potential applicants may be diverted by learning of other community services that might meet their needs. The caseworker and the applicant decide whether the JSP program is an appropriate option. There is not a list of definitive qualifications for JSP participants. In addition to being eligible for FAIM, the only other requirement is that applicants must be employed or have some form of income (such as child support).

As a part of the FAIM waiver provisions, Montana changed the earned income disregard from $30 and 1/3 for four months to 25 percent with no time limit and made this disregard available to applicants for assistance. (Under AFDC rules only recipients were eligible for the earned income disregard.) The effect is that more people are potentially eligible for JSP. Under the current rules, a family of three is eligible for benefits as long as they earn $690 or less per month. Under the AFDC system, a family of three whose earnings exceeded $540 per month would not have been eligible for assistance.

Although applicants who meet the criteria for JSP are encouraged to participate in JSP, participation in JSP is voluntary and they may apply for cash assistance instead if they so choose. Caseworkers do discuss with families the value of saving their FAIM months by opting for JSP. A caseworker noted that it is difficult to keep the right balance between emphasizing the right to apply for cash and creating a pressure to divert. Despite, or perhaps because of, the flexibility regarding qualifications for JSP, caseworkers reported they are able to determine easily for whom JSP is appropriate and that they can usually demonstrate to families how JSP is more beneficial to them than receiving cash assistance. Caseworkers report they are pleased to have the JSP option to offer families and believe that the availability of JSP has allayed fears about making the transition from welfare to work. For example, families can easily move back and forth between the Pathways program and the JSP program. While the county predicted about 10 percent of its assistance caseload would participate in JSP, there are approximately 120 persons on JSP and 500 on Pathways.

b. Implementation Challenges

JSP was implemented during a time when there was an overall shift in the focus of the welfare office from providing ongoing cash assistance to supporting families in their efforts to find and keep work. In Missoula County, staff worked to transform the atmosphere of their office to feel less like a welfare office and more like an employment agency. Staff roles changed from eligibility workers to social workers with a focus on building client relationships. Eligibility interviews increased from 45 minutes to two to three hours. Staff received considerable training to help them adjust to their new roles. Although they received one salary upgrade, their salaries lag below others doing similar or even less complex work in the state. Although staff feel they could use additional training, in general they feel positive about the changes they have made and the broader range of options they have to offer applicants and recipients.

The welfare rolls in Missoula have declined from 1,200 to 500 from the spring of 1996 to the spring of 1998. It is difficult to say what specific effect JSP might have had on this decline. There is very little tracking being done on who is diverted and what has happened to these formally diverted families. Missoula County is in the process of developing its own county-based computer capacity to do an analysis of who uses the JSP program, how much assistance is given, and how long people are on JSP or Pathways, as they are presently unable to get these data from the state system.

County officials and caseworkers report that clients have had different reactions to the reforms that have been put into place. Many feel a sense of relief that they will not lose everything, particularly Medicaid, and are anxious to get off welfare because of the stigma attached. One caseworker reported that in one month, 40 of her Pathways cases requested to be

placed in JSP. Widespread utilization of JSP and higher levels of employment among Pathways recipients have, however, strained resources, especially for child care. Expenditures for child care are currently more than state officials expected to spend. However, child care, along with Medicaid, is considered an entitlement for TANF participants and state officials are working with state legislators to find other funds for these services.

2. Hamilton County: Linking Applicants with Services to Avert the Need for Ongoing Cash Assistance

a. Program Design and Structure

Hamilton County's version of linking applicants with alternative resources, is described as using common sense to meet three goals: divert parents facing short-term problems from applying for welfare, keep employed parents on the job, and take care of isolated family emergencies before they mushroom into crises. As noted above, Hamilton County's program to link families with alternative resources operates through the county's Prevention, Retention and Contingency (PRC) program.

In addition to making cash assistance available to families to avert emergencies, Hamilton County pays a non-profit agency, Accountability and Credibility Together (ACT), to help eliminate the need for families to receive ongoing cash assistance. ACT was created through the collaboration of five major non-profit agencies providing a range of social services in Hamilton County, specifically as a vehicle for delivering PRC services. This approach to implementing PRC is unique to Hamilton County in Ohio. Participation in PRC is voluntary and diverted families can elect to receive services either from ACT or from the welfare department. The welfare department

focuses on providing lump sum payments which were described earlier, while ACT utilizes the resources of its member agencies to provide families with a broad range of alternatives to meet their needs. The eligibility criteria are the same for the two programs, up to 150 percent of the federal poverty line.

Eligibility and suitability for the services ACT provides are determined through the standard eligibility process. All applicants for assistance are pre-screened by a short state-required application which is reviewed to ensure that the applicant is not already receiving assistance or that he or she doesn't fall into certain categories of people ineligible for services such non-U.S. citizens, fugitive felons, probation and parole violators, individuals with outstanding fraud payments, applicants with previous TANF sanctions, and applicants not cooperating with paternity establishment/child support orders. If the applicant passes the prescreen, she must participate in an orientation session before participating in an intake interview. The orientation session is conducted by a county worker, lasts about 15 minutes, and emphasizes work requirements, personal responsibility, and the need to achieve self-sufficiency as soon as possible through work. The orientation also discusses PRC. After the orientation, the applicant meets with an intake caseworker, known as an employment coach.

The caseworker does another general screen of the applicant's needs to determine whether she is appropriate for PRC. The caseworker also describes the various programs available to the applicant. Before offering PRC to an applicant, caseworkers make sure that PRC benefits will cover their needs and that the applicant meets the work-related criteria. Caseworkers tend to discourage pregnant women from participating because they expect they will have a harder time keeping and/or finding job. Once applicants are screened for PRC services, persons applying for

PRC complete a PRC application, and if determined eligible, and must complete and sign a Personal Responsibility Agreement. The caseworker decides whether a referral to ACT is the most appropriate option. There are no penalties such as a period of ineligibility for receiving cash assistance under TANF, associated with participating in PRC.

Families referred to ACT must fill out additional forms and agreements at the ACT office. The ACT staff complete another assessment of the families to determine the range of their needs. ACT is able to offer much more comprehensive services to diverted families and there is not a dollar limit on the value of the services provided to ACT families. Basically, whatever need shows up that is work-related, ACT is expected to address (e.g., counseling sessions for a child so that he can stay in daycare and let the parent work). On the other hand, families usually must participate in certain activities in order to receive services (e.g., attend a budgeting class or taking a child regularly to the doctor).

The county welfare department pays ACT $300 per applicant per month for up to three months provided the applicant stays off TANF for three months. Because ACT must provide all services necessary to solve underlying problems, this means that ACT has the freedom to give clients more extensive services such as counseling and parenting classes. However, if costs exceed the $900 or the participant goes on welfare within three months, ACT must absorb the costs. ACT tends to focus on dealing with preventable crises by addressing underlying issues. Overall, caseworkers and ACT staff report that participants seem to prefer the ACT office because they feel that they can trust the staff, the atmosphere is less sterile and more open, and ACT can provide more than the welfare office alone. Caseworkers also reported that, when families/applicants hear about the range of services potentially available through ACT, they are

usually eager to participate. Because the cutoff for Ohio Works First is 100 percent of poverty, PRC is probably the only major assistance program for which families with incomes between 100 and 150 percent of federal poverty level would be eligible.

b. Implementation Challenges

Caseworkers reported that, although they received training, the criteria for PRC eligibility were not very clear and they were uncertain about determining which applicants might be appropriate for PRC and an appropriate referral for ACT. A screening tool is currently being developed to facilitate the referral process. Staff from ACT stated that most of the referrals they receive are appropriate. Initially, referrals to the program were quite low, averaging just 12 per month. After staff from ACT conducted meetings with caseworkers, referrals increased substantially—to almost 60 per month.

Staff resistance to reform was and continues to be the greatest challenge in implementing Hamilton County's PRC program. Staff who were once eligibility workers are now required to perform a broad range of tasks to help families become self-sufficient; while some staff have welcomed this change, others would have preferred to continue in their old positions. Only limited staff training has been provided. Welfare reform has been implemented so quickly that staff have found it difficult to stay current with all of the new program rules and requirements. The states automated system also has not worked as efficiently as staff would like. Program administrators are especially concerned that staff do not have adequate assessment skills, making it difficult for them to identify families experiencing serious personal or family challenges such as substance abuse, domestic violence or mental health issues.

C. SUMMARY AND CONCLUSION

Although lump sum payment programs are the most common of all formal diversion programs, these case studies suggest that large numbers of families have not been diverted from the welfare rolls because they have received a lump sum payment. However, it is not entirely clear why. If families facing crises that could be averted with a lump sum payment program do not know such programs exist, it is possible they only apply for assistance after the crisis has occurred, when it is too late for a lump sum payment program to be of any use to them. Given that few working families were able to receive any assistance from the welfare system in the past, working families facing a crisis may never think to turn to the welfare system for support as long as they are working, even if they are in danger of losing their employment. If this is true, the use of lump sum payment programs may increase as welfare offices gain a reputation as offices that promote and support work.

Alternatively, lump sum payment programs may be used rarely because workers do not probe enough into the circumstances of families to determine whether a lump sum payment could potentially help a family. For our site visits, we intentionally chose states that combined lump sum payment programs with other diversion strategies. It is possible that when lump sum payments are the only diversion strategy available to workers, they use them more; knowing it is one of the few tools they have to help families save their limited months on assistance, they may screen families more carefully to identify those for whom a lump sum payment may be an appropriate option.

Examination of the implementation of this type of diversion in local offices that make more widespread use of the payments may offer more insight into what it takes to use lump sum payment programs more effectively. For example, in Maryland or Ohio where counties have broad discretion on which programs to offer and how to implement them, it may be possible to identify counties that have

developed their lump sum payment program as a centerpiece of their reform efforts. Additional examination of the implementation experiences in Virginia and Utah, the two states that have had lump sum payment programs in place the longest, may also provide additional insight into what it takes to promote lump sum payment programs as an alternative to receiving ongoing cash assistance.

Based on Missoula County's experience it appears that offering applicants the option of receiving child care assistance and Medicaid without requiring them to receive cash assistance may more adequately address the needs of families who are able to find work but are not necessarily able to make it on their own. It is important to recognize, however, that Montana's JSP program was established under an 1115 AFDC waiver, which included a Title XIX waiver for TMA, that the state incorporated as its TANF program. Other states wishing to replicate Montana's diversion program may adopt many—but not all—of Montana's waiver provisions affecting Medicaid eligibility by liberalizing income and resource methodologies under the option provided by Section 1931. States that do not currently have Title XIX waivers modifying the qualifying event rule for TMA (i.e., receipt of Medicaid during three of the previous six months immediately preceding loss of Medicaid eligibility due to an increase in income) will now be required to meet a budget neutrality test; this test presents a formidable barrier for states to overcome.[13] Hamilton County has implemented a unique approach to linking families with resources in the community, acknowledging that there may be underlying non-financial issues

[13] Issues involving the continuation of 1115 AFDC waiver provisions under Section 1931 and the ability to renew or get new Title XIX waivers are discussed in more detail in Chapter Four in Maloy KA, Pavetti, L. et al. (1998).

contributing to a family's current situation.

Although linking families with alternative resources is not a common strategy for diverting families from the welfare system, it is possible that these strategies will become more widespread over time. Currently, most strategies states and localities are using to shift to a work-oriented assistance system build on strategies that have been in place for some time. It is possible that as states and local offices fully realize the flexibility they have to deviate from these strategies, they will develop a broader range of strategies. What makes the strategies implemented in Missoula and Hamilton counties stand out is that they go beyond the notion that cash assistance or help finding a job will resolve all or most of the problems applicants for assistance face. In providing assistance that is more directly targeted to applicants' specific needs, it is possible that these programs will make it feasible for families to stay in the labor market longer, and therefore, have more stability in their lives than they would have in the absence of these programs. To learn from their experiences, programs like those implemented in Missoula and Hamilton counties would benefit from more detailed implementation and longitudinal analysis. These programs are, at their core, job retention programs. Understanding how these programs play out in practice and what outcomes they produce would greatly enhance our knowledge of potential strategies for helping families who are on the verge of losing employment to stay employed.

These three states represent three different and innovative approaches to lump sum payment programs with the common characteristic being that the alternative resources components of these diversion programs (i.e., access to Medicaid and child care in Maryland and Montana, and access to unique packages of services in Ohio) were most valued by caseworkers and applicants. The limited use of the lump sum payment in all three states may suggest that this particular component of diversion programs, that is, a one-time cash payment or voucher with the

potential to affect a diversion participant's future receipt of cash assistance, may become increasingly less important and less prevalent as states look for ways to provide relatively longer-term supports to families who choose work instead of welfare.

CHAPTER FOUR

ASSESSING THE POTENTIAL IMPACT OF DIVERSION ON ACCESS TO MEDICAID

Prior to the passage of PRWORA families who were eligible for AFDC also were automatically eligible for Medicaid. In addition, families who had received cash assistance for three of the previous six months and then left the AFDC program because of an increase in earnings were eligible for transitional Medicaid for an additional six to 12 months. Under PRWORA, the Medicaid program was delinked from cash assistance and a new Medicaid eligibility group for low-income families with children (i.e., Section 1931 group) was established. The mandated eligibility criteria for this new group guarantee that families who would have been eligible for Medicaid using the AFDC eligibility criteria in place prior to the passage of the legislation would continue to be eligible for Medicaid.

As discussed in Chapter One, delinking creates both opportunities to ensure and/or enhance access to Medicaid and circumstances that can result in reduced access. States' early experiences suggest that delinking Medicaid from cash assistance is a complex undertaking. The advent of diversion programs adds to this complexity. Assuring access to Medicaid for diverted families may involve actively promoting the availability or processing of Medicaid applications separate from cash assistance and, in some cases, revising Medicaid policies to ensure coverage for diverted families. Both options require state administrators and policy makers to understand the relationship between TANF and Medicaid policy and their options under Section 1931 for liberalizing Medicaid eligibility as well as a willingness to use the policy options available to them to expand Medicaid coverage to diverted families.

A. DEFINING THE EFFECT OF DIVERSION PROGRAMS ON MEDICAID ELIGIBILITY

One of the primary goals of this research was to understand whether and how the operation of diversion programs might result in fewer families being enrolled in Medicaid. As noted in the previous chapters, there is substantial variation in how diversion programs have been defined and implemented. Whether or not diverted families are enrolled in or eligible for Medicaid will depend on the interaction between a state's diversion and Medicaid policies. Although the specific interactions will differ from program to program, broadly speaking, there are three primary ways in which diversion programs may affect applicants' eligibility for Medicaid:

- ***Diversion programs may raise applicants' income above the Medicaid eligibility threshold, making them ineligible for Medicaid assistance.*** Receipt of a lump sum payment will render a family ineligible for Medicaid if the payment is received directly and it exceeds the states' income limit. Similarly, applicants who find employment through an applicant job search program will be ineligible for Medicaid if their earned income exceeds the states' income limit. Since diverted families will not have received Medicaid for three of the last six months, they also will be ineligible for transitional Medicaid assistance. [14]

- ***If applicants are not aware that their eligibility for Medicaid is not linked to their eligibility for cash assistance, they may not apply for Medicaid or complete their Medicaid application if they believe their application for TANF will be denied.*** Applicants who are unable or unwilling to comply with a TANF job search requirement may abandon their application for cash assistance and Medicaid if they do not realize they can apply for Medicaid even if they choose not to apply for cash

[14] Transitional Medicaid assistance (TMA) provides that, if a family has received Medicaid under Section 1931 in three out of the last six months and loses Medicaid due to an increase in earnings, then the family can receive Medicaid for an additional six to 12 months depending upon their income. Prior to PRWORA and Section 1931 Medicaid, the Title XIX TMA "waivers' have allowed some states to extend TMA for an additional 12 months and to reduce the required number of prior months of Medicaid eligibility from three to one. The value of being able to continue this benefit to families returning to work from welfare or from having no job is evident.

assistance.[15] Similarly, applicants who are able to identify and use alternative resources to meet their immediate needs may not be aware they can apply for Medicaid even if they do not proceed with an application for cash assistance. Some families, knowing they will be subject to requirements with which they are unable or unwilling to comply, may never even start the application process for cash assistance or Medicaid.

- ***Because of the historical link between eligibility for cash assistance and Medicaid, unless instructed to process applications for TANF and Medicaid separately, eligibility workers may deny an application for Medicaid based on failure to comply with a TANF work requirement. In addition, unless given explicit instructions to consider all potential avenues for Medicaid eligibility when an application for cash assistance is denied, workers may fail to consider alternative options for Medicaid coverage, especially for children.*** Since most states are continuing to use joint applications for Medicaid and cash assistance, it is possible that both applications will continue to be processed jointly, even though failure to comply with an applicant job search requirement will not automatically render a family ineligible for Medicaid. Although states have the option to deny Medicaid eligibility for adults who do not comply with work requirements, they cannot deny eligibility for otherwise eligible children in the household. In addition, if families are ineligible for Medicaid because their income or resources exceed the allowable limits, the children may be eligible under other Medicaid eligibility group provisions.

B. APPROACHES TO MAKING MEDICAID ACCESSIBLE TO DIVERTED FAMILIES

Unless states explicitly examine ways in which they can increase the likelihood that diverted families will apply for and be eligible for Medicaid benefits, it is possible that families who are diverted from receiving cash assistance will not receive the Medicaid benefits they would have been eligible for had they not been diverted from receiving cash assistance. The extent to which diverted families receive Medicaid will depend upon several factors including

[15] It is not uncommon for families to have to return to the welfare office with additional information to complete their application for assistance. If a family applies for assistance and learns that they must complete a job search in order to receive cash assistance and they are unable or unwilling to complete the job search, they may not return to complete the Medicaid application process. In this case, the application for TANF and Medicaid would both be denied for failure to comply with procedural requirements.

whether states: (1) put procedures in place to assure that applications are processed for Medicaid eligibility even if an applicant does not meet all of the requirements to be eligible for TANF benefits; (2) adequately inform families of their right to apply for Medicaid even if they do not apply for or are not eligible for cash assistance; and (3) exercise their options under Section 1931 for liberalizing the income and resource standards used to determine Medicaid eligibility. Below, we examine the ways in which the study sites sought to address the link between their diversion programs and eligibility for Medicaid. As each of the study sites addressed this link in very different ways, we examine each site's approach separately.

1. Maryland: Use of Existing Section 1115 AFDC Waiver to Provide Medicaid Coverage

Maryland received approval for its last 1115 AFDC waiver to implement welfare reform statewide in August 1996. This waiver contained two provisions concerning Medicaid eligibility designed specifically to address Medicaid and diversion. First, AFDC-eligible families who opted to receive a lump sum payment (WAG) instead of cash assistance were deemed to be eligible for Medicaid regardless of the amount of the WAG payment.[16] Second, a "costs not otherwise matchable" allowance, the so-called Title XIX waiver, allowed the state to treat AFDC-eligible families who got a job right away as a "no-pay" AFDC case and thus eligible for Medicaid for three months. Families would then be considered to "lose" AFDC/Medicaid eligibility due to increased income; this event then triggered eligibility for 12 months of transitional Medicaid assistance. This second provision is known as the "in lieu of" policy in Maryland (i.e., 15 months of Medicaid and a job in lieu of cash assistance). These two policies essentially guarantee that families who are diverted from the welfare rolls, either through receipt of a lump sum payment or

[16] As discussed above, a WAG payment is usually no more than the equivalent of three months of TANF assistance but

employment, do not lose the opportunity to receive Medicaid.

Anticipating the coincidence of PRWORA enactment and the approval of their waiver, Maryland welfare officials essentially submitted the welfare reform plan they had enacted through waivers as their TANF State Plan in accordance with the requirements of PRWORA. State welfare officials noted that these Medicaid eligibility changes were considered to be an important part of making diversion "work" under the TANF program. As of the date of this report, however, Maryland officials had not submitted the state's Section 1931 Medicaid plan amendment to the Health Care Financing Administration (HCFA); this issue is discussed below in more detail.

In response to the delinking of Medicaid, Maryland officials established what they call "tag-a-long" Medicaid: if a person is eligible for cash assistance, then she is automatically eligible for Medicaid. This tag-a-long policy is important for diverted families because the earned income disregards for Maryland's TANF program are more generous than for their Medicaid program. Applicants for cash assistance who get a job while they are applying for assistance receive a 26 percent earned income disregard (compared to 20 percent for Medicaid). Thus, the effect of tag-a-long Medicaid is twofold: (1) it creates a group of families eligible for Medicaid by virtue of their TANF eligibility who otherwise would not have been eligible for Medicaid, and (2) it expands the group of families diverted through job search who can still get transitional Medicaid assistance. Once again, it is important to note that state officials have not yet submitted a Section 1931 plan amendment with tag-a-long Medicaid policy.

Caseworkers in Anne Arundel County described a scenario whereby someone who comes in to apply for assistance, is clearly eligible for cash assistance and gets a job within 30 days of the application, then she can get Medicaid and child care for three months while her TANF case is

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WAG payments up to the equivalent of 12 months of TANF assistance can be awarded.

held open with no pay. At the end of the three months, Medicaid and child care services are extended for 12 months. These caseworkers described this policy as wonderful and noted that it is a very satisfying way to help families without placing them on cash assistance. Thus, while there is a strong emphasis on getting families to work as quickly as possible and to avoid going on TANF, the caseworkers appear to have a powerful mechanism for getting these diverted families on Medicaid.

Caseworkers also reported that the WAG payments are not used very frequently perhaps because this form of diversion doesn't seem as attractive as the "in lieu of" approach. Families receiving the WAG payment are automatically eligible for Medicaid by operation of Maryland's tag-a-long Medicaid policy – Maryland officials report that the WAG payment is not disregarded but the WAG recipients are deemed eligible for no-pay TANF for the purpose of receiving Medicaid. This deemed eligibility for WAGs recipients is somewhat different from the approach under the AFDC waiver where the WAG was disregarded entirely as income.

Officials in Anne Arundel County reported that it was initially difficult to process their "in lieu of" cases as they kept getting thrown out of the state's computerized Eligibility Verification System (EVS) because the cases were identified as ineligible. For several months, the only way Anne Arundel Department of Social Services (AADSS) caseworkers could process "in lieu of" cases was by hand (i.e., outside of the automated system); county officials reported that other counties simply weren't processing "in lieu of" cases due to the computer problems.

Anne Arundel County's experience with implementing its diversion programs and addressing deficiencies with regard to Medicaid suggests promising approaches that other states may want to follow. Findings also suggest that eligibility changes may not be sufficient to assure

that all families who may be diverted from receiving cash assistance apply for and receive the Medicaid benefits to which they are entitled. At the time of our site visit, interviews with caseworkers indicated that there was substantial potential for Medicaid applications not to be processed completely when the TANF applications were denied due to failure to comply with job search requirements (i.e., applications were being denied for Medicaid when these were denied for TANF) and for TANF applicants not to be informed that they could apply for Medicaid without applying for TANF.

Anne Arundel County officials have since made changes in the eligibility process to decrease the likelihood that families might "fall through the cracks" (i.e., inappropriately denied Medicaid) after these problems became evident. Under the new procedures instituted by County officials, applicants are always asked about applying for Medicaid even if they don't ask about Medicaid during the initial interview and are also informed that eligibility for Medicaid is not contingent on eligibility for TANF. Additionally, caseworkers were instructed to ensure that the Medicaid application is always completely processed, regardless of whether applicants meet their TANF-related job search requirements.

2. Missouri: Use of Existing Medicaid Policies and Section 1115 Medicaid Waivers to Provide Coverage to Diverted Families

When Kansas City implemented its applicant job search program, county officials deliberately used an existing policy known as "prior quarter" Medicaid (i.e., retroactive eligibility) to provide Medicaid coverage for some diverted families. (This option is available to all applicants for assistance but it can be especially important for diverted applicants.) By expanding Medicaid coverage to working poor custodial and noncustodial parents through a section 1115 Medicaid

waiver, beginning in 1999, Missouri will, in effect, provide Medicaid coverage to most families diverted from TANF through applicant job search.

Prior Quarter Medicaid Coverage. Federal Medicaid law requires that applicants for Medicaid be considered for eligibility for Medicaid for the three-month period prior to the date of application. In any month in which a Medicaid-eligible applicant would have met the Medicaid eligibility criteria and received medical services, they are deemed Medicaid-eligible for that month. Eligibility allows applicants to claim payment for any medical expenses they may have incurred during the retroactive period of eligibility. In Missouri, this policy is known as prior quarter coverage and is also used as a vehicle for making transitional Medicaid assistance (TMA) available to families whose period of prospective Medicaid eligibility is less than three months.

Under Section 1931, eligibility for TMA is now triggered by the loss of eligibility for Medicaid due to increased earnings instead of loss of eligibility for cash assistance. To qualify for TMA, an individual must be eligible for Medicaid under Section 1931 during three of the previous six months preceding the month in which she becomes ineligible. Consequently, applicants who find employment during applicant job search or shortly after receiving cash assistance may not be eligible for Medicaid because of the level of their earnings and, thus, will not be eligible for TMA because they will not have had three months of Medicaid eligibility. By establishing eligibility during the prior quarter, an applicant may apply one, two, or three months of prior quarter eligibility toward the three months of Medicaid eligibility required for TMA. While the prior quarter coverage strategy may provide access to Medicaid for some diverted applicants, it does not provide access for all. For example, applicants with recent employment or no unpaid medical expenses are not likely to have prior quarter eligibility.

Section 1115 Medicaid Demonstration. Under the authority of a Section 1115 Medicaid demonstration, Missouri is phasing in Medicaid expansions for children as well as adults; the expansion for children took effect on July 1, 1998, and the expansions for adults will became effective January 1, 1999. Certain waiver provisions will make it easier for diverted families to obtain Medicaid coverage. The waiver will expand Medicaid coverage to working poor adults: (1) uninsured custodial parents with income up to 100 percent of the federal poverty line; (2) uninsured noncustodial parents (i.e., fathers) with income up to 125 percent of the federal poverty line as long as they are current with their child support payments; and (3) uninsured noncustodial parents participating in the "Parents Fair Share" program for unemployed or underemployed parents with income below 100 percent of the federal poverty line. In addition, adults qualifying for TMA after January 1, 1999 can receive two additional years of TMA as long as their income is at or below 300 percent of the federal poverty line. Families who find employment through Kansas City's applicant job search program will have increased access to Medicaid as will working poor families who find employment on their own. Furthermore, depending on their income, they may have access to two additional years of TMA.

3. Georgia: Efforts to Promote Medicaid Eligibility Separate from TANF

In the Atlanta, Southwest Area Office part of the message workers try to convey to applicants for assistance is that work is expected of anyone who receives assistance and job search is expected of those who apply. Workers stress the importance of time limits and sanctions for noncompliance that can bar them from assistance for life and discourage applicants from applying for cash assistance if they do not feel they can fulfill the work expectations. Workers also inform applicants that if they do not think they can fulfill the work requirements they can still apply for

Medicaid and food stamps.

When an applicant applies for cash assistance and Medicaid, the applications are treated differently. Once the Medicaid application is complete, it is processed immediately. However, the application for cash assistance is held until the worker receives notification of whether or not the applicant has fulfilled his or her job search requirement. A parent who has not complied with the work requirement and has her application for assistance denied will continue to be eligible for Medicaid, unless her circumstances change. Parents who comply but do not find employment will receive cash assistance and Medicaid.

If an applicant finds employment, his or her eligibility for Medicaid and cash assistance is reconsidered with the earned income included. Because Georgia's income standards are quite low (e.g., $424 monthly need standard and $280 monthly payment standard for a family of three), few parents who find employment are likely to be eligible for Medicaid. Consequently, as applicant job search is required of nearly all applicants, successful implementation of this diversion program in Georgia could render many adults ineligible for Medicaid who might otherwise have been eligible for Medicaid even if only for a few months – perhaps enough to qualify for TMA**.** Children will usually continue to be eligible for Medicaid through the state's "Right from the Start" Medicaid program that is targeted to low-income pregnant women and children.

While Georgia has not adopted more liberal income standards or methodologies to promote Medicaid coverage to adults who find employment while participating in applicant job search, Georgia has adopted a more liberal resource methodology, allowing the value of an automobile to be disregarded in determining eligibility for Medicaid and TANF if it is used for work or job search. Furthermore, Georgia has continued its waiver of the 100-hour rule for two-

parent families, thereby providing Medicaid coverage to an expanded group of working poor adults although Georgia's low income standards mean that only a few hours of work a week will render poor adults ineligible for Medicaid.

4. Montana: Use of an Existing Section 1115 AFDC Waiver to Provide Medicaid Coverage to Diverted Applicants

Montana received approval for its 1115 AFDC waiver in late 1995 and implemented this waiver in early 1996. As noted above, Families Achieving Independence in Montana (FAIM) program became Montana's TANF program. Using the waiver, Montana officials deliberately set out to make it easier for working families to get and keep Medicaid. State officials liberalized many of the income and resource eligibility criteria. For example, one motor vehicle is exempt irrespective of the value — an acknowledgement of the necessity of an automobile in Montana — and the resource limit is now $3000. With respect to earnings disregards, up to $200 per child is disregarded for incurred child care expenses, and 25 percent of the remaining income is disregarded. State officials also made it easier for applicants to be diverted from cash assistance and participate in the Job Supplement Program (JSP) by making the 25% earned income disregard available to applicants. By contrast, persons applying for Pathways cash assistance must meet the income eligibility standard (i.e., meet or fall below net monthly income) without the benefit of the 25% earned income disregard.

State officials also eased the requirements for transitional Medicaid assistance (TMA) in two ways: (1) receipt of Medicaid for one month as opposed to three months is a qualifying event, and (2) change in unearned income as well as in earned income is now a qualifying event for TMA. All of these Medicaid-related waiver provisions have been continued in Montana. At the

time of this report, however, Montana's Section 1931 Medicaid plan amendment is submitted, but not approved, and remains under review at HCFA.

In Missoula County, there is a strong emphasis on ensuring that diverted families are connected to Medicaid. In fact, it is apparent that Montana's diversion program, at least with respect to how JSP is being implemented in Missoula County, is primarily designed to link families with Medicaid and child care. Montana officials clearly intended that efforts to divert families from cash assistance be supported by the availability of Medicaid. JSP participants automatically receive Medicaid and changes in eligibility make TMA available to diverted families when they leave JSP.[17] State officials made a deliberate decision to count the lump sum payment, which may be awarded under JSP, as a resource rather than income so that Medicaid eligibility would not be jeopardized. County officials and caseworkers reported being pleased about having the JSP option as a way to help families without putting them on the welfare rolls. Community advocates were reportedly pleased that JSP could be used to support a gradual transition instead of an abrupt shift from cash assistance to "independence."

5. Ohio: Use of Existing Medicaid Coverage for Diverted Families

State officials in Ohio have made no major changes in their Medicaid program in response to the diversion component (i.e., Prevention, Retention and Contingency (PRC)) of Ohio Works First (OWF). There are no special income disregards to accommodate PRC-diverted families although a state official noted that diverted families would still be eligible for Medicaid because the program allows a gross income of $980 per month for a family of three, while the maximum PRC payment is $900. Under Ohio's current eligibility standards, families with incomes up to 100 percent of the federal poverty level are eligible for Medicaid. Ohio has made it easier for two-

parent families to be eligible for Medicaid by allowing two-parent families two earned income disregards when both parents work. State officials decided to continue certain provisions of their existing 1115 AFDC waiver under Section 1931 including waiving the non-relative caretaker requirements and the 100-hour rule for two parent families.

Like most states, Ohio has maintained an administrative link between Medicaid and TANF/OWF such that an OWF-eligible family is "automatically" eligible for Medicaid. For those applicants who are not eligible for or not applying for OWF (i.e., participating in the PRC program), county officials felt confident that the state management information system and automated eligibility process were being used to ensure that Medicaid applications were being processed for everyone regardless of eligibility for OWF.[18] Caseworkers reported that Medicaid applications are fully processed no matter what happens to the OWF application. As described above in Chapter Three, participating in PRC in Hamilton County and being referred to its diversion/alternative services program, Accountability and Credibility Together (ACT), may also operate to ensure that Medicaid applications are processed as ACT services frequently involve health services and the ACT agency would want to ensure reimbursement.

State officials reportedly considered addressing the issue of Medicaid eligibility for someone who got a job right away by extending OWF eligibility for three months but a series of meetings on this topic did not lead to any changes in Medicaid policy.[19] The state has apparently opted for a more conservative approach with Medicaid (i.e., no fiscal impact) by focusing primarily on

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[17] TMA is used frequently by FAIM participants as they come on and go off of cash assistance program.

[18] That PRC is available to families with incomes of 150 percent of the federal poverty line means that there is a group of families eligible for PRC who would not be eligible for cash assistance or Medicaid because the income threshold for TANF and Medicaid is 100 percent of the federal poverty level.

[19] Although mandatory applicant job search is not a component of diversion in Hamilton County, all counties in Ohio do have the option of establishing this requirement and several have done so.

keeping the automatic link between TANF and Medicaid, and by using outreach efforts to get more people to apply for Medicaid. It is also possible that state Medicaid and welfare officials may not have a good understanding about the options available to them under Section 1931 for changing Medicaid eligibility criteria.

C. USING SECTION 1931 OPTIONS: DEVELOPING NEW PATHWAYS FOR MEDICAID ELIGIBILITY

The experiences of these five states are not totally applicable to other states that may be interested in implementing diversion programs and promoting Medicaid eligibility. For example, Montana and Maryland, which developed the most extensive Medicaid changes to cover diverted families, established these changes through their existing Section 1115 Title IV-A (AFDC) waivers. To the extent that other states may have included similar provisions in their existing IV-A waivers, it is possible that these same strategies for promoting Medicaid coverage for diverted families can be pursued. As discussed in Chapter One, Section 1931 allows states to continue indefinitely certain provisions of their existing IV-A waivers. All of these states, however, must submit Section 1931 Medicaid State Plan Amendments (SPAs) to HCFA for review and approval to incorporate these waiver provisions into the states' Medicaid eligibility

criteria. HCFA has provided guidance regarding the continuation of existing AFDC waiver provisions pursuant to Section 1931,[20] and by late January 1999, had approved Section 1931 State Plan Amendments for 20 of the 31 states with diversion programs. While an analysis of the Section 1931 SPAs of the states with diversion programs is beyond the scope of this research, preliminary evidence suggests that, for most of these states, the Section 1931 SPAs involved relatively straightforward and simple changes and/or continuations of IV-A waiver provisions.[21] For Montana and Maryland, two states with more complex approaches to extending Medicaid eligibility, their Section 1931 SPAs have either not been submitted (Maryland) or been submitted but not yet approved (Montana) by HCFA.

States without such waiver provisions that want to provide Medicaid coverage to diverted families can rely on the authority of Section 1931 to use less restrictive (i.e. more liberal) income and resource methodologies to determine Medicaid eligibility for families. As discussed in Chapter One, states can define less restrictive income methodologies to provide Medicaid coverage for diverted families who might otherwise be made ineligible for Medicaid benefits (e.g., 1) lump sum payments could be disregarded or labeled as a resource with an increased disregard for resources, or 2) the first three months of earned income could be disregarded for working families). States that liberalize their income and resource methodologies pursuant to Section 1931, however, must apply these changes to all families who might apply for Medicaid – these disregards cannot be targeted to diverted families. Consequently, a state that liberalizes the

[20] See Chapter Five in Maloy, KA, Pavetti, L. et al. (1998) and HCFA letters to state Medicaid directors dated February 5, 1997 and September 22, 1997. HCFA officials also report that they have issued official State Medicaid Manual materials on Section 1931 SPAs.

[21] At the time of this report, a follow-up study regarding the submission of Section 1931 Medicaid plan amendments by thirty-one states with diversion programs was not complete. However, as of late January 1999, three states had not submitted these amendments (including Maryland), seven states' amendments were under HCFA review (including Montana), twenty states had received HCFA approval of their amendments, and the status of the amendment was unclear

earned income disregard will effectively open Medicaid eligibility to a much larger group of working poor families than just families diverted by applicant job search requirements. The implications for state budgets of such expansions under Section 1931 are potentially substantial.

D. SUMMARY AND CONCLUSION

These site visit findings effectively illustrate 1) the three ways described at the beginning of this chapter in which access to Medicaid can be affected by diversion programs as well as 2) a range of options available to states for dealing with Medicaid and diversion. It is also important to note that these states were not selected for their representativeness with respect to their Medicaid policies and so should not be considered representative with respect to how all states with diversion programs are dealing with issues concerning access to Medicaid. As our state selection was shaped primarily by a desire to get a range of diversion programs, it was fortuitous that we also selected states with such a range of Medicaid policies.

State officials in Montana and Maryland made deliberate policy decisions through their Title IV-A (AFDC) waivers to make Medicaid changes specifically intended to address their diversion efforts. Broadly speaking, these changes made it easier for families to get and keep Medicaid without receiving cash assistance as long as they were actively seeking employment. On the other hand, state officials in Ohio and Georgia appear to have engaged in little or no Medicaid-related decisionmaking to support diverting and/or diverted families, either as part of their Title IV-A waivers or as part of their TANF plans.

Missouri demonstrates a notable approach that is somewhat independent of welfare-related provisions because state officials sought an 1115 Medicaid waiver to expand eligibility to

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in one state.

low-income families. However, it is apparent that this waiver was intended in part to help families leaving welfare retain health care benefits and, as such, will probably benefit diverted families. The state's prior quarter policy also illustrates Missouri officials' willingness to use a long-standing Medicaid eligibility requirement to help diverted families access TMA.

With respect to implementation issues, the degree to which these issues affected diversion and Medicaid varied across the five states as well. That eligible families might fail to receive Medicaid benefits (i.e., "fall through the cracks") seems somewhat more likely in the TANF application and diversion procedures in Ohio and Maryland than in Montana where the primary purpose of the JSP diversion is to link families with Medicaid.[22] Similarly in Missouri, a long-standing emphasis on getting families linked with Medicaid, which is certainly reinforced by the scope of the Medicaid waiver, makes "falling through the cracks" unlikely. In Georgia, while there appears to be no policy changes in Medicaid designed to complement the goal of faster employment through applicant job search, there did appear to be a heightened emphasis on ensuring that diverted families attain and/or maintain links with Medicaid. The extent to which state officials can aggressively promote a shift in focus from ensuring the eligibility of TANF families for Medicaid to examining the eligibility of all families for Medicaid irrespective of their TANF status will reduce the possibility that potentially eligible families will "fall through the cracks."

It is too soon to tell definitively about the effects of diversion on access to Medicaid in these states. Four out of the five states reported a range of negative trends in the number of their Medicaid enrollees prior to the implementation of welfare reform and diversion programs. From

[22] It is noteworthy that, as discussed above, Anne Arundel County officials have already taken steps to address these issues.

1995 to 1996, these states reported the following changes in the number of their Medicaid enrollees: Georgia –9%, Maryland –2%, Missouri –4%, Montana –10%, Ohio +47%). In addition, all state informants identified a number of interrelated factors potentially affecting enrollment in Medicaid whose effects can not be disentangled with available data and existing knowledge. However, it is possible that diversion programs may result in fewer adults and families either applying for and or being eligible for Medicaid. States may engage in greater use of applicant job search requirements and this could result in more families getting to work more quickly and/or dropping out of the TANF application process, and, in either event, forgoing Medicaid eligibility.

Although the Section 1931 may provide a valuable tool for states to promote access to Medicaid for diverted families, it is also too soon to draw conclusions about the extent to which states can and will take advantage of the flexibility and options provided by Section 1931**.** Whether state officials consider using Section 1931 in this manner will likely be a function of whether state officials actually intend, or are even aware, that participation in diversion programs could essentially represent a cost/penalty for the adult family members. A particularly compelling example of this involves mandatory applicant job search where the successful participants who get a job quickly will likely become ineligible for Medicaid whereas the less successful participants who take longer to get a job may accumulate enough months of Medicaid eligibility to qualify for TMA. Intensive and ongoing communication and collaboration between state Medicaid officials and state welfare officials could 1) facilitate an informed awareness of such anomalous results and 2) provide administrators with the catalyst to examine policies and procedures and the opportunity to explore ways to avoid unintended and/or undesirable results. For example, state

officials could decide to eliminate the gross income test and disregard entirely the first three months of earned income in order to avoid penalizing diverted families who “play by the rules.”

CHAPTER FIVE

SUMMARY AND CONCLUSION

Formal strategies to divert families from the welfare rolls are becoming an increasingly common component of states' efforts to transform their cash assistance systems into systems that promote and support work. These case studies illustrate a range of approaches to diversion that exemplify themes common to all states undertaking diversion programs. Lump sum payment programs are the most common and most well understood programs, but are also rarely used in their traditional form. Strategies to link families with alternative resources are the least understood diversion programs, possibly because they represent a significant departure from more traditional efforts to link welfare recipients with jobs. Applicant job search programs are substantially more common today than they were prior to the implementation of TANF. In terms of the number of people affected, they represent the most broadly targeted formal efforts to divert families from the welfare system.

It is clear from these case studies that states and localities are defining and using diversion programs in very different ways. However, the goals of these programs are generally quite similar and are consistent with the shift to a time-limited, work-oriented assistance system. Diversion programs are intended to help families with short-term crises resolve those crises without having to apply for and receive ongoing cash assistance or to help families who can work find employment as quickly as possible. Providing such assistance to families helps them to save their limited months on assistance for times when they may be unable to support their families on their own and emphasizes employment as the primary means of support for all families.

Although establishing diversion programs is consistent with the goals set forth for state

TANF programs, there is the potential for these programs to reduce adults' access to Medicaid. In recent years, Medicaid eligibility has been expanded to provide access to children who were not receiving cash assistance/AFDC. Because these expansions were not extended to adults/parents, however, the Medicaid eligibility of adults in families with children continued to be a function of their eligibility for cash assistance/AFDC. Although PRWORA severed the eligibility link between cash assistance/TANF and Medicaid, the eligibility criteria for the new Medicaid eligibility group of low-income families under Section 1931 are, at a minimum, the income and resource requirements of the states' AFDC programs in effect on July 16, 1996. Consequently, to the extent that work-oriented diversion strategies under PRWORA reduce families' initial, albeit short-term, economic need for cash assistance, states need to take action to avoid greater numbers of low-income working adults losing their opportunity for Medicaid.

These case studies reveal that states must make deliberate efforts to both take advantage of certain policy options and implement diversion program carefully in order to optimize access to Medicaid for families who go to work instead of receiving cash assistance. It is evident that some of the Medicaid access problems/barriers can be addressed by increased attention and training regarding the need to process Medicaid applications fully irrespective of the TANF/diversion eligibility. Section 1931 provides states with various policy options to promote Medicaid coverage for diverted families, although it appears that many states may not have considered these options. Because PRWORA has fundamentally changed the character of the welfare system (i.e., the emphasis is on work and not cash assistance, and eligibilty for cash assistance is no longer the trigger for other benefits such as Medicaid), state officials can and should consider whether it is an unintended and/or desirable consequence of their Medicaid and welfare policies that access to

Medicaid for diverted families is limited or unavailable.

A. THE POTENTIAL EFFECT OF DIVERSION ON ACCESS TO MEDICAID

One of the primary goals of this research was to consider whether the operation of diversion programs might result in fewer families being eligible for and/or enrolled in Medicaid, either as a direct or indirect consequence of being diverted. As discussed in Chapter Four, two main factors are relevant to this inquiry: how well the implementation of diversion programs and delinking policies has been and is being accomplished, and how state officials have addressed interaction between eligibility for welfare and eligibility for Medicaid via policy decisions. These five states illustrate a range of diversion program design decisions, implementation approaches, and Medicaid policy decisions that can inform the strategic decisionmaking in other states. While these states should not be considered representative of all states, these findings are certainly informative for federal and state officials and policymakers.

The extent to which Medicaid and welfare/TANF officials collaborated on making Medicaid and welfare/TANF policy changes varied across these states, although it was often difficult to get a good sense of the extent and significance of this collaboration. Similarly, reports about state efforts in outreach and education regarding the ability to apply for and be eligible for Medicaid independent of welfare also varied but were difficult to gauge for their relative intensity and impact. It is important to note that, while Medicaid agency officials are ostensibly responsible for determining Medicaid eligibility criteria, welfare/TANF agency officials are usually responsible for implementing Medicaid eligibility criteria by virtue of their traditional responsibility for administering public benefits programs. Consequently, the importance of ongoing communication

and collaboration between these two sets of state officials with respect to the implementation and interaction of the two programs can not be overstated.

A particularly important area of collaboration and joint attention is the need to focus attention on Medicaid as a stand-alone health insurance program for low-income families. This shift in focus to populations eligible for Medicaid without regard to their eligibility for TANF represents a fundamental shift from initial stakeholder concerns about delinking post-PRWORA that focused primarily on whether TANF-eligible families would still get Medicaid. States should develop outreach efforts specifically targeted to adults and create accessible opportunities for applying for Medicaid. For example, states' outreach efforts about their CHIP programs may significantly improve the number of children who are enrolled in Medicaid but could also be useful for communicating to their parents that they too may be eligible for Medicaid even though they are not eligible or applying for TANF. In addition, ongoing training and support for caseworkers/eligibility workers could complement these expanded education and outreach efforts and provide them with the knowledge and tools to implement the dual eligibility system for TANF and Medicaid.

Thus, the compelling Medicaid and welfare reform policy issue/challenge posed by diversion is how to use Medicaid effectively to support the broad goal of welfare reform to encourage working families. In light of reports that the ability to access health insurance is an important factor in job retention for low-income workers, the ability to promote access to Medicaid for families who choose work instead of welfare is critical. In order to meet this challenge, state officials from both agencies must 1) fully understand and appreciate how their current diversion policies and practices actually work, specifically with regard to determining

eligibility for Medicaid regardless of TANF eligibility; and 2) as needed, use the authority and flexibility available in Section 1931 to develop Medicaid eligibility policies that complement and support welfare to work strategies.

Like Maryland and Montana, states could consider establishing more generous income and resource disregards and promoting the availability of transitional Medicaid benefits. Missouri represents a more sweeping approach with its 1115 Medicaid waiver that will allow more low-income families across the board to be eligible for Medicaid. While these states used various waivers to broaden access to Medicaid (i.e., Maryland's and Montana's programs were implemented initially under the authority of Title IV-A and Title XIX waivers), states now have the flexibility to adopt many of the same provisions under the authority provided by Section 1931. As discussed in Chapter Four, however, liberalizing (i.e., using less restrictive) the income and resource methodologies may result in increases in state Medicaid expenditures, depending on the scope of the liberalizations.[23] There is less flexibility in replicating or extending transitional Medicaid provisions granted under the so-called Title XIX waivers. Guaranteeing and/or increasing access to transitional benefits is challenging because 1) a two-step eligibility process is involved (i.e., families must first be found eligible for "regular" Medicaid and then for transitional benefits), and 2) federal rules require that states meet budget neutrality requirements for any new Title XIX waivers. The cost neutrality requirement will likely limit the use of this option. Ultimately, state officials should carefully examine the interaction between the two programs and consider whether they intended to reduce access to Medicaid by the operation of diversion programs. Intensive and ongoing communication and collaboration between state Medicaid

[23] To the extent that states are already insuring expanded groups of low-income children through their CHIP programs, however, expansions under Section 1931 will, in effect, be adding coverage for adults only, and may not, in fact, have a

officials and state welfare officials could facilitate an informed awareness of the interactive effects of policies and procedures, and provide these officials with the opportunity to explore ways to avoid unintended and/or undesirable results.

B. DIVERSION-RELATED OUTCOMES FOR FAMILIES

One of the most striking findings from these case studies is how little we know about the outcomes of formal diversion programs for families. State data systems have been designed to track the services families receive after their application for assistance has been approved. Thus, we know very little about how many families are being diverted and what their circumstances are once they are diverted. Although many states have efforts in place to examine the circumstances of families who leave the welfare system, diverted families are by definition not TANF recipients, making it impossible to follow these families through standard research methods. Therefore, it will take a conscious, concerted effort to identify and track families who have been formally diverted from the welfare system. Such a strategy will need to identify families when they begin the application process and follow them over time. Without such information, our understanding of welfare reform and its impact on families will be incomplete. An even more difficult issue arises if one considers the circumstances of families who have been informally diverted from the welfare. As these families never make it to the front door of the welfare office, it is even more difficult to document their experiences and the full impact of welfare reform.

One of the goals of the case studies was to ascertain whether diversion programs may also be affecting safety net providers and other community-based organizations (CBOs) that serve diverted families. Since diversion programs are one component of a much larger set of reform

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substantial impact on the Medicaid budget.

strategies involving both welfare and Medicaid currently being implemented in many states, representatives of these providers and CBOs could not isolate the impacts of diversion with respect to their perceptions about how welfare reform generally was affecting poor families. Many were not even aware that diversion programs existed in their communities. Others were aware that diversion programs existed but were unable to determine if they were having any impact. In each of the communities we visited, providers expressed concerns that they were seeing more families who were not covered by Medicaid, but the impacts of changes in coverage for immigrants, the implementation of managed care, and an increasing overall emphasis on employment could not be disaggregated.

C. RECOMMENDATIONS

Diversion programs are one of many strategies states and localities have used to change the culture of the welfare office. Diversion programs are unique in that their goal is to provide assistance to families quickly, in hopes that their need for ongoing assistance can be eliminated. By providing assistance to families quickly, either in the form of a lump sum cash payment, alternative resources or job search assistance, families can save their limited months on assistance for future crises that may take longer to resolve and can begin to support themselves through paid employment immediately.

These case studies suggest that diversion programs are not intended to reduce access to cash assistance or other entitlement programs for those who meet the eligibility criteria. However, without adequate screening to identify applicants for whom diversion may be inappropriate, it is possible that some families in need of ongoing cash assistance may not apply

for and receive it; others may apply for assistance but may abandon their application if they feel they are unable to meet the program expectations. In addition, because, in the past, families who qualified for cash assistance generally qualified for other public benefit programs, especially Medicaid and Food Stamps, families may not realize that they can apply for these benefits even if they do not apply for or qualify for cash assistance. Diversion programs, especially, applicant job search programs have the potential to dramatically reduce the number of families who ever enter the welfare system. Consequently, failure to take into account the circumstances of families who are diverted from the assistance will result in an incomplete picture of the outcomes of state and local efforts to reform the welfare system.

The importance of substantive and substantial collaboration between Medicaid and welfare officials with respect to diversion as a work-oriented welfare reform strategy can not be overstated. Although many state officials are struggling to deal with the advent of Medicaid managed care as well as PRWORA- and TANF-related reforms, such collaboration to consider the interplay between welfare and Medicaid policies will lead to results more consistent with the goal of supporting working families. Initial post-PRWORA concerns were focused primarily on ensuring that, despite delinking, TANF recipients would continue to get Medicaid as opposed to considering whether non-TANF recipients were getting Medicaid. Thus, state officials have uniformly reported that the most significant welfare reform/Medicaid issue had been addressed by using the joint application process to ensure that TANF-eligible families were found eligible for Medicaid at the same time.[24] However, state officials must now look beyond what can be accomplished by a joint TANF/Medicaid application process to develop other strategies to

[24] Maloy, K., Pavetti, L., et al. (1998).

promote access to Medicaid post-PRWORA.

State officials must also consider carefully how to measure and talk about success of diversion programs. A relatively standard and commonly-used approach to measuring diversion success is to examine the number or percentage of total applicants diverted and if, or for how long, they stayed off the TANF rolls. Such an approach falls short because it does not include measures to assess the potential for, as well as the actual loss of Medicaid by otherwise eligible families. Without a concerted effort to identify ways in which Medicaid coverage can be provided to working poor families, the success of diversion programs, especially applicant job search programs, may lead to a decline in the number of parents who are covered by Medicaid. This, in turn, may result in fewer adults being able to maintain employment.

The findings of this research suggest the following recommendations.

Regarding the Implementation and Operation of Diversion Programs:

- When implementing diversion programs, states and localities should closely examine their intake and screening procedures to ensure that families in need of ongoing cash assistance are not being diverted inappropriately.
- As more states implement diversion programs, additional information should be gathered on these programs in an effort to identify promising practices for helping families outside of the welfare system.
- All diversion programs are not alike. Additional research should be conducted on diversion programs to determine whether some approaches to diversion produce better employment outcomes than others.

Regarding the Link Between Diversion Programs and Access to or Eligibility for Medicaid:

- State officials should shift their attention to emphasizing the eligibility of low-income families for Medicaid irrespective of their TANF status in order to promote effectively

access to Medicaid for eligible families.

- State Medicaid and welfare officials should collaborate to 1) understand the potential impact of diversion programs on access to Medicaid, especially unintended and/or unanticipated effects, and 2) determine how to avoid and/or mitigate undesirable results.
- Concerted public information and education campaigns can be undertaken to ensure that low-income families, and all the organizations that serve them, fully understand that Medicaid is now essentially a stand-alone health insurance program for low-income families. There continues to be a lack of clear knowledge about the ability to apply for Medicaid without applying for TANF and confusion about whether or not work requirements and time limits are now attached to eligibility for Medicaid.
- Caseworkers/eligibility workers will need ongoing training that provides instruction on how to ensure that access to Medicaid is maintained notwithstanding the implementation of aggressive work-instead-of-welfare strategies.
- The expansion of the availability of locations separate from the welfare office where families can easily apply for Medicaid would make it more likely that informally diverted families might still apply for Medicaid.
- Ongoing communication and constructive collaboration between federal administrators and state officials could help states offer Medicaid to more working families for longer periods through informed policymaking, careful program design, and aggressive implementation strategies. Section 1931 can provide a powerful tool for states to expand Medicaid eligibility to low-income working families and offset the unintended and undesirable effects of diversion programs.

Regarding the Collection of Better Data on Outcomes Associated with Diversion Programs:

- States and localities that have implemented diversion programs, with assistance from the federal government, should identify strategies for monitoring the outcomes of diversion programs, taking into account both short and long-term employment outcomes and receipt of other benefits such as Medicaid and Food Stamps. When reporting the outcomes of their welfare reform efforts, states and localities should take into account the impact diversion programs may have on these results.

APPENDIX

SITE VISIT REPORTS

Georgia Site Visit Report June 2-4 1998 Fulton County (Atlanta)

Background

The primary focus of Work First, Georgia's welfare program, is employment and self-sufficiency. Work First began in 1995 under a Section 1115 AFDC waiver granted by the federal government. A large component of the reform is Work First Diversion (WFD), a mandatory job search program for TANF applicants which aims to provide them with the tools necessary to find a job and end welfare dependence. Before receiving cash assistance, WFD requires applicants to complete 25-30 documented job interviews. Applicants who fail to complete program requirements are ineligible for a welfare grant. After federal welfare reform was passed, WFD became the focus of Georgia's welfare program as exemptions from diversion all but disappeared. Local offices in Georgia have considerable flexibility in designing their WFD programs. Below, we provide a summary of WFD as implemented by the Fulton County (Atlanta) Southwest Area Office (SWAO).

Program Structure/Process

Work First Diversion is intended to send a message to welfare recipients that it is more important to take a job immediately rather than enter the welfare rolls. When Work First was first implemented, it was presented to clients and staff as an opportunity for welfare recipients to reclaim their dignity through work. Defining characteristics of WFD include: (1) the majority of applicants are required to participate—very few exemptions exist; (2) applicants are provided with considerable assistance to find employment; (3) applicants are eligible to receive supportive services such as child care and transportation while looking for work and child care for an

additional year if they find employment within six weeks; and (4) adults who find a job through WFD usually are not eligible for Medicaid, but their children often are.

Program Coverage. Upon entering the welfare office, applicants are interviewed by an eligibility worker. The worker will first determine if an applicant is eligible for TANF, and then if she will be referred to WFD. All non-exempt applicants are required to participate in WFD. Exemptions are narrowly defined and include only those between the ages of 16 and 19 who have not completed high school and those with a child under one year of age. Teenagers are required to obtain their high school diploma or GED. Case managers have discretion in determining who is referred to WFD, and may exempt applicants based on factors such as medical history and domestic violence. At SWAO, staff encourage most applicants, including those who could be exempted, to participate in WFD, find a job and save their time-limited months of cash assistance for crises. Although Medicaid and Food Stamp applications are processed without delay, all non-exempt applicants are required to complete WFD before their applications for cash assistance are even considered. They must also sign a Personal Responsibility Plan (PRP) to be eligible for TANF. The PRP is developed by an eligibility worker during the intake interview and is tailored to the applicant. Case managers try to process applications within a 40-day standard of promptness.

Program Requirements. Once they are enrolled in WFD, applicants are required to complete three main activities: (1) an orientation session in the first week, (2) a job readiness seminar in the second week, and (3) an interview with a case manager in the third week to determine applicant status and assess job search progress. Local offices have considerable discretion to determine what these requirements may be. The SWAO was anticipating changing the structure of its

program to provide even more assistance to applicants participating in WFD. SWAO applicants are informed at the orientation that they must complete 10 documented employer interviews each week for the duration of the program. If an applicant finds a job during the three-week program, an eligibility worker will then assess her budget to determine if she is eligible for a portion of the TANF grant. Applicants who meet the requirements but do not find jobs are approved and will receive their TANF grant. Those who fail to meet the requirements are sent a letter of conciliation. If an applicant fails to respond to the letter and show good cause, the case is denied. Any attempt to reopen the case results in a sanction. Two sanctions result in a lifetime ban from cash assistance.

Job Search Assistance. When Work First was implemented under PRWORA, the staffing structure was changed in order to provide more support for applicants looking for a job. In the SWAO, three staff representatives comprise the Applicant Services Unit that administers WFD: an applicant case manager, a job developer, and a Department of Labor (DOL) employment specialist. The applicant case manager conducts initial interviews and orientations, monitors applicant progress and makes recommendations as to whether the TANF application should be processed or denied. The community resource specialist acts as a job developer by teaching job readiness classes and helping applicants find jobs. The job readiness seminar provides specific training on how to find a job. Applicants also are given instruction in resume writing and how to prepare for interviews. The community specialist works with applicants on not only getting a job, but also keeping the job and advancing within an organization. The DOL worker gives applicants leads on jobs known to the DOL, helps with resumes and cover letters, and will fax resumes as needed. Subsequent to the orientation, the DOL worker will interview each applicant about her

work history, experience and skills in order to identify suitable jobs. Along with staff support, quarterly job fairs have been successful in bringing local employers in contact with WFD participants looking for jobs.

Supportive Services. Applicants are given supportive services during the job search process including transportation and child care. Applicants are eligible to receive a monthly pass that allows them unlimited use of Atlanta's public transportation system. They cannot, however, receive reimbursement for gasoline or car repairs. Applicants are eligible for child care assistance while they are looking for work. This assistance can be authorized almost immediately. If applicants find employment through Work First Diversion, they potentially are eligible to receive child care assistance for an additional year. Since Atlanta has very long waiting lists for child care assistance for working poor families, this is a major benefit to families who find employment.

After attending the job readiness workshop, applicants are also eligible to receive interview clothing from "Suited for Success," a non-profit organization that collects business attire from professional women. If an applicant finds a job, she is rewarded with three additional outfits. If needed, the SWAO will help applicants pay for uniforms.

The applicant case manager also tries to remove whatever other barriers to employment that may arise. Issues around domestic violence are common; referrals are made to battered women s shelters on a regular basis. Referrals may also be made for mental health services or alcohol and drug abuse treatment. In general, the worker tries to respond whatever issues come up that might affect an applicant's ability to find or keep employment.

The Link to Medicaid

Georgia has not implemented any changes to its Medicaid program to address the

needs of families who find employment through WFD. Because Georgia's eligibility standards are quite low, this means that most applicants who find employment are ineligible for Medicaid, although their children often remain eligible. Georgia has an extensive outreach program in place to make sure that all families eligible for Medicaid, especially children and pregnant women, are enrolled in the program. Since 1988, eligibility workers have been outstationed in all Disproportionate Share Hospitals. After 1988, outstationing expanded to other facilities including private hospitals and health centers.

Workers indicate that an applicant's Medicaid application is processed immediately; it is not held up while the applicant is participating in applicant diversion. Applicants are also encouraged to apply for Medicaid even if they don't feel they can meet the requirements of WFD. Workers would prefer for families to come back and apply for benefits later, when they are in a better position to meet the WFD requirements, than to apply for benefits and end up with a sanction that could bar them from receiving benefits for a lifetime.

The following Medicaid programs are available to eligible applicants:

- Low-income Medicaid (LIM) is the primary Medicaid program in Georgia that those on TANF will receive. Although TANF recipients automatically receive Medicaid, families are given the option to apply for Medicaid without applying for TANF.
- Right from the Start Medicaid (RSM) is available to pregnant women and children who exceed the LIM income threshold. RSM covers children age six to eight up to 100% Federal Poverty Line (FPL), ages one to five up to 150% FPL, and infants up to 185% FPL. Under presumptive eligibility, pregnant women are automatically covered for up to two months after delivery.

- Transitional Medicaid (TMA) is available for twelve months to those who have received TANF Medicaid at least three of the six previous months. Medicaid is also available to families for 4 months after their child support payments put them over the TANF threshold.
- Medicaid is available to "medically needy" families whose medical bills are so high as to leave them destitute.

If an applicant finds a job while participating in WFD, her case manager will do a budget (prospective) to see if she is eligible for a portion of her TANF grant. If not, then the TANF grant is denied. If applicants are not eligible for cash, the adult is not eligible for Medicaid as the eligibility criteria for the two programs are the same for adults. If the family is not eligible for Low Income Medicaid, the worker will check to see if the children qualify for RSM. In general, the adult is not eligible for transitional Medicaid assistance because they do not meet the requirement that they have received a direct money payment for three out of the last six months.

If the applicant is eligible for a partial grant, applicants can still receive part of their cash grant and will be eligible for Medicaid. However, workers often recommend that families not take the cash assistance so that they can save the months for times when they may need the assistance more. If the family chooses not to take the cash grant, they can still receive Medicaid because the eligibility for Medicaid is considered separately from eligibility for TANF.

If an applicant has not found a job at the end of three weeks, the TANF application is approved and the family continues to be eligible for LIM. After approval to receive TANF, recipients must develop a plan to participate in a work activity that might include training, education or work experience. Failure to comply with the plan results in a sanction which can

eventually bar a family from ever being able to receive assistance again. Families who are sanctioned are eligible to receive Medicaid.

Pregnant women and children of diverted families may receive RSM if they meet the more liberal standards. Medicaid also is available to diverted families if deemed "medically needy." Assuming they are aware of their eligibility, families who are informally diverted (reluctant to apply for TANF because of the requirements) can apply for Medicaid separately if they meet income standards.

If an applicant starts but does not follow through with the WFD requirements, the case manager initially sends out a letter of conciliation. The purpose of the letter is to find out why they did not complete job search and what they may need to overcome any barriers to employment. If the applicant appears for a pre-set interview and can show good cause, the case remains open. If they do not appear for the appointment, the case is closed. If an applicant appears for the conciliation appointment, but cannot show good cause for not participating, the case is opened with a sanction equal to 25 percent of the TANF grant. Medicaid is authorized for the entire family if the case is opened with a sanction or denied for failure to comply with the requirements.

Implementation Issues

One of the most difficult challenges in implementing Work First was changing the culture of the welfare office. In the early stages of implementation at SWAO, some staff were frightened and frustrated by the changes. DHS officials organized countless meetings with staff, local businesses, community organizations, and visited every neighborhood planning unit and tenant association in the city. Over time, many of the staff became more excited about Work First, and

now enjoy their new roles as social workers rather than eligibility workers. One worker indicated that helping people to accept that welfare is temporary is a hard process and a hard job. She sees her job as teaching welfare recipients to make better choices as recipients often end up where they are because they made bad choices they thought were right.

WFD has had difficulty obtaining space and the staff needed to operate the program. Since the program is required of everyone and everything needs to be in place quickly, staff have hardly ever experience any times when their workload lightens. Still, staff are extremely supportive of the program and believe they have much to offer to those who participate in it.

Outcomes of Diversion

While some county offices may do so on their own, Georgia does not keep track of what happens to diverted welfare applicants on a state-wide basis; therefore, understanding the effects of diversion is difficult. The department has a quarterly reporting system which counts caseloads and tracks savings, but the law does not require tracking past 120 days. Welfare officials believe the drop in caseload size is an indication of the reform's success. The Atlanta office reports their TANF/Food Stamps caseload dropped from 63,000 to 30,000 caseloads from 1996 to 1998. Caseload reductions, however, do not give any indication about what happens to diverted applicants. Less than 35 percent of TANF applicants referred to WFD were approved for cash assistance. SWAO reports that 714 applicants in 1997 were diverted and the vast majority found jobs. The jobs were primarily entry-level, and paid an average hourly wage of $7.00. Most diverted applicants were approved for RSM or TMA. No further information exists, however, on what happens to those who are diverted. Based on 30-day retention reports, caseworkers at SWAO estimate that over 50 percent of people diverted are working three weeks after orientation.

Advocates are generally concerned that the needs of low-income families are not being met, and diversion plays a role in that gap. For example, community based organizations (CBOs) suspect that decreased TANF roles may be the result of informal diversion—eligible families did not apply because they thought they would not be able to get TANF or comply with the requirements. Advocates indicate that there has been an increase in demand for community services. According to one advocate, food pantries saw a 30 percent increase in requests for food assistance, community kitchens saw more children, and food banks are planning to expand their programs.

Safety-Net Providers (SNPs) have noticed more children, and fewer adults on Medicaid since the reform, however, it is unclear what might be contributing to fewer people being eligible for Medicaid. WFD has been implemented at the same time Georgia shifted to a managed care system, making it difficult to disentangle what might be the cause of what providers are experiencing. In addition, Georgia has implemented time limits and many other welfare reform provisions, especially for immigrants that may also be contributing to these changes.

Maryland Site Visit Report - June 14-17 1998 Anne Arundel County

Background

Maryland's welfare reform, the Family Investment Program (FIP), is described as representing a shift from an income maintenance orientation to one that protects children by assisting their families to become independent through work, personal and family responsibility, and community involvement. County offices have considerable discretion and latitude in writing policies, setting work-related requirements for applicants and recipients, and implementing programs under FIP. Maryland has incorporated all three diversion components into FIP. The primary diversion program is a four week mandatory applicant job search requirement that is associated with applying for cash assistance, known as Temporary Cash Assistance (TCA). The other components are Welfare Avoidance Grant (WAG), a lump sum payment program, and efforts to assist families through finding support and services in the community - alternative resources. Although FIP was implemented statewide October 1, 1996, the Anne Arundel (County) Department of Social Services (AADSS) began its welfare reform efforts in 1995. Because of their innovative efforts, AADSS has been touted across the state and country. Below, we provide a summary of the diversion component of FIP as implemented in Anne Arundel County.

Program Structure

The AA County welfare program is designed to help families meet their needs through employment. The AADSS welfare office has literally become a Job Center office, which is co-located with a Family Support Center and a Learning Center. When 'clients' walk in the door, they are to begin an immediate focus on work as well as exploration of other ways to meet the families' needs other than cash assistance. One of the innovative developments in AA County is

that you don't have to be applying for assistance to use the Job Center - so the atmosphere is deliberately not welfare-oriented. County officials reported that the goal of their approach to welfare reform is not diversion but a focus on what people need and ask for with an emphasis on helping people early before situation deteriorates. During the mandatory applicant job search, clients can receive numerous supportive services such as child care, literacy classes and transportation. WAG assistance is used infrequently and usually must be specifically related to keeping a job.

Process for Applying/Eligibility

Everyone coming to the AADSS Office, i.e., the Job Center, must register by signing in. If they want to apply for assistance, as opposed to just using the employment resources, they complete a two-page assessment form designed to elicit information about their needs and resources and about exactly why the person is seeking assistance. The applicant then has a series of interviews with AADSS staff in this order: child support specialist, job counselor, child care worker, and caseworker. With each interview, the applicant completes a portion of the FIP Agreement that address various areas of responsibility for the applicant as a condition of receiving cash assistance - the applicant literally takes the application from one interview to the next. For example, during the first interview with the child support specialist, the applicant must agree to pursue child support and begin the paperwork or have an acceptable excuse (e.g., domestic violence) in order for the application for assistance to proceed. The next interview with the job counselor is where the mandatory applicant job search requirements are worked out.

Maryland exempts from the job search only individuals who are disabled, caring for a disabled person, or have a child under the age of one. The job counselor screens the applicant in

terms of these exemptions and perhaps for domestic violence and/or substance abuse/mental health problems. The primary goal of the job counselor is to work with applicants to discover barriers around employment and figure out how to address these barriers. The job counselor also reviews the applicants' expressed need for Medicaid and Food Stamps as well as whether the applicant might be appropriate for the WAG lump sum diversion. Anne Arundel County exempts those who work 30 hours per week or more as well as persons in school or in training programs. Job counselors are given considerable discretion in determining what activities constitute a job search to accommodate for different applicant situations. AADSS job counselors, however, place considerable emphasis on getting a job rather than relying on cash assistance and tell applicants that they will probably get money sooner looking for work than waiting for their application for cash assistance to be approved. With the job counselor, applicants complete and sign the portion of the FIP Agreement that spells out the job search requirements thereby agreeing to comply with these requirements as a condition of eligibility.

> The applicant then meets with a child care worker who can immediately make arrangements for child care to support the applicant searching for a job. Finally, the applicant meets with a caseworker who reviews all of the requirements outlined in the FIP agreement with applicant, makes sure that the applicant understands that failure to comply will result in denial of the application for cash assistance, and has the applicant sign the form. At any point during this process, the applicant reportedly can decide to apply just for Medicaid, if she does not want to deal with the job search requirements, or Food Stamps.
>
> **Job Search Requirements.** AADSS requires 10 job search contacts per week for four weeks; but exceptions/adjustments are made for persons in school or persons who are already working 30 hours per week. A job search contact must involve a face-to-face meeting but is loosely defined and can constitute dropping off a resume or going to the location to ask about a job instead of an interview. Applicants are required to provide verification of job search contacts at the end of each week. Job counselors verify these contacts through telephone calls to the employers. Job counselors have considerable autonomy in determining compliance with job search and making allowances for good cause failure to comply. Adjustments can be made for those who have constraints due to issues such as domestic violence and substance

abuse. For applicants with substance abuse problems, AADSS staff reported that realistic/reasonable requirements for work activities for these applicants could be hard to determine and enforce given the limited availability of treatment options substance.

An applicant who gets a job during the initial job search period will probably not be eligible for cash assistance, but may still receive childcare and Medicaid**.** Maryland established what is called an "in lieu of" policy whereby if someone comes in to apply for assistance, is clearly eligible for TCA, and gets a job within 30 days of the application, then she can get Medicaid and child care for three months while her TCA case is held open with no cash payment and then Medicaid and child care services are extended for 12 months. AADSS senior staff described this policy as wonderful and noted that it is used much more frequently than the WAG and it is a way to help families without them having to go on cash assistance.

An applicant who fails to get a job, but meets all FIP requirements will receive TCA and Medicaid. On the other hand, if the applicant has not complied or not been in touch with a job counselor at the end of four weeks, then cash assistance/TCA is denied and the applicant receives a letter to this effect. There were conflicting reports about whether or not the Medicaid application is completely processed in this situation or whether someone who failed to meet requirements of mandatory applicant job search must come back to the AADSS office and reapply for Medicaid, or whether the notice letter advises the denied applicant about the continuing potential for Medicaid eligibility.

Job Search Assistance. All job search assistance services in Annapolis are located within the Job Center. The Job Center is unique in that it is open to the public. This arrangement not only expands their client base and makes the Center more accountable to the public, but it helps remove the stigma of welfare. The Job Center, the Learning Center, and the Family Support Center (FSC) are located under one roof to provide one-stop shopping; when people come for services, they can get what they need that day. There are three distinct areas of activity in the Job Center: the resource area, the child support enforcement area, and the child care program. The resource area provides telephones, an answering machine service for job hunts, books with updated job listings, computers with programs for developing a resume and accessing the

Internet, detailed information and forms on the EITC, and space for onsite job fairs.

Supportive Services. Extensive childcare assistance is available at the Job Center. A childcare caseworker can provide applicants with child care vouchers to purchase child chare anywhere in Maryland. There is also a childcare center on-site for parents who are pursuing work-related activities at the Center. Transportation subsidies and vouchers for uniforms and clothing are also available. The Family Support Center employs a public health nurse who provides free immunizations and teen pregnancy check-ups on-site and who refers clients to services for their medical problems. FSC also offers transportation to anyone living within 15 minutes of the Center who wants to come in for assistance (e.g., parenting classes). The Job Learning Center also provides numerous classes including GED/high school diploma, computer training, and English as a second language. Career trainings (e.g., electrician training) are designed to provide people with marketable skills for higher paying jobs. Staff reported a great deal of difficulty in providing and/or finding services for families/individuals with serious health- or mental health-related barriers to work. As a result, AADDS has contracted with a local partnership involving Goodwill Industries and local developmental disability services providers to conduct comprehensive vocational assessments for persons with these needs.

Welfare Avoidance Grant (WAG)

> The Welfare Avoidance Grant (WAG) is generally only available to those who already have a job or who very recently lost a job and who need this type of assistance to continue working and who otherwise have very minimal problems. Eligibility for WAG, which is also called Help Eliminate Lifetime Poverty (HELP) grant in Anne Arundel County, is determined by an intake caseworker. A co-manager must approve the case before an employment counselor authorizes a HELP payment. AA County staff reported that these grants are used only one or two times a month. The grant is calculated based on what a family would receive on TCA. The money goes directly to pay for the family's emergency--part of the grant may be sent to a landlord to avoid eviction, for example. HELP grants do not count against the lifetime

limit, but state rules prohibit the recipients from receiving TCA for the equivalent number of months that the grant was worth in TANF payments.

Linkage with Medicaid/Role of Medicaid in Diversion

Maryland received approval for its most recent Section 1115 AFDC waiver to make the Family Investment Program (FIP) statewide in August 1996. Maryland officials reported that this waiver directly addressed the issue of Medicaid eligibility for applicants who successfully found employment while participating in applicant job search. The state applied a "costs not otherwise matchable" allowance under a so-called Title XIX waiver. This waiver allowed the state to treat AFDC-eligible families who found a job within 30 days as eligible for "no-pay AFDC" and Medicaid for three months. At the end of the three months, such families are treated the same as families ineligible for cash assistance due to employment and are thus eligible for 12 months of transitional Medicaid coverage. This provision is known as the "in lieu of" policy: individuals who start a job and elect to receive Medicaid in lieu of cash assistance. Without this waiver policy these families would likely lose Medicaid eligibility as a result of the increase in earnings from the job. Maryland is operating its "in lieu of" policy under its Title XIX waiver. The Title XIX waiver expires December 31, 1999.

Anticipating the coincidence of PRWORA enactment and the approval of their waiver, Maryland welfare officials essentially submitted their Family Investment Program as their TANF Plan in accordance with the requirements of PRWORA. State welfare officials noted that these Medicaid eligibility changes were considered to be an important part of making diversion "work" under the FIP/TANF program.

In response to the delinking of Medicaid from cash assistance, Maryland officials established what they call "tag-a-long" Medicaid: if a person is eligible for cash assistance (TCA)

under FIP, then she is automatically eligible for Medicaid. A joint application is used for Medicaid and FIP. Maryland officials also reported that the income disregards for TCA are more generous than for Medicaid and are available to TCA applicants as well as recipients. For example, TCA applicants who have a job are allowed a 20 percent earned income disregard and TCA applicants who get a job while they are applying are allowed a 26 percent earned income disregard. Thus, the effect of tag-a-long Medicaid is twofold: 1) creates a group of TCA-eligible families receiving Medicaid whom otherwise would not have been eligible, and 2) creates a larger groups of families who can be diverted through job search and still get TMA.

Caseworkers in AADSS office described a scenario whereby if someone comes in to apply for assistance, is clearly eligible for temporary cash assistance (TCA) under FIP, and gets a job within 30 days of the application, then she can get Medicaid and child care for three months while her TCA case is held open with no payment. Subsequently she qualifies for an additional 12 months of Medicaid and child care services. These caseworkers described this policy as wonderful and noted that it is a very satisfying way to help families without them having to go on cash assistance. Thus, while there is a strong emphasis on getting families to work as quickly as possible and to avoid going on TCA, the caseworkers appear to have a powerful mechanism for getting these diverted families on Medicaid. Caseworkers also reported that the WAG payments are not used very frequently perhaps because this form of diversion doesn't seem as attractive as the "in lieu of" approach. Families receiving the WAG payment are automatically eligible for Medicaid by operation of Maryland's tag-along Medicaid policy. The WAG payment is not disregarded but the WAG recipients are deemed eligible for no-pay TCA for purposes of receiving Medicaid.

On the other hand, conflicting reports about the implementation of diversion under FIP seemed to suggest the possibility of potentially eligible families "failing through the cracks." As noted above, if at the end of four weeks the applicant has not complied with the applicant job search requirements or not been in touch with a job counselor, then her cash assistance/TCA application, and possibly her Medicaid application, is denied. The applicant receives a letter notifying her of the termination of her TCA application; this letter may also advise her to return to the AADSS office and reapply for Medicaid. There are no systematic efforts to determine why applicants drop out or fail to comply with the applicant job search requirements. Applicants who complete the job search without getting a job, however, will receive TCA and Medicaid.

During the process of applying for cash assistance and discussing work-related requirements with the employment counselors, there were conflicting reports about whether applicants are automatically encouraged by caseworkers to apply for other benefits such as Medicaid or informed that they can apply for Medicaid without applying for cash assistance. AADSS officials also reported that in the beginning their "in lieu of" cases kept getting "thrown out" of the MIS database because the cases were identified as ineligible. For several months, the only way AADSS caseworkers could process "in lieu of" cases was by hand; we were told that other counties simply weren't processing "in lieu of" cases due to the computer problems.

Subsequent to our site visit, AADSS officials made changes in their procedures designed to address concerns about people "falling through the cracks" and to improve participation in Medicaid. Officials had become aware that implementation difficulties, especially related to caseworkers clearly understanding the differences and similarities between applying for the two programs, had probably resulted in some of the

problems described above. The application and verification requirements for Medicaid have been made simpler and caseworkers have been given clear instructions about the need to process Medicaid applications completely notwithstanding the status of the cash assistance application. In addition, during the initial assessment process, clients are now asked about applying for Medicaid whether or not they identify this as a need and encouraged to apply for Medicaid. AADSS officials noted that many clients probably believed that applying for Medicaid was subject to the work requirements associated with cash assistance and that this may have discouraged them from following through on the Medicaid application. Caseworkers are making efforts to correct these misperceptions and AADSS officials believe that they have seen an increase in Medicaid applications as a result of these efforts.

Finally, the statistics kept by Anne Arundel County on client success in job search do not distinguish between people getting a job during applicant job search or people getting a job while receiving assistance. There is apparently no ability to link automatically data on formally diverted families with Medicaid data to assess these families' access Medicaid or TMA.

Implementation Issues

One of the biggest changes during implementation in 1995 for AADSS officials was the reorganization of staff into teams. Two co-managers lead a team consisting of two child support workers, five job counselors, two childcare caseworkers, three caseworker/intake workers, two receptionists, and a job developer. Local officials indicate that it was not difficult to reorient staff to the new approach because many supervisors and line staff were eager to approach their job differently. For some, identifying individual barriers to employment and helping recipients

overcome these barriers are the most rewarding parts of their jobs. Those most receptive to the change were selected to form the Job Center teams. Staff believe that the team structure works and value the integration and collaboration. Goals and tasks are set for teams as a whole. Moreover, teams allow workers to specialize in a particular area which is important given the high turnover in the office; new workers can be trained in one area rather than all of them.

> Because the major changes in the local welfare office (i.e., turning it into a job center) happened one year before the FIP was implemented statewide, the AADSS office did not make a big deal about informing the community about the changes due to FIP. Staff preferred to have people find out about the new approaches when they came to the office and also not to have the job center so visibly associated with welfare. Staff reported that most clients are very impressed by changes and respond well to the new atmosphere.

The state mainframe computer systems used for determining eligibility limit the ability of county/local office to implement certain innovative programs. In Annapolis, workers encountered problems implementing the "in lieu of" policy. The system would kick recipients off the rolls when earnings were entered. Workers had to manually record these cases until the problem was fixed. To fill some of the gaps in the state's mainframe system, AADSS has developed its own data system to collect data and to do analyses upon which to base its decision-making.

Outcomes of Diversion

The AADSS office makes repeated attempts to divert people into work and away from TCA as the applicant/client must go through a series of interviews in which staff are urging them to find other ways to support themselves, telling them a job will get them money faster than welfare, and requiring job search activities and pursuit of child support. On the other hand, AADSS offers a great deal of support for clients finding a job. There are additional challenges associated with supporting persons with mental health or substance abuse problems that AADSS has taken steps to address.

There were conflicting reports about whether the AADSS office's aggressive efforts to promote work instead of welfare and to discourage receipt of cash assistance may also mean that persons seeking cash assistance might not be encouraged to apply for other benefits such as Medicaid or that persons who fail to comply with job search requirements may not routinely be linked with Medicaid. As a consequence, there may be some potential for Medicaid-eligible families to "fall through the cracks."

In general, very few welfare applicants have been tracked to determine the direct outcomes of diversion on caseloads and the well being of the diverted applicants. AADSS office has made an effort to modify its data systems and to collect useful data. For 1997, they were not able to determine how many applicants got a job within four week of applying for cash assistance (i.e., were diverted through mandatory applicant job search) but did determine that they improved their overall rate of job placement by 12 percent over 1996. More recently, staff reported tracking 32 parents applying for TCA who were placed on mandatory applicant job search in April, 1998: eight (25 percent) looked for and could not find a job, 18 (56 percent) were non-compliant with up-front job search and had their cases closed, and six (19 percent) looked for a job and found one.

Other examples of success involving job search requirements reported by AADSS also represent overall assessments and do not reflect outcomes specific to diversion (i.e., applicants that find a job before actually receiving cash assistance). For example, in May 1998, of the 79 applicants/clients who reported getting jobs, 72 percent were employed within eight weeks of enrollment in the job search with an average hourly wage of $6.38. AADSS office also reports a very low recidivism rate: From September 1995 to November 1997, out of 1470 applicants who

found jobs as a result of the mandatory applicant job search, only 116 (7%) returned to receive cash assistance within 6 months of their job placement. Of the 931 people enrolled in job search who got jobs from May 1997 to May 1998, 24 percent will receive medical benefits.

Representatives of community based organizations (CBOs) and safety net providers (SNPs) had little knowledge and/or data about the diversion programs and how these programs might affect clients and their access to Medicaid. CBOs in Annapolis are worried that the kind of jobs that applicants are encouraged to take will not provide for a family. They are concerned about the message from AADSS staff to get a job any job. CBOs report seeing greater demands for food banks and community resources, but the effect of diversion on these trends is unknown. Safety net providers (SNPs) report seeing more uninsured families which they perceive to be a result of more strict Medicaid eligibility standards and low wage jobs that do not provide insurance coverage. Community advocates believe that low-income families have incomplete information about the Medicaid programs available to them but do not have any knowledge of or opinions about how the diversion efforts in AADSS might be affecting their access to Medicaid.

Missouri Site Visit Report – July 7 – 9 1998 Kansas City

Background

In 1992 Missouri established the Welfare Reform Coordinating Committee (WRCC). This committee was appointed by Missouri's Department of Social Services (DSS) to begin consideration of welfare reform. The committee, which included citizens from the private sector, offered recommendations to the state legislature to guide welfare reform in the state. These recommendations were instrumental in shaping Missouri's welfare reform legislation, HB 1547/961. The legislation passed in 1994. Missouri is one of the few states that did not pass any additional legislation after the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Since the legislature was unable to come to a consensus on an approach to implementing the state's TANF program, the program is currently being operated under administrative rule. That is, decisions about how to implement the program so as to be in compliance with federal mandates are made through the Missouri Department of Human Services.

The major component of Missouri's welfare reform package is the Futures program, a job training program. Futures assists TANF recipients in obtaining education, training, and employment. Although the Futures program is more work-oriented than in the past, Missouri has not completely shifted away from placing recipients into education and training programs. When federal welfare reform legislation was passed in 1996, Missouri added a diversion/workforce program in two regions of the state. The diversion program required four weeks of assisted job search and provided supportive services.

Applicant job search in Kansas City was implemented as part of its strategy to shift to a

more work-oriented, time-limited assistance system, as mandated by PRWORA. Staff felt that some applicants for assistance were job ready and with supportive services such as child care assistance, could move into the labor market without the intensive case management that the Futures program provides. With only 32 case managers (called Futures Advocates) and a caseload of more than 7,000 families, Kansas City anticipated it would need to conserve these limited resources for families who were not job ready in order to meet the federal work participation rates. Through a cooperative planning process with the Local Investment Corporation (LINC), Kansas City decided to implement a voluntary job search program for applicants who are job ready and a mandatory program for two-parent families. The hope was that if some applicants could find employment with minimal assistance, the Futures Advocates would be able to work with a smaller number of families, providing more intensive services to those with the greatest needs.

Program Structure

Workers in Kansas City have considerable discretion to determine who should be referred to applicant diversion. Workers have been instructed only to refer applicants who have no identifiable barriers to employment to applicant job search. Applicants who are typically referred for job search have recent work experience and have completed high school, but workers do not have any established criteria to use to determine if someone is job ready and is likely to succeed in applicant job search. Program administrators and employment and training providers do not think it was in the best interest of applicants to immediately refer applicants who are not job ready to an unstructured job search program. They also were concerned that sending large numbers of applicants who were not job ready to look for work would hurt their relationships with

employers.

Process for Applying/Eligibility

Applicant job search is not mandatory for most applicants in Kansas City. Only two-parent families are required to participate in mandatory applicant job search – and there are very few two-parent families who receive or apply for assistance. At the time of our site visit, there were only 50 two-parent families receiving assistance. Other applicants who are job ready are strongly encouraged—but not required—to participate. Workers meet with an applicant to determine if they are eligible for assistance using the standard eligibility criteria.

Applicants who are likely to be eligible for assistance are then assessed to determine if they meet the criteria for diversion. Applicants are classified into one of two levels of job readiness. Level One applicants are deemed ready for work and include those who receive worker's compensation or who have some recent work history, a particular occupational license or certification that will allow them to work. A Level One applicant is referred automatically to diversion. One worker estimated that, on average, three or four persons out of every 10 applicants are classified as Level One. Workers are encouraged to be conservative in their judgment about the job readiness of applicants. If there is any doubt about job readiness, workers will not refer the applicant to diversion. Level Two applicants are determined not to be job ready. They are referred to cash assistance and will eventually be referred to the Futures program where program participation will be mandatory.

Job Search Requirements and Assistance. Participants in Kansas City's applicant job search program are expected to participate in job search activities for 25 hours per week. Persons

referred to applicant job search have access to a resource room (opened in November 1996) and may receive individualized job search assistance. The resource room is linked to Missouri Works, an on-line statewide job bank. In addition, applicants may view videos on the specific aspects of the job search process. A staff person is available to provide assistance to applicants but the program was established with the expectation that their job search would be self directed, with guidance from a job search counselor as needed. If applicants need more assistance than is available to them through the resource room they may be referred to more formal job search classes operated by contracted providers, such as the Full Employment Council and the Women's Employment Network. These classes focus on topics such as writing a resume, completing an application, finding job vacancies, etc. Because job search is voluntary for most applicants, job counselors do not monitor the progress of persons who use the resource room. Instead, the job counselors depend on the applicants to ask for the assistance they need and to report back on the progress they have made. Level One applicants who do not find a job within four weeks will undergo a detailed assessment of their job readiness and will most likely continue to prepare to enter the labor market through participation in the Futures program.

Supportive Services. Kansas City has expedited procedures to authorize child care for families who find jobs through applicant job search. Approval for child care assistance may be received within one day.

Linkage with Medicaid/Role of Medicaid in Diversion

Missouri has plans for implementing changes in its Medicaid program that will provide coverage for most families diverted from assistance through participation in mandatory applicant job search. In the interim, Missouri is using an existing policy, "prior quarter coverage" to

provide Medicaid coverage to diverted families.

Under the authority of a Section 1115 Medicaid demonstration, Missouri is phasing in Medicaid expansions for children as well as adults; the expansion for children took effect on July 1, 1998, and the expansions for adults will become effective January 1, 1999. The waiver will expand Medicaid coverage to working poor adults: (1) uninsured custodial parents with income up to 100 percent of the federal poverty level; (2) uninsured noncustodial parents (i.e., fathers) with income up to 125 percent of the federal poverty level as long as they are current with child support; and (3) uninsured noncustodial parents participating in Parents Fair Share" program for unemployed or underemployed parents with income below 100 percent of the federal poverty level. In addition, the waiver provides adults receiving transitional Medicaid assistance and losing transitional benefits in/after January 1999, an additional two years of transitional coverage. They will remain eligible for transitional benefits as long as their income does not exceed 300 percent of the federal poverty level. Once this expansion is in place, families who find employment through Kansas City's applicant job search program will have access to Medicaid as will working poor families who find employment on their own. Furthermore, depending on their income, they may have access to two additional years of transitional Medicaid benefits.

Currently, Missouri applies what they call "prior quarter coverage" (i.e., retroactive eligibility) to all persons applying for assistance in a deliberate attempt to establish eligibility for transitional Medicaid benefits. Eligibility for transitional benefits requires receipt of Medicaid in three of the previous six months immediately preceding loss of Medicaid eligibility due to employment. By exploring retroactive eligibility for applicants, one, two, or three months of Medicaid eligibility may be established for the applicant. These months may be applied toward

eligibility for transitional coverage.

Missouri's approach to using retroactive eligibility in this context is uncommon. Traditionally retroactive coverage has been viewed as a method to allow providers that delivered services during the three-month retroactive period to claim Medicaid reimbursement for services rendered to the applicant. While Federal law requires that state Medicaid agencies determine Medicaid eligibility for all applicants who have unpaid medical bills during the previous three months prior to application, Missouri has maximized the utility of this policy to reach beyond providers and to provide a potential benefit to applicants as well. While this prior quarter coverage strategy may provide access to Medicaid for some diverted applicants it does not provide access for all. In particular, applicants with a recent source of income are not likely to be eligible for retroactive eligibility.

Implementation Issues

Retaining and reclassifying staff has dominated the implementation of applicant job search in Kansas City. Although few applicants are currently referred to Kansas City's applicant job search program, administrators view the implementation of the program as one piece of a broader agenda where some eligibility staff will take on greater responsibility for helping applicants and recipients find employment. Some self-sufficiency Case Managers, recently reclassified and promoted, will handle only TANF cases. They will help those who are job ready to find employment as quickly as possible and will provide more intensive case management for those with barriers to work.

Outcomes of Diversion

Kansas City worked with the Local Investment Corporation (LINC) to develop a separate

system to collect data on the families referred to applicant job search. LINC serves as the data link between the welfare office and the applicant job search program. When a worker refers an applicant to applicant job search he/she sends a copy of the referral form to LINC, who, in turn, sends, to the applicant job search program. The applicant job search program then resubmits the referral to LINC, noting whether the applicant participated in the program. LINC maintains the referral and follow-up information in an automated database. During the summer of 1998, 40 persons per month, on average, were referred to diversion but only 10 percent find employment (two to four per month). Only 50 percent participate in activities in the first week, with only 25 percent continuing to participate when they are approved for cash assistance. Kansas City expects to use the data they are collecting not only to monitor employment outcomes but also to monitor referrals into the program.

The data system is still under development. The welfare department and LINC are trying to determine what other data they should be collecting and how they will use the data to monitor the program. When fully developed, Kansas City's data system will capture information on employment outcomes as well as linkages with Medicaid, child care and other supportive services.

Some community-based organizations and safety-net providers are concerned about what is happening to people after they have been diverted or reach the time limit for cash assistance. They reported seeing more people with food needs, possibly as a result of Food Stamp changes. Some providers reported seeing women and children cut off from cash benefits. It appears that these benefit terminations are primarily a result of sanctions (e.g., failure to cooperate with child support enforcement) and not a consequence of diversion. Furthermore, some believed that welfare offices were not adequately addressing barriers to employment, such as substance abuse,

sexual abuse, and domestic violence.

Many representatives from Community Based Organizations viewed the Futures program favorably when it was first implemented. At that time, they noted, Futures provided intensive services, such as education and training. As a result of federal welfare reform, however, they believe the focus of the program has changed from moving people to work as quickly as possible. Advocates believe that diversion is successful when people want to work but believe that there is insufficient follow up for those persons who do not attend job search programs. More importantly, they state that there are very few jobs available at a living wage.

Safety-net providers are not experiencing major changes in the number of Medicaid patients. Most providers believe that the effects of implementation of mandatory Medicaid managed care (e.g., lower reimbursement) are much greater than welfare reform.

Montana Site Visit August 6-8 1998 Missoula County (Missoula)

Background

In 1996, Families Achieving Independence in Montana (FAIM) was developed and approved by DHHS as an AFDC waiver/demonstration program shortly before the enactment of PRWORA. FAIM consists of 73 individual waivers effective for eight years. Many people who were familiar with the welfare system in Montana were involved in FAIM's planning and development as well as key federal welfare officials. Thus, state officials believe that FAIM incorporates numerous innovative approaches to welfare. One notable provision that is more liberal that the federal TANF program is a generous allowance for post-secondary education to count as work activities. The stated purpose of FAIM is to promote self-sufficiency and job-retention. Montana's cash assistance TANF program has two components: 1) Pathways, which has a two-year time limit and standard work-related requirements, is available to all eligible TANF applicants, and 2) Community Service Program (CSP), which is available to some Pathways recipients who used their 24 months of assistance and has a three-year time limit, requires that recipient participate in 20 hours per week of work or community service. In addition, Montana created a lump sum payment diversion program call the Job Supplement Program as an alternative to receiving cash assistance for qualified families who instead can receive Medicaid and child care support as well as a lump sum payment.

Diversion Program Structure

The Job Supplement Program (JSP) is the lump sum payment diversion program and ostensibly provides lump sum payments for employment-related expenses. However, JSP appears to function primarily a mechanism for FAIM applicants to get Medicaid and child care

without getting TANF/cash assistance and the lump sum payments are used infrequently in Missoula County. A contributing factor to this may be that the lump sum payments are provided on a once-in-a-lifetime basis. The emphasis in JSP is especially on self-sufficiency through maintaining a job or some form of income.

The JSP program was deliberately designed by Montana officials to be a way to help families with health insurance and child care without having to enroll them in welfare. Participants in JSP are not subject to the Pathways/CSP time limits. As the program was implemented in Missoula County, families moving back and forth between JSP and Pathways became common. Thus, the program appears to have become valuable in terms of moving families off welfare, even temporarily, and saving months. This movement is also consistent with a particular emphasis of FAIM/JSP, if you lose a job, get another job, any job.

County officials emphasized the seasonal nature of work in Montana and the expectation that families will frequently be between and/or that work will not provide enough income to render a family ineligible for FAIM assistance (e.g., no living wage). In line with its reported original purpose, JSP functions as both an up-front diversion from cash assistance and a program to ease the transition from welfare to work. This characteristic of JSP as transitional assistance sold many community leaders on entire FAIM program during the development and implementation process because these leaders understood that families weren't just going to "thrown off" welfare without some transition assistance.

Program Process - Eligibility, Application Process

When families enter the Missoula County Office of Public Assistance (OPA), they immediately complete a 17 page application form with 52 questions, mostly in a yes/no format; this application covers eligibility for cash assistance/welfare, Food Stamps, and Medicaid. An Eligibility Assistant (EA) is available to answer any questions. The EA also provides the applicants with information about other services available in the community; frequently, potential applicants may be diverted by learning of other community services that might meet their needs. Upon completion of the application, applicants watch a 20 minute video about all of the programs available under FAIM while caseworker (called coordinator) is reviewing their application. After the video, applicants make an appointment with their caseworker/coordinators - this appointment frequently scheduled immediately on that same day.

The coordinators talk with applicants in more depth about their options under FAIM, and determine what option would be the best for each family. As the caseworker is discussing the families' needs, she will almost bring up the availability of the JSP program unless the family is absolutely destitute without income or housing. Coordinators reported that frequently families will ask about JSP. The video that applicants watch emphasizes the availability of JSP and stresses the services associated with JSP and the fact that the work-related requirements associated with Pathways do not apply to JSP. There is not a list of definitive qualifications for JSP participants. In addition to being eligible for FAIM, the only other requirement is that applicants must be employed or have some form of income to participate in JSP which income can include child support.

As part of the FAIM waiver provisions, the state eliminated the time limit on the earned income disregard and made it available to applicants for JSP as well as Pathways recipients. The earned income disregard is now 25 percent of earned income for as long as the family is eligible instead of $30 and 1/3 for four months. The effect of extending the earned income disregard to applicants for JSP is that more families are potentially eligible for JSP than for Pathways and thus more families will be eligible for Medicaid. This result is consistent with state officials' desire to make it easier for more families to get Medicaid.

Although recipients who meet these criteria are encouraged to participate in JSP, applicants may still apply for cash assistance. Participation in JSP in voluntary although

caseworkers do discuss with families the value of saving their TANF/FAIM months by opting for JSP. One caseworker noted that it is difficult to keep the right balance between emphasizing the right to apply for cash and creating pressure to divert. Despite, or perhaps because of, the flexibility regarding the qualifications for JSP, coordinators reported being able to determine easily for whom JSP was appropriate and that they can usually demonstrate to families how JSP is more beneficial to them than welfare. Coordinators reported that they are pleased to have the JSP option to offer families and believe that the availability of JSP has allayed fears about the transition from welfare to work. While the county director predicted about 10 percent of the caseload would be JSP, over the last two years, where AFDC/TANF caseloads have reduced from 1200 to 500, there are approximately 120 persons on JSP.

Other attractions of JSP for recipients include: no compliance with work requirements of Pathways, no signing of a Family Investment Agreement (no government intrusion), no reporting of income every three months, ability to get Medicaid with no strings and child care as an entitlement. The work-related lump sum payment is fairly strictly applied in terms of criteria, the maximum amount can be $1350 for a family of three and recipients are ineligible for FAIM assistance one two for one basis, i.e., cash payment equivalent to one month of FAIM assistance means two months of ineligibility.

Linkages to Medicaid/Role of Medicaid in Diversion

Using the AFDC waiver, Montana officials deliberately set out to make it easier to get and keep Medicaid. Consequently, they liberalized many of the income and resource eligibility criteria. For example, one motor vehicle is exempt irrespective of the value, the resource limit is $3000. With respect to earnings disregards, up to $200 per child is disregarded for incurred child care expenses, and then 25 percent thereafter of the remaining income is disregarded. This earned income disregard is available to JSP applicants as well as Pathways participants so it is to the advantage of families to apply for JSP in order to get the benefit of the earned income disregard. State officials also eased the requirements for transitional Medicaid assistance (TMA) in two

ways: 1) receipt of Medicaid for one month as opposed to three months is a qualifying event, and 2) change in unearned income as opposed to just earned income is also a qualifying event for TMA. Montana officials would have liked to extend TMA for an additional 12 months but during negotiations with DHHS, this particular waiver term was traded for others that were felt to be more desirable such as counting secondary education as work activity. TMA is used frequently by FAIM participants as they come on and off of the cash assistance programs. Montana's program offers only Basic Medicaid to adults, which is a more limited set of services provided under managed care arrangements, rather than the enhanced Medicaid available to children, pregnant women, the elderly, and the disabled.

It is apparent that there is a strong emphasis on ensuring that families are connected to Medicaid. In fact, it is safe to say that Montana's diversion program, JSP, is largely designed to link families with Medicaid and child care. Montana officials intended that efforts to divert families would be supported by changes in Medicaid eligibility criteria. JSP participants receive Medicaid as part of the program, and changes in eligibility make TMA available to diverted persons when they leave JSP. Moreover, state officials made deliberate decision to count the lump sum payment is counted as a resource rather than income so that hard to imagine exceeding $3000 limit but would spread over several months if need be. Montana is witnessing a small increase (around 6 percent) in Medicaid-only cases and state officials suggested that this may be due to the operation of JSP.

Implementation Issues

State-wide implementation of FAIM happened gradually in five phases/regions. Special teams composed of line workers as well as supervisors were established to travel across the State and be in place to assist with each region. Although they had little autonomy in determining the substantive provisions of FAIM and JSP, counties had the freedom to determine how the new programs would be implemented in terms of staff and office structure. In Missoula County, staff focused on teamwork and professionalism corresponding with the new focus on work and self-sufficiency. They tried to transform the atmosphere of their office to feel less like a welfare office

and more like an employment agency. The office was painted, new items were placed on the walls, and all staff/coordinators were given voice mail and business cards. Staff roles changed from eligibility workers to case managers focusing on their individual relationships with clients. Instead of spending 45 minutes with an applicant, the interview is now two to three hours with assessment of all needs and available resources. Coordinators (caseworkers) now work with their clients as long as their cases are open, and often get them back if a case is closed and reopened. This approach allows the coordinator to develop a trusting relationship with clients and be in a better position to assess their needs. As a result of these expanded responsibilities, Missoula County requires staff to have a college degree or several years of comparable experiences. The Missoula County welfare office, however, cannot necessarily compensate staff for their increased qualifications, and county administrators noted this as a problem. Although caseworkers got one salary upgrade related to FAIM, they are still underpaid relative to other comparable workers in the state doing less complex and demanding work.

An important aspect of successful implementation included that staff were given a good deal of support including an intensive training session, and case managers/representatives from other agencies would regularly come to OPA to inform staff of community resources available to clients. Up-to-date information about changes in FAIM was always made available. A staff workshop was conducted on how change affects everyone, staff as well as clients. Administrators made games for the staff as they converted caseloads, did stress relief, and worked hard to keep up morale during implementation.

Staff had different feelings about the changes; some were pleased with their new roles, and some were apprehensive about big changes and growing expectations. After two years, staff seem to be more pleased with their jobs because they have more freedom to offer concrete help. One caseworker noted, however, that more case management training was needed.

The director of Missoula County OPA spent considerable time informing and involving

community leaders in the changes. One requirement of FAIM implementation was the establishment of Community Advisory Councils in each county that have responsibilities for overseeing the progress of the implementation of FAIM and participating in decisions about program design. The director of the Missoula County OPA also spent considerable time communicating about changes in welfare to community organizations, social service providers, and other community leaders in order to create a sense of community responsibility for FAIM's success, particularly in the creation of good jobs. The JSP component was particularly popular with community groups because of the perception that this program would facilitates the transition from welfare to work and lessen the likelihood that families would be thrown off of cash assistance.

Effects or Outcomes of Diversion

Informants could provide little evidence for Missoula county that links changes associated with diversion efforts to specific outcomes and/or effects such as drop in welfare rolls or changes in Medicaid rolls. In fact, comments from state and county officials suggested that non-cash Medicaid rolls are probably up due to the operation of JSP. Nevertheless, informants provided interesting information on this topic from a range of perspectives: state and county officials, safety net providers, and community groups.

Welfare rolls in Missoula have declined from 1200 to 500 from the Spring of 1996 to the Spring of 1998. It is difficult to say what specific effect the diversion program JSP might have had on this decline. There is very little tracking being done on who is being diverted and what has happened to these formally diverted families although there is certainly clear sense that many of these families are moving back and forth between JSP and Pathways. It is also important to note

that not all diverted families under JSP would have been eligible for Pathways due to the operation of the 25% earned income disregard. The county director reported that Missoula County is in the process of developing their own county-based computer capacity to do an analysis on who uses the program, how much assistance is given, and how long people are on JSP or Pathways as they are presently unable to get these data from the state system.

County officials and caseworkers reported that clients had different reactions to the reforms. Many felt a sense of relief that they would not lose everything, particularly Medicaid, and were anxious to get off of welfare because of the stigma attached. One coordinator reported that in July, 40 percent of her new FAIM cases requested to be placed in JSP. The county director believes that welfare offices in Montana are going to have to pay closer attention to people who cycle on and off welfare, and child care is going to have to be a priority. Expenditures for child care are currently more than state officials expected to spend. However, child care, along with Medicaid, is considered as entitlement support services for JSP participants and state officials are working with state legislators to find other funds for these services.

It is difficult to estimate effects of diversion on Medicaid While state officials noted a six percent increase in the Medicaid rolls, a Missoula County official said Medicaid might be down by five percent primarily among children. In general, the safety net providers (SNPs) were not aware of systematic reductions in their Medicaid patients or revenues that could be attributed to diversion programs and/or to welfare reform/FAIM. One community health center reported that Medicaid patients have dropped from 12 to six percent of their total patients. Representatives from the local public hospital reported a 40 percent reduction in Medicaid inpatients from 1996 to 1998, and 37 percent reduction in Medicaid patients in the emergency room but did not seem to report a corresponding drop in Medicaid revenues.

In general, the representatives from community groups acknowledged that they were not directly involved in FAIM/welfare reform implementation and evidenced little specific knowledge about the JSP program. Community groups in Missoula County are concerned that low income

families are not getting the services that they need. Community organizations and service providers report seeing more people in food pantries and homeless shelters. Some recipients of these services are identifying that changes in welfare brought them to these agencies. One hospital representative reported that service needs such as housing, food and child care increasing at about 25 to 30 percent both in terms of volume and acuity. Another informant reported seeing a 37 percent increase in housing support needs. Housing is also a big problem in Missoula where prices are high and low income families are competing with students for places to live. Many advocates are worried that JSP is being encouraged inappropriately for families who may benefit more from cash assistance and extra services. They believe applying for welfare is difficult and caseworkers are discouraging or not informing recipients of further services. They see JSP as more of an up front diversion rather than a transition from cash assistance and concerned that Montana has very few livable wage jobs for these people. These representatives believed that post-secondary education is discouraged, and child care funding is being cut.

Community advocates in Missoula County are also worried that low income families/welfare applicants are not receiving the information that they need about Medicaid due to lack of outreach. One community-based advocacy organization, Working for Equality and Economic Liberation (WEEL), is working with the Children's Defense Fund to survey former welfare recipients as to where they go after they leave assistance and what their experiences are with gaining access to community social and health services. Families may find applying for assistance demeaning, but they may be willing to apply for Medicaid only; however, many low income families do not appear to know that they can receive Medicaid separately. WEEL representatives assert that there is a lack of state public relations efforts to provide information about the changes in Medicaid related to welfare reform/FAIM and a failure to use community informants including FQHCs, health departments, and DSH hospitals, to help address this PR problem, and believe that sanctioned FAIM participants are not told they are eligible for Food Stamps and Medicaid. On the other hand, county officials describe intensive and ongoing efforts to inform and educate the community and assert that all notices to sanctioned families does include information about how to maintain or reinstate Medicaid and Food Stamps benefits.

Ohio Site Visit Report June 20-22 1998 Hamilton County (Cincinnati)

It is important to appreciate that Ohio's general approach to governance is highly devolved to counties. There are county boards in numerous service and program areas with substantial fiscal and substantive authority. Counties are also responsible for raising significant portion of funds necessary to operate the state-authorized and county-administered programs. While the general principals of Ohio's welfare reform programs, including diversion programs, apply across the state to all counties, many elements of these programs can vary substantially by county. The following discussion of diversion in Ohio is based on a site visit to Hamilton County (Cincinnati) and is specific to that county's experiences.

Background

Ohio's diversion program, Prevention, Retention, and Contingency (PRC), was established in 1997 as part of Ohio House Bill 408 which established Ohio's TANF program, Ohio Work First (OWF), and also devolved substantially more authority for administering human services from the state to the counties. PRC is described as a program designed to help people overcome immediate barriers to achieving or maintaining personal responsibility, thereby preventing the need for ongoing public assistance. Prevention concerns services that can help prevent families from having to go on public assistance; retention concerns services that can help families stay employed or retain their jobs, and contingency concerns services that will alleviate or partially alleviate an emergency situation for families. The "P" and "R" are diversionary in nature, the "C" is comparable to emergency assistance.

Each county in Ohio has substantial discretion and authority to determine what the various components of their OWF programs look like - these components can include all three types of

diversion: lump sum, alternative resources, and mandatory applicant job search. The state did provide a model framework providing parameters for basic elements of these program within which parameters the counties could design their approaches. Each county must enter into a partnership with the state thereby gaining approval for their approach to OWF and how they will spend their state dollars. Hamilton County has chosen to implement just PRC, which can include provisions for lump sum and alternative resources, and not mandatory applicant job search. Implementation began in January 1998.

Diversion Program Structure

Hamilton County's version of PRC, sometimes known as Hamilton County Family Boost is described as using common sense to meet three goals: divert parent facing short-term problems from applying for welfare, keep employed parents on the job, and take care of isolated family emergencies before they mushroom into crises. "Family Boost in a short-term investment in people who hit a snag while playing by the rules." Participants can be eligible for help with immediate needs such as car repair, rent, and utilities in order to find a job or remain employed. These services are made available in the form of vouchers and cannot exceed $300 in value.

In Hamilton County, PRC (or perhaps more accurately the "P" and the "R") has essentially been privatized through a partnership between Hamilton County Department of Human Services (HCDHS) and a private, not-for-profit agency Accountability and Credibility Together (ACT). This agency was created through the collaboration of five major non-profit agencies providing a range of social services in Hamilton County specifically as a vehicle for delivering PRC services. This approach to implementing PRC is unique to Hamilton County in Ohio. Participation in PRC is voluntary and diverted families can elect to receive services either

from ACT or HCDHS.

Program Process - Eligibility, Application Process

PRC is available only to persons applying for assistance who already have employment, are on the verge of losing employment, or are in the process of getting work and need short-term assistance. Eligible families can have incomes up to 150% of the federal poverty level in contrast to OWF/TANF where the income threshold in 100% of the federal poverty level. All applicants must be prescreened by filling out a short state-required application which is reviewed to ensure that the applicant is not already receiving assistance or that she doesn't fall into certain categories of people ineligible for services such non-U.S. citizens, fugitive felons, probation and parole violators, individuals with outstanding fraud payments, applicants with previous OWF sanctions, and applicants not cooperating with paternity establishment/child support orders. If the applicant passes the prescreen, she must participate in an orientation session before participating in the intake interview. The orientation session is conducted by a county worker, lasts about 15 minutes, and emphasizes work requirements, responsibilities associated with the personal responsibility, and the need to achieve self-sufficiency as soon as possible through work. The orientation also discusses PRC. After the orientation, the applicant meets with the intake caseworkers, known as employment coaches (EC).

The EC is supposed to do another general screen for the applicants needs to determine whether she is appropriate for PRC. The EC also describes the various programs available to the applicant. Before offering PRC to an applicant, caseworkers make sure that PRC benefits will cover their needs and that the applicant meets the work-related criteria. Caseworkers tend to discourage pregnant women from participating because they will have a harder time keeping

and/or finding job. That PRC is available to families with incomes of 150 percent of the federal poverty line means that there are a group of families eligible for PRC who would not be eligible for cash assistance or Medicaid because the income threshold for TANF and Medicaid is 100 percent. Once applicants are screened for PRC services, persons applying for PRC complete a PRC application, and if determined eligible, and must complete and sign Personal Responsibility Agreement. The EC can offer up to $300 worth of vouchers for needed services or can refer the family to ACT. There are no penalties associated with participating in PRC such as a period of ineligibility for receiving cash assistance under OWF.

Families referred to ACT must fill out additional forms and agreements at the ACT office. The ACT staff do another assessment of the families to determine the range of their needs. ACT is able to offer much more comprehensive services to diverted families and there is not a dollar limit on the value of the services provided to ACT families. Basically, whatever need shows up that is work-related, ACT is expected to address (e.g., counseling sessions for a child so that he can stay in daycare and let parent work). On the other hand, families usually must to participant in certain activities in order to receive services (e.g., attend a budgeting class or taking a child regularly to the doctor).

Caseworkers/ECs reported that, although they received training, the criteria for PRC eligibility was not very clear and they were uncertain about determining what applicants might be appropriate for PRC and appropriate for referral to ACT. The HCDHS director noted, as well, that a screening tool is currently being developed and that screening was an area of weakness for her office. The director of ACT stated that most of the referral from ECs are appropriate. She also noted that initially ECs were referring very few families (e.g., 12 per month), but then she

held a lunch meetings with the ECs and talked extensively about ACT and the result has been a substantial increase in monthly referrals (e.g., 59 per month). ECs also reported that, when families/applicants hear about the range of services potentially available through ACT, they are usually eager to participate. Especially for families with incomes between 100 and 150 percent of federal poverty level, PRC is probably the only major assistance program for which they would be eligible.

As noted above, the PRC is a separate application from the OWF application. The PRC application is done by hand but the ECs reported that they will also use the computer-driven application to determine if a PRC-diverted family is eligible for other services such as Medicaid or Food Stamps. The ACT director reported that she also ensures that the eligibility of referred families for other services has been considered.

Although the state sets the maximum PRC benefits at $1800, participants receiving services directly from Hamilton County get only $300 worth of vouchers for services per individual PRC application. These services include items such as work clothes that do not require extensive estimates or cost comparisons among vendors. If the applicant is referred to ACT, HCDHS will pay ACT $300 per applicant per month up to three months provided the applicant stays off OWF for three months. Because ACT must provide all services necessary to solve underlying problems, this means that ACT has the freedom to give clients more extensive services such as counseling, parenting classes and car repair estimates. However, if costs exceed the $900 or the participant goes on welfare within three months, ACT must absorb the costs. ACT tends to focus on dealing with preventable crises by addressing underlying issues. Overall, ECs and ACT staff reported that participants seem to prefer the ACT office because they feel that they can

trust the staff, the atmosphere is less sterile and more open, and ACT can provide more than the welfare office alone.

Link with Medicaid/Role of Medicaid in Diversion

State officials have made no major changes in the Medicaid program in response to any aspects of OWF including the diversion component PRC. In general, they made it easier for two-parent families to be eligible for Medicaid by allowing two-parent families two earned income disregards when both parents works. There are no special income disregards to accommodate PRC-diverted families although a state official noted that diverted families would still be eligible for Medicaid because the program allows a gross income of $980 per month for a family of three. In addition, state Medicaid officials decided to continue certain provisions of the welfare demonstration program (1115 AFDC waiver): waiving the non-relative caretaker requirements and the 100-hour rule for two parent families.

The link between Medicaid and TANF/OWF has been maintained administratively in that if a family is eligible for TANF, they are "automatically" eligible for Medicaid. Despite the separate PRC application process, county officials felt confident that the state MIS system and automated process was being used to ensure that Medicaid as well as other applications would be processed for everyone. ECs also noted that application for other services are fully processed no matter what happens to the OWF application. It may also be true that participating in PRC and being referred to ACT may ensure that Medicaid applications are processed as ACT services would probably frequently involve health services.

State officials noted that there had been some discussion about how to deal with Medicaid eligibility for a someone who got a job right away by extending OWF eligibility for three months

but a series of meetings on this topic did not lead to any policy changes - apparently there continues to be confusion about the scope and authority of Section 1931. The state has apparently opted for a more conservative approach with Medicaid (i.e., no fiscal impact) by focusing primarily on keeping the automatic link between TANF and Medicaid, and by using outreach efforts to get more people to apply for Medicaid.

Community-based informant comments strongly indicated that there is a substantial lack of knowledge in community, in particular among potential beneficiaries, about the fact that one is able to apply for Medicaid independent of OWF (i.e., without having to apply or be found eligible for OWF). In fact, the social work and social services administrator of a major, very large safety net provider talked about trying to understand the new "work-related" eligibility requirements for Medicaid.

Implementation Issues

Staff resistance to reform was and continues to be the greatest challenge during the implementation of PRC. In response to this, HCDHS director reorganized the office and staff functions and also tried to place existing staff in positions in which they would be comfortable. Intake and ongoing caseworkers called Employment Coaches (ECs). Where ECs are dealing with OWF applicants, they are required to describe complicated rules, sanctions, and work requirements to recipients and do a range of assessment and eligibility functions. Most staff were resentful of their changing roles as an EC as they were no longer expected to be just eligibility workers, but now had to become more of a social worker. In order to integrate the resistant case workers, office leaders broke down existing staff into three types of ongoing ECs: (1) those who worked with the OWF caseload and tended to be more excited about the new roles, (2) those who

did only Food stamps and Medicaid, and (3) those who did child-only OWF and Medicaid. Staff resistance decreased when caseworkers were allowed to choose among these positions.

Staff training has been difficult because the state failed to provide promised training in a timely fashion, it is difficult to pull staff off of caseloads to be trained, and there is high turnover among staff. HCDHS managers worry that staff have poor assessment skills and may miss applicants with domestic violence, mental health and substance abuse issues. During welfare reform, change was happening so fast that many workers could not keep up with the programs and complained that administrators were not keeping them informed. ECs do not feel like they understand PRC because it was implemented more recently and without as much warning as welfare reform. At first, some staff resisted referring clients to PRC because they did not understand the program well. Furthermore, the CRIS-E eligibility computer system also poses problems in trying to implement new programs. For example, the system tends to indirectly divert clients by erroneously kicking them off the system. CRIS-E has lots of maintenance problems. County officials noted as an example of the lack of adequate state support that only 100 central office staff are available to work on the system where as in Florida, which has a comparable system, 200 central office are available to work on the MIS system.

The lack of state funds for computer assistance and staff training has contributed to these implementation problems. Hamilton County also was unhappy with the state support that they were receiving. Ohio House Bill 408 required the Ohio Department of Human Services (ODHS) to enter into a partnership agreement with each of the counties. Under Hamilton County's agreement, the State would provide funds for numerous activities to support persons obtaining or maintaining employment such as child care in bordering states. For example, a Hamilton County

parent working at the Kentucky Airport could get a voucher to receive child care in Kentucky. On other issues,

however, ODHS has not always been supportive. HCDHS officials reported that, while counties bear a great deal of the cost of and responsibility for welfare reform, they lack the freedom to be creative to find solutions.

Outcomes of Diversion/Potential Effects Associated with Diversion

According to an HCDHS report, Hamilton County welfare cases dropped from approximately 12,000 to 11,000 between January and March of 1998; there has been a 50% decrease in the welfare rolls during the last two years. HCDHS would like to bring caseloads down even further. The director of HCSDHS would also like to implement a mandatory job search once there is enough staff. She believes that this requirements would help push people into work more readily.

The director does not, however, have any information specifically about the PRC program in terms of the type of client who participates and how they do. She also did not offer a clear sense of what "success" with PRC would mean in terms of overall numbers although she did describe a couple of cases where a family was helped significantly with complex problems by being referred to ACT. There is hope that the state will improve its data system. The ACT director reported that she is currently instituting a data system whereby she will track ACT clients and analyze their performance. County staff are required to use the state automated eligibility system that does not generate management reports for PRC.

The Medicaid rolls have also dropped significantly since TANF/OWF was implemented: between 1996 and 1997, the rolls dropped overall by 18 percent. Reportedly, a six percent rise in

Medicaid enrollment during the early months of 1998 was likely due to the implementation of Healthy Start/CHIP program. It was difficult for anyone to attribute the drop in Medicaid to one cause (i.e., welfare reform versus good economy) and with PRC being a new program, it was impossible to attribute drops in Medicaid to diversion. One FQHC network documented a sharp rise in the uninsured during the last two years--43 percent to 51 percent--and a similar drop in the number of Medicaid patients/revenues--14 percent drop. One CHC director noted a 30 percent drop in Medicaid patients over the last 3 to 4 years. In general, it was not possible for any of the safety net provider informants to disaggregate the impacts of managed care and welfare reform on their Medicaid patients and revenues. SNPs attribute the changes in Medicaid rolls to a variety of factors: more people working at low wage jobs, people losing welfare, informal diversion from OWF, and lower motivation to apply for Medicaid when families can get free care at clinics. Most SNP and CBO informants were not very aware of PRC and diversion. No data exist on why people lose their Medicaid coverage.

Although they know little about Hamilton County's formal diversion program, community based organizations (CBOs) and safety net providers (SNPs) believe that many eligible families are being informally diverted from welfare through onerous paperwork requirements, work requirements, sanctions, and caseworker/computer error. OWF/Medicaid recipients have reporting requirements every three months involving documentation from employers, landlords, etc. Visits to DHS often involve long lines and delays. CBOs believe that recipients are finding work requirements difficult to complete, and sanctions result in temporary ineligibility for cash assistance. Furthermore they worry that sanctions may be distributed somewhat indiscriminately among caseworkers because of pressure to meet certain work-related caseload requirements in

order to receive more money from the State. Legal aid attorneys see about 12 to 13 sanction cases per week. HCDHS officials, however, say the office gives very few sanctions. CBOs have also noted many incidences when recipients have been erroneously kicked off the system by CRIS-E or caseworkers have lost client paperwork. Data from a report apparently prepared by the state to meet federal reporting requirements indicated that between 50 to 60 percent of OWF terminations were the result of procedural failures which could mean any manner of paperwork mistake, caseworker error, or minor failure of the family to comply, compared with the relatively lower termination rates of 5 to 10 percent due to failure to comply with work requirements or 20 to 40 percent due to increased earnings.

CBOs/SNPs also believe that HCDHS is not doing a good enough job publicizing the availability of Medicaid programs, particularly the ability of families to apply for Medicaid and not OWF. There is either confusion or a complete lack of knowledge about the availability of the PRC program and ACT services.

We did interview several individuals who participated in ACT - their attitudes about the program were quite wide-ranging. One family reported that ACT had made a complete difference in her life due to the fact that she was not treated like a low-life and was given a great deal of respect and self-esteem in working the ACT staff. Another family reported successfully receiving a wide range of services from the ACT that were tailored to family needs. Finally, a single mother reported that she found the ACT process burdensome and demeaning in that there were more forms to complete with ACT and you were told to go to certain services like parenting or budgeting classes.

Specific effects of PRC on the well-being of recipients are unclear without further

information. Potential sources of future data include: (1) a survey sponsored by the Children's Defense Fund to determine their public benefits history and the reasons families gain and lose health insurance and other supports, (2) data collected by the ACT computer system on such things as number of children, work profile, services used, cost per diverted client, and length of time in PRC, and (3) potential improved hospital and community health center tracking systems to determine if their efforts to increase the number of people receiving Medicaid is going to be successful.

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[1] Holcomb, P., Pavetti, L., Ratcliffe, C. & Reidinger, S. (1998). *Building Employment Focused Welfare Systems: Work First and Other Work-Oriented Strategies in Five States*. Washington, DC: The Urban Institute, March.

[2] Maloy, K., Pavetti, L., Shin, P., Darnell, J., Scarpulla-Nolan, L. (1998). *A Description and Assessment of State Approaches to Diversion Programs and Activities Under Welfare Reform*. Washington, DC: Center for Health Policy Research, The George Washington University Medical Center, August.

[3] As of Summer 1998, states with lump sum: AR, CA, CO, FL, ID, IA, KY, ME, MD, MN, MT, NC, OH, SD, TX, UT, VA, WA, WV, WI; states with job search: AL, AZ, AR, GA, ID, IN, KS, MD, MO, NV, NY, OH, OK, OR, SC, WI; states with alternative resources: FL, ID, MD, MT, NY, TX, WI.

[4] It is important to note that, at the time of this report, neither Maryland nor Montana has received approval from HCFA to continue these policies under the authority of Section 1931.