

Anti-poverty programs discourage work and moving to higher income levels **

Assume we have a hypothetical family of 4 at 138% of poverty in Montana (\$35,500 in annual family income). Two married adults, two children (pre-school age) family would be eligible in Montana for the following programs in addition to Medicaid Expansion:

- a. **Medicaid Expansion:** A four-person family is eligible at 138% of poverty or \$35,000. The benefit is worth about \$7,760 per adult or **\$15,520** in annual benefits (\$1.49 billion divide by 96,000 participants.)
- b. **LIEHAP:** energy assistance programs if under 150% of poverty (\$38,625 for a family of 8). The benefit available is \$107.00 to \$3,345 per year. I don't include this in our calculation because we have only a family of 4, however there are families qualifying for Medicaid Expansion that do have a family of 8 or more that would qualify. [LIEAP benefits](#)
- c. **Childcare:** Childcare assistance for under 150% of poverty or \$38,625 for a family of 4. Assistance at 138% of poverty would be about **\$4,200** per year for a family of 4. Two parent families can get this credit if they work at least 15 hours per week or 120 hours per month as a couple. [Childcare subsidy](#)
- d. **WIC:** Women, Infants and Children, food assistance for under 185% of poverty (\$47,637 for a family of four) [WIC benefits](#) .
- e. **SNAP:** (food stamps) for under 200% of poverty or \$50,200 for a family of 4. The average cost in MT is **\$5,600** for a family of 4 per year) [HMK benefits](#) [Cost SNAP per person page 7](#)
- f. **CHIP:** Average cost per child in MT is **\$3,529.00**. Therefore, the benefit to the family is **\$7,058**. CHIP is available for families under 250% of poverty or \$62,750 for a family of 4. [CHIP benefits](#) [Cost of Medicaid \(CHIP\) per child page 7](#)

Therefore, this hypothetical family would be eligible to receive either directly or indirectly approximately \$32,000 in benefits/ value of benefits from the state. Because of the way these benefits "cliff" out, there is a clear disincentive to move up in family income. A family who increases their income just \$1,000.00 moving them above 138% would become ineligible for Medicaid Expansion. Consider the lost benefits at the following income increases:

- g. Increase household income \$1,000: Lost benefit is Medicaid Expansion or \$15,520 for the two adults. The family would need to go on the exchange for insurance.
- h. Increase household income by another \$2,100: Lost benefit is Child care assistance or \$4,200 per year.
- i. Increase income by \$14,700 and you lose SNAP benefits of \$5,600
- j. Increase income by \$27,250 and you lose your CHIP benefits of \$7,058
- k. Income increase is \$27,500 and lost benefit value is about \$32,000.

What has happened? The effective tax rate on the increase in income for this family to replace their benefits is over 100%. Did this family have incentive to move up in income?

** Calculating benefits is difficult. We have likely missed benefits such as section 8 housing and other benefits. Different states allow benefits at different levels of poverty. There are income disregards and exceptions to qualify which may help them avoid cliffing out.

